THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shenzhen International Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Shenzhen International Holdings Limited
深圳國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00152)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHENZHEN INVESTMENT INTERNATIONAL CAPITAL HOLDINGS INFRASTRUCTURE CO., LTD.; (2) RE-ELECTION OF RETIRING DIRECTOR AND NOTICE OF SPECIAL GENERAL MEETING

德健融資有限公司
DAKIN CAPITAL LIMITED

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

A notice convening the SGM (as defined herein) of Shenzhen International Holdings Limited to be held at Conference Room, 16th Floor, Shenzhen International Building, 8045 Hongli West Road, Futian District, Shenzhen, China on Friday, 10 December 2021 at 9:30 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend and vote at the SGM, you are requested to complete the accompanying form of proxy and return it to the branch share registrar of the Company (as defined herein), Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

To safeguard the health and safety of the Shareholders (as defined herein) and to prevent the spreading of the novel coronavirus ("**COVID-19**") pandemic, the following precautionary measures will be implemented at the SGM, without limitation:

- compulsory body temperature screening/checks;
- mandatory wearing of surgical face masks;
- appropriate distancing and spacing in line will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding;
- no refreshment or souvenirs will be provided at the SGM; and
- any person who does not comply with the precautionary measures to be taken at the SGM, or is subject to any quarantine prescribed by Shenzhen Municipal Government of China may be denied entry into the meeting venue.

For the health and safety of Shareholders, the Company encourages Shareholders NOT to attend the SGM in person, and advises the Shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

24 November 2021

CONTENTS

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

%	per cent
"Acquisition"	the acquisition of the Sale Shares as contemplated under the Sale and Purchase Agreement
"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Agreed Period"	three months prior to the fifth anniversary of the Previous Placing Completion Date
"Amended JV Articles"	the amended articles of the Xintang JV dated 10 September 2020 entered into and adopted by the Parties
"Amount Payable"	HK$2,450,034,805.18, being the amount payable by the Purchaser to the Seller for the Sale Shares under the Sale and Purchase Agreement
"A Shares"	domestic shares with nominal value of RMB1.00 each in the ordinary share capital of Shenzhen Expressway, which are listed on the Shanghai Stock Exchange and traded in RMB (Security Code: 600548)
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Bay Area Development"	Shenzhen Investment Holdings Bay Area Development Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00737), and is a non-wholly-owned subsidiary of the Target Company
"Bay Area Development Group"	Bay Area Development and its subsidiaries
"Bay Area Development Share(s)"	ordinary share(s) of par value HK$0.1 each in the share capital of Bay Area Development
"Bidding"	the bidding for the land use rights of the Project Land by the Xintang JV
"Board"	the board of directors of the Company
"Business Days"	working days of licensed banks in the PRC and Hong Kong, except Saturdays, Sundays and statutory holidays in the PRC and Hong Kong
"Bye-Laws"	the bye-laws of the Company (as amended from time to time)
"CMF Disposal"	disposal of the Previous Placing Shares by CMF Fund to independent third parties

"CMF Fund"	CMF Global Quantitative Stable Segregated Portfolio, the placee under the Previous Placing and a shareholder of Bay Area Development interested in approximately 9.45% of the total issued share capital of Bay Area Development
"CMS"	China Merchants Securities Co., Ltd., the financial adviser of Shenzhen Expressway in the PRC in respect of the Transactions
"CMS Valuation Report"	the valuation report on Bay Area Development issued by CMS on 12 July 2021
"Company"	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00152)
"Completion"	completion of the Sale and Purchase Agreement
"Completion Date"	the date of the Completion, being 20 Business Days after the date of the delivery of the Conditions Satisfaction Notification (or such date as otherwise agreed in writing by the Purchaser and the Seller)
"Conditions"	the condition precedents to the Completion
"Conditions Satisfaction Notification"	the written notification from one party of the Sale and Purchase Agreement (as the case may be) to the other party of the Sale and Purchase Agreement that all Conditions have been satisfied
"Consideration"	the consideration of the Sale Shares, estimated not exceeding HK$10,479,000,000
"Contingent Consideration"	the aggregate of (i) the amount payable by the Purchaser and Shenzhen Expressway to SIHCL and/or the Seller under the Payment Obligation Agreement and (ii) the amount of tax arising out of the Transactions payable by the Purchaser, which is estimated to be no more than HK$139,000,000
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Disposal"	the Target Group (through Shenwan Infrastructure) and GPCG (through Guangdong Highway Construction) disposed of an aggregate of 60% equity interest in the Xintang JV (representing 22.5% equity interest held by Shenwan Infrastructure and 37.5% equity interest held by Guangdong Highway Construction) together with their respective rights in the corresponding proportion of the shareholder's loan to Xintang JV (including the outstanding accrued interests thereof) through public listing

"Encumbrances"	(i) any valid mortgage, pledge, charge, lien, rights of preemption, guarantee, trust arrangements or any other similar restriction on rights securing, or conferring any priority of payment in respect of, any obligation of any person; (ii) any valid lease, sub-lease, occupancy agreement or covenant granting a right of use or occupancy to any person; (iii) any valid proxy, power of attorney, voting trust agreement, beneficial interest, option, right of first offer or refusal or other transfer restriction in favour of any person; and (iv) any adverse, legal and valid claim as to title, possession or use
"Enlarged Group"	the Group as enlarged by the Acquisition
"Executive"	The Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"GPCG"	Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司) and its subsidiaries collectively (including Guangdong Highway Construction, Lealu Investment and Leaxin Investment)
"Group"	the Company and its subsidiaries, including the Shenzhen Expressway Group
"GS Expressway"	Guangzhou-Shenzhen section of G4 Beijing-Hong Kong-Macao Expressway
"GS JV"	Guangzhou-Shenzhen-Zhuhai Expressway Company Limited*(廣深珠高速公路有限公司), the joint venture established for the GS Expressway, which Bay Area Development is entitled to 45% profit distribution right
"Guangdong Highway Construction"	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), the PRC joint venture partner of GS JV and a company established in the PRC with limited liability and a non wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being a state-owned enterprise established in the PRC
"GZ West Expressway"	Guangzhou-Zhuhai West Expressway, also known as the Western Delta Route
"GZ West JV"	Guangdong Guangzhou-Zhuhai West Expressway Company Limited* (廣東廣珠西線高速公路有限公司), the joint venture company established for the GZ West Expressway, which Bay Area Development is entitled to 50% profit distribution right
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"H Share(s)"	the overseas listed foreign share(s) with nominal value of RMB1.00 each in the ordinary share capital of Shenzhen Expressway, which are listed on the Main Board of Stock Exchange and traded in Hong Kong in HK$ (Stock Code: 00548)
"Independent Board Committee"	the independent board committee of the Company formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement, Payment Obligation Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Dakin Capital"	Dakin Capital Limited, a corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser appointed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement, Payment Obligation Agreement and the Transactions
"Independent Shareholder(s)"	Shareholders who are independent of SIHCL and its associates and are not required to abstain from voting on the relevant resolution at the SGM
"JV Agreement"	the joint venture agreement dated 29 November 2019 entered into among the Parties in respect of the establishment, management and operation of the Xintang JV
"JV Articles"	the articles of the Xintang JV dated 29 November 2019 entered into and adopted by the Parties, in conjunction with the JV Agreement
"Latest Practicable Date"	18 November 2021, being the latest practicable date for ascertaining certain information for inclusion in this circular
"Lealu Investment"	Guangzhou Lealu Investment Company Limited* (廣州利路實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Highway Construction
"Leaxin Investment"	Guangzhou Leaxin Investment Company Limited* (廣州利新實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Leatop Real Estate Investment Co., Ltd.* (廣東利通置業投資有限公司)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Measures"	Measures for the Supervision and Administration of State-owned Shares of Listed Companies jointly issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance of the PRC and the China Securities Regulatory Commission (Decree No. 36) (中國國務院國資委、中國財政部、中國證監會聯合發佈的《上市公司國有股權監督管理辦法》(36號令))

"MOU"	the memorandum of understanding dated 15 March 2021 entered into between Shenzhen Expressway and SIHCL, pursuant to which, SIHCL intended to transfer its indirect interests representing 71.83% of the total issued share capital of Bay Area Development to Shenzhen Expressway
"MOU Deposit"	the earnest money of HK$10,000,000 paid by the Purchaser to the Seller on 19 March 2021 pursuant to the MOU
"New JV Agreement"	the joint venture agreement dated 10 September 2020 entered into among the Parties in relation to the Xintang JV
"Parties"	Shenwan Infrastructure, Lealu Investment, Leaxin Investment and Shenzhen Run Investment
"Payment Obligation Agreement"	the agreement dated 10 August 2021 and entered into between SIHCL, the Seller, the Purchaser and Shenzhen Expressway in relation to the Payment Obligation Arrangement
"Payment Obligation Arrangement"	the performance of the payment obligation of SIHCL and the Seller to CMF Fund under the Supplemental Agreement by Shenzhen Expressway and the Purchaser (if any) pursuant to the Payment Obligation Agreement upon Completion
"Pengxin Appraisal"	Shenzhen Pengxin Appraisal Limited (深圳市鵬信資產評估土地房地產估價有限公司), an independent institution established in PRC with the qualifications for assets valuation
"Pengxin Appraisal Valuation Report"	the valuation report on the Target Company issued by Pengxin Appraisal on 10 August 2021
"Post-Valuation Date Interests"	the interests further accrued on the shareholders' loans advanced to the Xintang JV corresponding to the respective percentages of equity interest (including the outstanding interests accrued thereon) to be disposed of under the Disposal as at 31 December 2019 at the rate of 8% per annum during the period from 1 January 2020 up to the date of full settlement of the total consideration under the Disposal on a dollar-for-dollar basis
"Post-Valuation Date Shareholders' Loans and Interests"	the shareholders' loans further advanced to the Xintang JV during the period from 1 January 2020 up to the date of full settlement of the total consideration under the Disposal corresponding to the respective percentages of equity interest in the Xintang JV to be transferred to Shenzhen Run Investment under the Disposal together with interests accrued thereon at the rate of 8% per annum from the date of advancement of such shareholders' loans up to the date of full settlement of the total consideration under the Disposal on a dollar-for-dollar basis

"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Previous Placing"	the placement of the Previous Placing Shares by the Target Company to CMF Fund which was completed on the Previous Placing Completion Date
"Previous Placing Completion Date"	17 August 2018
"Project Land"	the land (plot number: 83101203A19206) located at the Xintang interchange on both sides of the GS Expressway
"Purchaser"	Mei Wah Industrial (Hong Kong) Limited (美華實業(香港)有限公司), a limited company incorporated in Hong Kong, and is a wholly-owned subsidiary of Shenzhen Expressway
"Repayment Amount"	the amount equivalent to the outstanding principal and the respective interest, with rates range from the three-month Hibor + 1.51% to 1.7%, of the Third Party Loans payable by the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 10 August 2021 and entered into between the Seller and the Purchaser in respect of the sale and purchase of the Sale Shares
"Sale Shares"	50,000 ordinary shares of US$1.00 each in the Target Company, representing the entire issued share capital of the Target Company
"Seller"	Shenzhen Investment International Capital Holdings Co., Ltd. (深圳投控國際資本控股有限公司), a limited company incorporated in Hong Kong, which wholly-owns the entire issued share capital of the Target Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held at Conference Room, 16th Floor, Shenzhen International Building, 8045 Hongli West Road, Futian District, Shenzhen, China on Friday, 10 December 2021 at 9:30 a.m. (or any adjournment thereof), a notice of which is set out on pages SGM-1 and SGM-2 of this circular
"Shares"	ordinary share(s) of HK$1.00 each in the share capital of the Company

"Shareholders"	the shareholders of the Company
"Shenwan Infrastructure"	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司), a company established in the PRC with limited liability established by the Target Company for the purpose of investing into the Xintang JV
"Shenzhen Expressway Board"	the board of directors of Shenzhen Expressway
"Shenzhen Expressway"	Shenzhen Expressway Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00548) and the A Shares of which are listed on the Shanghai Stock Exchange (Security Code: 600548), a non-wholly owned subsidiary of the Company
"Shenzhen Expressway Group"	Shenzhen Expressway and its subsidiaries
"Shenzhen Run Investment"	Shenzhen Run Investment Consulting Co., Ltd.* (深圳市潤投諮詢有限公司), a company established in the PRC with limited liability
"Shenzhen SASAC"	Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission (深圳市國有資產監督管理委員會)
"SIHCL"	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司), a limited liability company incorporated in the PRC
"SPA Deposit"	the total deposit of HK$735,010,441.55, which comprises of the MOU Deposit of HK$10,000,000 and the deposit of HK$725,010,441.55 paid by the Purchaser to the Seller pursuant to the Sale and Purchase Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supplemental Agreements"	the supplemental agreements and a supplemental undertaking among SIHCL, the Seller and the trustee of CMF Fund, pursuant to which, the original agreements have been amended to cancel the arrangement relating to the put option and the possible repurchase
"Takeovers Code"	the Code on Takeovers and Mergers
"Target Company"	Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. (深圳投控國際資本控股基建有限公司), a limited company incorporated in the British Virgin Islands, and is a wholly-owned subsidiary of the Seller
"Target Group"	the Target Company and its subsidiaries

"Target Group Member"	a member of the Target Group
"Third Party Loans"	the principal amount of debts of HK$2,429,495,000 owed by the Target Company to third party financial institutions as at 31 December 2020
"Traffic Study Report"	the traffic study report in relation to GS Expressway and GZ West Expressway prepared by the Guangdong Provincial Transport Planning & Research Center, the summary of which is set out in Appendix VII to this circular
"Transactions"	the Acquisition and the Payment Obligation Arrangement
"Transaction Agreements"	the Sale and Purchase Agreement and the Payment Obligation Agreement
"Transition Period"	the period between 1 January 2021 until the Completion Date (both days inclusive)
"US$" or "USD"	United States dollars, the lawful currency of United States of America
"Xintang JV"	Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司), a joint venture established in the PRC for the development of the Project Land, the equity interest of which is originally held as to 37.5%, 37.5%, 20% and 5% by Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment respectively. After the Disposal, the equity interest of the joint venture is held as to 15%, 20%, 5% and 60% by Shenwan Infrastructure, Lealu Investment, Leaxin Investment and Shenzhen Run Investment respectively
"YoY"	year-on-year

Notes:

In this circular, certain English names of Chinese entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

In this circular, HK$ and RMB are converted at the exchange rate of HK$1.00 to RMB0.8416. This exchange rate is for reference only and does not mean that RMB or HK$ amounts have been or can be converted at that exchange rate or any other exchange rate.

* *For identification purpose only*

Shenzhen International Holdings Limited
深圳國際控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 00152)

Executive Directors:
Li Haitao *(Chairman)*
Liu Zhengyu *(Chief Executive Officer)*
Wang Peihang
Dai Jingming

Non-executive Directors:
Hu Wei
Zhou Zhiwei

Independent Non-executive Directors:
Cheng Tai Chiu, Edwin
Pan Chaojin
Chan King Chung

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
Rooms 2206-2208, 22nd Floor
Greenfield Tower, Concordia Plaza
No.1 Science Museum Road
Tsimshatsui East
Kowloon
Hong Kong

24 November 2021

To the Shareholders

Dear Sirs or Madams,

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
SHENZHEN INVESTMENT INTERNATIONAL CAPITAL HOLDINGS
INFRASTRUCTURE CO., LTD.;
(2) RE-ELECTION OF RETIRING DIRECTOR
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the joint announcement of the Company and Shenzhen Expressway dated 10 August 2021 in relation to the Acquisition and the announcement of the Company dated 14 September 2021 in respect of the appointment of an executive Director and the Chief Executive Officer of the Company. The purpose of this circular is to provide you with details of the above matters to enable the Shareholders to make an informed decision on whether to vote for or against or abstain from voting on the ordinary resolutions for the approval of the Acquisition and the re-election of the retiring Director to be proposed at the SGM.

2. TRANSACTION AGREEMENTS

On 15 March 2021, Shenzhen Expressway and SIHCL entered into the MOU, pursuant to which, SIHCL intended to transfer its indirect interests in Bay Area Development representing 71.83% of the total issued share capital of Bay Area Development to Shenzhen Expressway.

On 10 August 2021, (i) the Purchaser and the Seller entered into the Sale and Purchase Agreement in relation to the Acquisition and (ii) SIHCL, the Seller, the Purchaser and Shenzhen Expressway entered into the Payment Obligation Agreement in relation to the Payment Obligation Arrangement.

A. Sale and Purchase Agreement

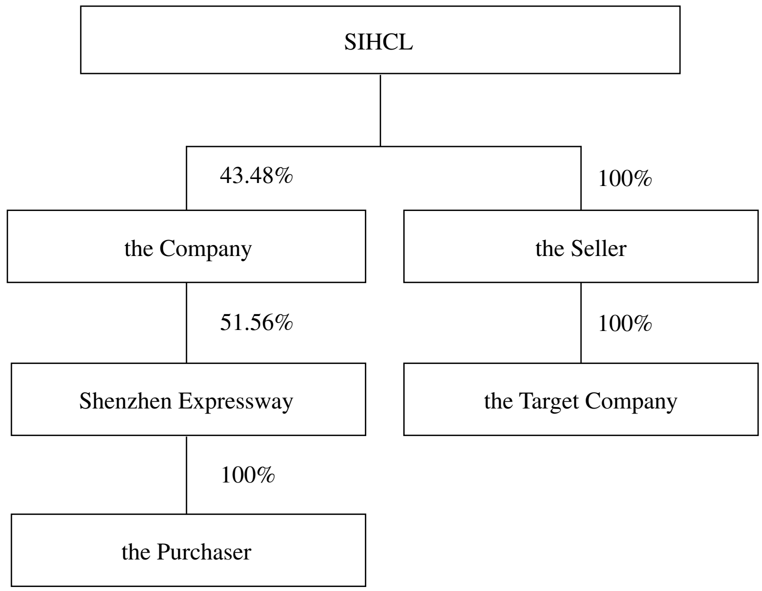
Date:	10 August 2021
Parties to the Sale and Purchase Agreement:	(i) Shenzhen Investment International Capital Holdings Co., Ltd., as the seller; and (ii) Mei Wah Industrial (Hong Kong) Limited, as the purchaser.
Subject Matter:	Acquisition of the Sale Shares, assumption of repayment obligations of debts owed by the Target Company to the Seller, and the repayment of Third Party Loans, as more particularly described in the section "Consideration for the Sale Shares" below.
Effectiveness:	The Sale and Purchase Agreement shall be effective upon the satisfaction of all the conditions set out under the section "Conditions" below.

B. Payment Obligation Agreement

Date:	10 August 2021
Parties to the Payment Obligation Agreement:	(i) Shenzhen Investment Holdings Company Limited; (ii) Shenzhen Investment International Capital Holdings Co., Ltd.; (iii) Mei Wah Industrial (Hong Kong) Limited; and (iv) Shenzhen Expressway Company Limited.
Subject Matter:	Assumption of payment obligation under the Supplemental Agreements, as more particularly described in the section "Consideration for the Sale Shares" below. The Assumption of payment obligation by the Purchaser and Shenzhen Expressway is conditional upon the Sale and Purchase Agreement being effective.
Effectiveness:	The Payment Obligation Agreement shall be effective upon the date on which the Purchaser is registered as the shareholder of the Target Company.

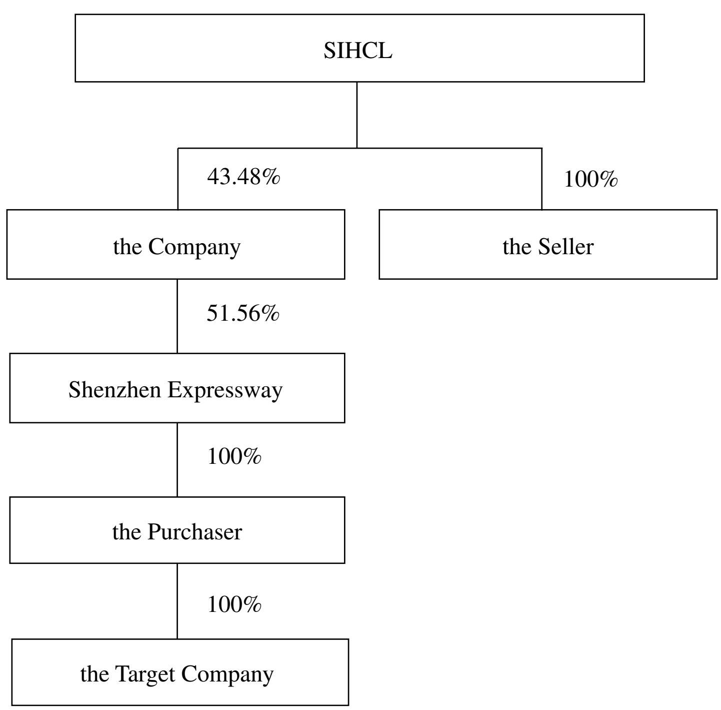
Changes in the shareholding structure of the parties immediately before and upon the Completion

A. Immediately before the Completion



Note: This diagram has omitted some intermediate entities with 100% shareholding ratio, and it is only used to show the shareholding relationship

B. Immediately upon the Completion



Note: This diagram has omitted some intermediate entities with 100% shareholding ratio, and it is only used to show the shareholding relationship.

Consideration for the Sale Shares

Pursuant to the Transaction Agreements, Shenzhen Expressway Group has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares, at an estimated total Consideration of no more than HK$10,479,000,000, which comprises of the Amount Payable amounting to HK$2,450,034,805.18, the outstanding amount of the debts of the Target Company amounting to approximately HK$7,890,127,007.98 and the Contingent Consideration, which is estimated to be no more than approximately HK$139,000,000. After deducting approximately HKD151,000,000 of cash and receivables of the Target Company, the price per Bay Area Development Share is estimated to be no more than HK$4.67.

The Consideration was agreed between the Purchaser and the Seller after arm's length negotiations. As the Acquisition involves the transfer of ownership of listed shares held by state owned entities, the requirements under the Measures have been primarily considered by Shenzhen Expressway Board when determining the Consideration, and the following requirements under the Measures are applicable:

(i) a financial adviser must be appointed for the purposes of valuing the 71.83% equity interests in Bay Area Development; and

(ii) the price per Bay Area Development Share must not be lower than (a) the arithmetic mean value of the daily weighted average price of the 30 trading days before 15 March 2021, being the date when the first announcement in relation to the Acquisition is made; and (b) the audited net asset value per Bay Area Development Share for the latest financial year.

Accordingly, CMS was appointed as the financial adviser of Shenzhen Expressway in the PRC in accordance with the Measures. Based on CMS Valuation Report, the price per Bay Area Development Share should be between HK$4.42 to HK$4.71. For further details of the CMS Valuation Report, please refer to the section "VALUATION" below.

In addition, the following factors have also been considered when determining the Consideration:

(i) the valuation of the Target Company conducted by Pengxin Appraisal; and

(ii) the reasons for the Transactions as described in the paragraphs headed "REASONS FOR AND BENEFITS OF THE TRANSACTIONS" below.

The price of the Bay Area Development Shares under the Transactions is expected not to exceed HK$4.67 per share, which represents a premium of approximately 60% compared to the share price of HK$2.85 per share on the date of the Sale and Purchase Agreement. It is mainly attributable to: (1) the controlling rights acquired upon the Transaction by Shenzhen Expressway Group are the controlling rights of Bay Area Development, and such premium is a prevailing situation in the market where acquisition of controlling rights is involved; (2) the main assets of Bay Area Development are the toll highway assets located in the Guangdong-Hong Kong-Macao Greater Bay Area, which can generate synergy with Shenzhen Expressway's existing toll highway assets; the synergy is mainly reflected in the overall business development synergy after the completion of the Transactions. The GS Expressway is parallel to the Coastal Expressway held by Shenzhen Expressway and connected to the Outer Ring Expressway held by Shenzhen Expressway. After the completion of the Transactions, Shenzhen Expressway may leverage on its rich operation and management experience to strengthen the coordinated arrangement of GS Expressway and Coastal Expressway, Outer Ring Expressway and other regional toll highways in Shenzhen, enhance the overall traffic flow of the regional road network and improve the efficiency of management and maintenance of highways and facilities, so as to broaden income streams and save costs and further improve the profitability. In addition, Shenzhen Expressway could also leverage on its own experience in investment, financing, construction and management of PPP mode toll highways to promote the optimization and implementation of the reconstruction and expansion plan of GS Expressway, so as to achieve a win-win situation for the government, the public and investors. (3) Shenzhen Expressway has prudently considered the business opportunities and potential value of the reconstruction and expansion of the GS Expressway and the land development along the GS Expressway in Bay Area Development; Considering that there is still high uncertainty about the business opportunities and potential value of the reconstruction and expansion of GS Expressway and related land development, Pengxin Appraisal adopted more prudent parameters and assumptions to determine the value of the reconstruction and expansion of GS Expressway and related land development. For the purpose of the appraisal results, it is considered that (i) GS Expressway is one of the busiest expressways in China with location advantages; (ii) after the reconstruction and expansion, GS Expressway will become an expressway with 8 to 12 lanes, which is one of the highways with the strongest traffic capacity in the PRC; (iii) after the completion of reconstruction and expansion, GS JV could also apply to the governmental authorities for approval to extend the concession period; and (iv) the comprehensive development of multiple plots along GS Expressway is expected to obtain satisfactory benefits. At present, Guangzhou Xintang Project is being implemented by Bay Area Development, for the benefits of which please refer to the information publicly disclosed by Bay Area Development; and the Board agrees with Pengxin Appraisal that its appraisal results are prudent and reasonable. (4) the valuation of the toll highway companies have been underestimated to a certain extent as a result of the negative impacts of the COVID-19 epidemic and the toll-free policy of highway industry during the epidemic period. For the purpose of the prevention and control of the COVID-19 epidemic, the Ministry of Transport required that all vehicles passed the toll highways legally were exempted from toll from 17 February 2020 to 6 May 2020. The implementation of the policy resulted in no toll revenue was received by toll highway entities in the corresponding period, and the operating revenue decreased significantly. Meanwhile the operating cost of toll highways was still ongoing, and the profit decreased significantly or even recorded a loss during the relevant period. The market lowered the performance expectation and dividend expectation of toll road industry accordingly. In addition, the operating entities of toll highways were also required to communicate with the competent transportation authorities to obtain reasonable supporting and protective policies. The supporting and protective policies issued by the competent transportation authorities in various regions were different in content and time, which made the market concern about the overall uncertainty of the supporting and protective policies, and reduced the valuation level of the toll road industry. The Board believes that in the long run, with the recovery of market confidence, the pricing of toll road industry will return to a reasonable level.

The Consideration for the Sale Shares under the Transaction Agreements shall be satisfied by the Purchaser and Shenzhen Expressway as follows:

	Description	*Attributable amount to the Consideration*
(i) Payment of MOU Deposit	The MOU Deposit amounting to HK$10,000,000 paid by the Purchaser to the Seller pursuant to the MOU, which shall form part of the SPA Deposit.	HK$10,000,000

	Description	*Attributable amount to the Consideration*
(ii) Payment of SPA Deposit	Within 5 Business Days from the date of the signing of the Sale and Purchase Agreement (or such date as otherwise agreed in writing by the Purchaser and the Seller), the Purchaser shall pay HK$725,010,441.55 to the Seller, which shall form part of the SPA Deposit. The Purchaser has paid HK$725,010,441.55 to the Seller on 13 August 2021 as part of the SPA Deposit. On the Completion Date, the SPA Deposit, which represents 30% of the Amount Payable, will form part of the Consideration. The Seller shall not use the SPA Deposit without obtaining prior written consent from the Purchaser until the SPA Deposit forms part of the Consideration on the Completion Date. In the event that the Acquisition is terminated in accordance with the Sale and Purchase Agreement, within 7 Business Days from the date of termination of the Acquisition, the Seller shall return the SPA Deposit in full and the respective interest incurred to the Purchaser.	HK$725,010,441.55
(iii) Payment of the remaining Amount Payable	On the Completion Date (or such date as otherwise agreed in writing by the Purchaser and the Seller), the Purchaser shall pay the remaining HK$1,715,024,363.63, which represents 70% of the Amount Payable, to the Seller.	HK$1,715,024,363.63
(iv) Repayment of outstanding shareholder loans	As at the Latest Practicable Date, the Seller has provided shareholder loans in the principal amount of US$700,000,000 to the Target Company, at an interest rate of 2.85% per annum from 1 January 2021 subject to Completion, repayable as follows: a. the principal of US$400,000,000 repayable to the Seller within the first 10 Business Days of 26 September 2021. If the Sale and Purchase Agreement becomes effective after 10 September 2021 (i.e. 10 Business Days prior to 26 September 2021), the deadline for the principal payment by the Target Company is extended to 10 Business Days after the effective date of the Sale and Purchase Agreement; and b. the remaining principal of US$300,000,000 repayable to the Seller within the first 10 Business Days of 26 September 2023. Upon the satisfaction of all the Conditions, the Purchaser shall assume the repayment obligation of the Target Company, or alternatively, provide sufficient funds to the Target Company to enable the Target Company, to repay the outstanding shareholder loans and the respective interests.	US$700,000,000 (approximately HK$5,460,000,000)

		Description	*Attributable amount to the Consideration*
(v)	Repayment of Third Party Loans	The Target Company has the Third Party Loans in the principal amount of no more than HK$2,429,495,000. Within 15 Business Days from the date of the delivery of the Conditions Satisfaction Notification (or such date as otherwise agreed in writing by the Purchaser and the Seller), the Purchaser shall pay an amount equivalent to the outstanding principal and the respective interests of the Third Party Loans to the designated bank account of the Target Company. The Seller shall procure the Target Company to utilize the Repayment Amount to repay all outstanding payments under the Third Party Loans no later than 2 Business Days prior to the Completion Date and to release all guarantees provided by the Seller to such third party financial institutions under the Third Party Loans.	No more than HK$2,429,495,000
(vi)	Contingent Considerations	a. Assumption of payment obligation under the Supplemental Agreements: Reference is made to the announcement of Bay Area Development dated 17 September 2018. Pursuant to the Supplemental Agreements, CMF Fund may during the Agreed Period give a one-off notification to SIHCL and the Seller (or either of them) that CMF Fund intends to, on or within six months after the fifth anniversary of the Previous Placing Completion Date, dispose of all or part of the Previous Placing Shares on-market and/or off-market to independent third party(ies), and if the aggregate amount of the consideration received by the CMF Fund under the CMF Disposal(s) is less than the total investment costs of CMF Fund and its investor in relation to the all or part of the Previous Placing Shares (i.e. the original acquisition cost of the Previous Placing Shares together with other related costs and expenses but less the amount of dividends of Bay Area Development received/receivable by the CMF Fund in respect of the Previous Placing Shares), SIHCL and the Seller (or either of them) will pay to the CMF Fund the difference in cash. The original acquisition cost of the Previous Placing Shares was approximately HK$1,397,795,573. On 10 August 2021, SIHCL, the Seller, the Purchaser and Shenzhen Expressway entered into the Payment Obligation Agreement, pursuant to which, Purchaser and Shenzhen Expressway shall perform the payment obligation (if any) of SIHCL and the Seller to CMF Fund under the Supplemental Agreements upon Completion. b. Payment of taxes arising out of the Transactions The Purchaser shall be responsible for the payment of all taxes (if any) arising out of the Transactions.	Estimated to be no more than HK$139,000,000
Total:			**Estimated to be no more than HK$10,479,000,000**

Contingent Considerations includes the assumption of payment obligation of the Seller and SIHCL by the Purchaser and Shenzhen Expressway under the Supplemental Agreements (i.e. Obligation to Make up the Shortfall) and the Payment of taxes arising out of the Transactions by the Purchaser. Obligation to Make up the Shortfall is the obligation of SIHCL arising from the resumption of the trading of Bay Area Development Shares in the previous acquisition transaction. The parties to the Transactions are unable to accurately ascertain the actual payment obligations and the specific amount of payment at present. The taxes arising out of the Transactions is uncertain as it has to be confirmed with the tax authority.

The Consideration of the Transactions is agreed upon fair negotiation between the parties to the Transactions. When the Seller considers the Consideration of the Transactions, it is reasonable to take the Obligation to Make up the Shortfall and the taxes arising out of the Transactions into its consideration. If the Contingent Consideration is borne by the Seller, the Seller would have increased the equity transaction price to offset the transaction costs incurred thereby. Therefore, the Contingent Consideration be borne by the Seller may not be in the interests of Shenzhen Expressway.

When considering the Consideration of the Transactions, the Shenzhen Expressway Group has assessed the Contingent Consideration in a reasonable manner and included such amount in the total transaction cost. The Shenzhen Expressway Group has assessed that the total cost including the Contingent Consideration is within the acceptable range and is fair and reasonable. After considering the abovementioned assessment carried out by Shenzhen Expressway Group, the Group concurs with such view of Shenzhen Expressway Group.

Transition Period Arrangement

The Seller and the Purchaser agreed that profit and loss incurred by the Target Company during the Transition Period shall be enjoyed and borne by the Purchasers, save for the special interim dividend for the year ended 31 December 2020 and the final dividend for the year ended 31 December 2020 declared by Bay Area Development. Without the consent of the Purchaser, the Target Company shall not make any distribution on the profit for the Transition Period. If the Target Company makes any distribution on the profit for the Transition Period, the equivalent amount shall be deducted from the Amount Payable accordingly.

In respect of any outstanding dividends previously declared but not paid by the Target Company, the Purchaser shall procure that the Target Company pay, and if necessary, provide shareholders loan to the Target Company to pay, the outstanding dividends to the Seller within 3 Business Days of the Completion Date.

Change of Target Company Directors

On the Completion Date, the Seller shall procure the Target Company to appoint candidates nominated by the Purchaser as the director(s) of the Target Company. Such appointment shall be effective on the Completion Date.

The Purchaser intends to nominate persons with extensive experience in toll highway investment, construction and operation as directors of the Target Company at a later stage. As at the Latest Practicable Date, the Purchaser has not identified any candidates to be nominated as new directors of the Target Company.

Conditions

The Sale and Purchase Agreement shall be effective from the date on which the following conditions are satisfied:

(i) the necessary shareholders' approval of the Seller and the approval from SIHCL in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Seller;

(ii) the necessary approvals from SIHCL in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Purchaser; and

(iii) the necessary board and/or shareholders' approval of the Purchaser, Shenzhen Expressway and the Company in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained.

The abovementioned conditions shall be satisfied on or before 31 December 2021 (or such other date as otherwise agreed in writing by the Purchaser and the Seller).

As at the Latest Practicable Date, the above-mentioned conditions (i) and (ii) have been satisfied.

Completion

Completion will take place on the Completion Date, being 20 Business Days after the date of the delivery of the Conditions Satisfaction Notification (or such date as otherwise agreed in writing by the Purchaser and the Seller).

The Sale Shares will be acquired free from all Encumbrances and together with all rights and benefits which will be on the Completion Date attaching or may at any time thereafter become attached thereto including the right to all dividends, distributions and any return of capital declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the Completion Date.

3. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Investment, construction, operation and management of toll highways and roads are within the general and normal scope of business of Shenzhen Expressway Group. The board of directors of Shenzhen Expressway is of the view that, GS Expressway is the core passage connecting Guangzhou, Dongguan and Shenzhen, the three major cities on the eastern coast of Guangdong-Hong Kong-Macao Greater Bay Area, and Hong Kong. GZ West Expressway is an important passage connecting Guangzhou to Zhuhai and the western coast of Guangdong-Hong Kong-Macao Greater Bay Area leading to the Hong Kong-Zhuhai-Macao Bridge. Both GS Expressway and GZ West Expressway are located in the core area of Guangdong-Hong Kong-Macao Greater Bay Area, and have obvious advantages in location, good operating record and low investment risk.

Shenzhen Expressway can, through the Transactions, improve its profitability by strengthening the overall management of Shenzhen regional toll highways, increasing the traffic flow of the road network and enhancing the synergistic effect of road property management and maintenance. Through the Transactions, Shenzhen Expressway will be able to increase its regional market share in the expressway industry, future profitability and cash flow. As Bay Area Development is a Hong Kong listed company, Shenzhen Expressway can also obtain high-quality investment and financing platform through the Transactions, further enhance the development space and market value, as well as realize the sustainable long-term development of Shenzhen Expressway Group as a whole. The Transactions will further consolidate Shenzhen Expressway's core advantages in highway investment, construction and operation, which is in line with the Shenzhen Expressway's development strategy and overall interests.

SIHCL, the indirect controlling shareholder of the Company and Shenzhen Expressway, provided an undertaking to Shenzhen Expressway and undertook that it will, among others, avoid business competition with Shenzhen Expressway, support the business development of Shenzhen Expressway and perform asset injection to and integration with Shenzhen Expressway. In light of the undertaking, SIHCL intended to acquire Bay Area Development through Shenzhen Expressway initially in 2017, but was later informed by Shenzhen Expressway that it will not proceed with the acquisition as such acquisition may not be feasible for Shenzhen Expressway at that time. SIHCL subsequently acquired Bay Area development through Target Company. After such acquisition, Shenzhen Expressway and SIHCL have been conducting in-depth negotiations on the specific business arrangements of Bay Area Development, and have reached a consensus to proceed with the Transactions, which further enhances the governance level of Shenzhen Expressway and enables SIHCL to be in line with its undertaking as Bay Area Development operates similar businesses as Shenzhen Expressway.

In addition, the reconstruction and expansion of GS Expressway has been included in the development plan of Guangdong-Hong Kong-Macao Greater Bay Area and the plan of Guangdong Province's expressway network. It is a key project of Guangdong Province and the governments of Guangzhou, Dongguan and Shenzhen that are located along the expressway. If the reconstruction and expansion plan of GS Expressway can be successfully implemented, the capacity of GS Expressway will be further improved, and GS JV will be entitled to apply for approval from government departments to extend the toll collection period, and will increase Shenzhen Expressway Group's toll highway asset scale and toll operation period after Completion. The initial investment for the reconstruction and expansion of GS Expressway is estimated to be about RMB47,100,000,000. The investment and financing plan for the reconstruction and expansion of GS Expressway is yet to be determined. Upon Completion, Shenzhen Expressway will actively participate in the planning, investment and construction of the reconstruction and expansion of GS Expressway, and will maintain close cooperation with GS Expressway's other joint venture partners, and will actively communicate, coordinate and discuss with government departments at all levels, and realize win-win results for the government, the public and investors.

Comprehensive development of land along toll highways to realize their value is one of the focus and achievements of Shenzhen Expressway in recent years. Shenzhen Expressway together with the Company have successfully implemented the Meiling Checkpoint Urban Renewal Project. Business opportunity relating to comprehensive land development usually arises during changes in the rights and interests of toll highways operations or toll highways reconstruction. It is also limited by local government's urban planning, toll highway reconstruction plans and other conditions, and needs to be carried out in accordance with relevant urban planning and laws and regulations, thus there is uncertainty. According to the preliminary studies conducted by Bay Area Development, it is estimated that about 10 plots of land are suitable for comprehensive development after improvement in transportation facilities. The Guangzhou Xintang Project, which was implemented in 2019, has positive influence for promoting other projects along the expressways. Shenzhen Expressway will actively promote the land development plan along the GS Expressway that combines the reconstruction and expansion with the land development and utilization, and further release the value of the land along the GS Expressway.

Based on the above reasons and having considered all relevant factors, the board of directors of Shenzhen Expressway believes and considers that the terms of the Transactions are fair and reasonable and that the entering into of the Transaction Agreements is in the interests of the Shenzhen Expressway

Shareholders and Shenzhen Expressway as a whole as through the Transactions, Shenzhen Expressway is able to seize Shenzhen's strategy on promoting the reformation of state-owned enterprises, and business opportunities arising from the optimization of industrial layout, so as to achieve the goals of acquiring high-quality toll highway assets of Bay Area Development and expanding the scale and profit base of toll highway business of Shenzhen Expressway. The Transactions are also in line with the abovementioned reformation policies and measures of Shenzhen SASAC.

The Board is of the view that the Transactions are in line with the Company's strategy to consolidate premium infrastructure resources. After taking into account the analysis and judgment of Shenzhen Expressway, the effect of the Transactions on the Group and all relevant factors, the Board considers that the terms of the Transactions are fair and reasonable and that the entering into of the Transaction Agreements is in the interests of the Shareholders and the Company.

4. VALUATION

As the Acquisition involves the transfer of ownership of listed shares held by state owned entities, Shenzhen Expressway has engaged CMS as its financial adviser in the PRC in accordance with the Measures for the purpose of valuing the 71.83% equity interests in Bay Area Development as at 15 March 2021. Reference has been primarily made by Shenzhen Expressway Board to the valuation conducted by CMS under the CMS Valuation Report when determining the Consideration.

In addition, in order to further assess the intrinsic value of the Target Company as a whole, Shenzhen Expressway also engaged Pengxin Appraisal on a voluntary basis to conduct valuation of the entire equity interests of the Target Company as at 31 December 2020, as an additional reference for (i) the Board when considering the Consideration and (ii) the Shareholders.

Pengxin Appraisal takes 31 December 2020 as the valuation date, mainly because of the considerations set out below:

The valuation began in April 2021. Generally, the valuation date adopts the end of the accounting period which is close to the realization of the economic activities, and considered the completeness and availability of relevant information and data. Considering that the company assessed is a company listed on the Main Board of the Stock Exchange, the relevant financial data of the company provided in the annual report as at 31 December 2020 is public information with high accuracy, and the information and data are also more complete.

In addition, considering that the operation of the company assessed is relatively stable, and the reference date on 31 December 2020 is close to 15 March 2021, the valuation difference is extremely small.

Based on the above considerations, 31 December 2020 is adopted as the valuation reference date in respect of the Pengxin Appraisal.

There is no material change in the CMS Valuation since 15 March 2021 or Pengxin Appraisal valuation since 31 December 2020.

To reconcile the value shown in each of the CMS Valuation Report and Pengxin Appraisal Valuation Report to the value of the Consideration, the cost structure of the Transactions is set out as follows:

	HK$'00 million
	Amount
Amount Payable for 100% equity interest in the Target Company	24.50
Repayment of the debts of the Target Company	78.90
Contingent Consideration (estimated)	1.39
Total cost	104.79
Including: Cash and receivables	1.51
71.83% of Bay Area Development Shares	103.28
Cost per Bay Area Development Share *(HK$)*	4.67

The subject of the CMS Valuation Report is the value of 71.83% of the Bay Area Development Shares, and the subject of the Pengxin Appraisal Valuation Report is the entire equity in the Target Company. When evaluating the total consideration of the Transactions, the Group incorporates the equity price of the Target Company, debts of the Target Company and Contingent Consideration. In order to improve the comparability of the data, the Board has converted the results of the CMS Valuation Report, the results of the Pengxin Appraisal Valuation Report and the total transaction consideration into the price per Bay Area Development Share to facilitate investors' understanding.

The relations between respective CMS valuation and Pengxin Appraisal valuation, and the Consideration are as follows:

Relations between CMS valuation and the Consideration

Item	Valuation
Valuation range of market value per share for 71.83% equity interests of Bay Area Development under the comparable company method:	HK$4.52 per share to HK$4.82 per share
Valuation range of market value per share of Bay Area Development after adjustment: (Dividend of HK$0.109 per share of Bay Area Development declared in April 2021 and actually distributed in July was entitled to the Vendor and reduced accordingly)	HK$4.42 per share to HK$4.71 per share
Corresponding valuation of 71.83% equity interests of Bay Area Development: (Number of shares: 2,213,449,666 shares)	HK$9.783 billion to HK$10.425 billion
Corresponding valuation of Target Company: (Increase of HK$151 million in cash and receivables owned by Target Company)	HK$9.934 billion to HK$10.576 billion

The Consideration of no more than HK$10.479 billion is within the corresponding valuation range of Target Company (HK$9.934 billion to HK$10.576 billion).

Relations between Pengxin Appraisal valuation and the Consideration

Item	Valuation
Value of equity interests of Target Company	RMB2.631 billion
Total value of Target Company (Increase of RMB6.574 billion in liabilities of Target Company which should be undertaken by the Purchaser on the valuation date)	RMB9.205 billion/HK$10.938 billion
Total valuation of Target Company upon further adjustment: (Increase of HK$77.5 million of outstanding cash and deduction of HK$503 million of dividends attributable to the Vendor)	HK$10.512 billion

The Consideration of no more than HK$10.479 billion is not higher than the total valuation of Target Company upon further adjustment of HK$10.512 billion.

Valuation Basis and Approach under the CMS Valuation Report

CMS used the (i) comparable company method (可比公司法) and (ii) comparable transaction method (可比交易法) to estimate the market value of 71.83% equity interests in Bay Area Development as at 15 March 2021 (being the date when the first announcement in relation to the Acquisition is made).

(i) Comparable company method

Under the comparable company method, the valuation multiples of the comparable listed companies will be taken as reference and based on the characteristics of relevant companies, relevant financial indicators and valuation multiples in the secondary market will be utilized to analyze the pricing of the Transactions.

Earnings before interest, tax, depreciation and amortization ("**EBITDA**") will better reflect the operating performance of the expressways during their operation period and the inflow of resources that can be used for future business operations and construction, which will be less affected by the capital structure of the Highway Companies. As such, the enterprise value ("**EV**")/EBITDA method is used for valuation analysis under the comparable company method.

(ii) Comparable transaction method

Under the comparable transaction method, the valuation multiples of comparable market merger and acquisition transactions will be taken as reference and based on the characteristics of relevant companies, relevant indicators and valuation multiples of market merger and acquisition transactions will be utilised to analyze the pricing of the Transactions.

Taking into account of the followings:

(a) Bay Area Development is a listed company and the comparability of valuations of listed companies in the same industry is relatively high;

(b) under the comparable transaction method, information of the comparable transactions is limited, and the valuation results are relatively easy to be affected by specific circumstances of each transaction; and

(c) the characteristics of the highway operation industry.

EV/EBITDA can simultaneously reflect the asset resources and operation performance of asset resources of companies. As such, the CMS has adopted the comparable company method instead of the comparable transaction method.

As the Acquisition involved both Hong Kong and A-share listed companies, and Bay Area Development principally engaged in expressway operation in the PRC, the selected comparable companies are either Hong Kong or A-share listed companies which principally engaged in expressway operation in the PRC, which their income from expressway operation accounts for a higher proportion of their total income. Based on the above criteria, the EV/EBITDA of comparable companies as of 15 March 2021 is as follows:

No.	Stock Code	Listed Company	EV/EBITDA
1	000429.SZ	Guangdong Provincial Expressway Development Co., Ltd.	7.76
2	000755.SZ	Shanxi Road and Bridge Co., Ltd.	8.05
3	000828.SZ	Dongguan Development (Holdings) Co., Ltd.	7.12
4	001965.SZ	China Merchants Expressway Network & Technology Holdings Company Limited	15.86
5	600020.SH	Henan Zhongyuan Expressway Company Limited	8.68
6	600033.SH	Fujian Expressway Development Company Limited	4.08
7	600350.SH	Shandong Hi-speed Company Limited	16.15
8	601518.SH	Jilin Expressway Company Ltd.	6.61
9	0576.HK	Zhejiang Expressway Co., Ltd.	10.59

No.	Stock Code	Listed Company	EV/EBITDA
10	0177.HK	Jiangsu Expressway Company Limited	8.72
11	0548.HK	Shenzhen Expressway Co., Ltd.	6.81
12	0995.HK	Anhui Expressway Company Limited	3.41
13	1052.HK	Yuexiu Transport Infrastructure Limited	10.18
14	1576.HK	Qilu Expressway Company Limited	9.06
15	1785.HK	Chengdu Expressway Co., Ltd.	5.81
		Maximum value	16.15
		Minimum value	3.41
		Average EV/EBITDA of A-share listed companies after excluding extreme values	8.31
		Median EV/EBITDA of A-share listed companies after excluding extreme values	7.76
		Average EV/EBITDA of Hong Kong listed companies after excluding extreme values	8.53
		Median EV/EBITDA of Hong Kong listed companies after excluding extreme values	8.89
		Average EV/EBITDA of Hong Kong and A-share listed companies after excluding extreme values	8.41
		Median EV/EBITDA of Hong Kong and A-share listed companies after excluding extreme values	8.05

Notes:

(i) Source of information extracted from https://www.wind.com.cn/;

(ii) The EV of comparable companies represented such value as at 15 March 2021; and

(iii) As the business operations of the expressway operation industry in 2020 was negatively impacted by the COVID-19 epidemic, the business operations in 2020 cannot reasonably reflect the operational performances and capabilities. Therefore, the EBITDA of comparable companies used was the average amount data in 2018 and 2019.

After discussing with CMS, Shenzhen Expressway Board is of the opinion that the selection of comparable companies in the CMS Valuation Report is exhaustive, fair and representative. Based on the views of Shenzhen Expressway Board, the Board is of the opinion that the selection of comparable companies in the CMS Valuation Report is exhaustive, fair and representative:

1. The selection of comparable companies was based on A-share and H-share listed companies, which is in line with the objective conditions of the A-share and H-share listed companies involved in the Transactions, and was selected according to the disclosed and reasonable standards. The selection of comparable companies is exhaustive；

2. The selection standards include: (1) expressway operation as main business; (2) mainly operates domestic expressways; (3) for H-share listed companies, the proportion of income generated from expressway related business to the total income in the most recent year must be more than 50%; and (4) for A-share listed companies, the proportion of income generated from expressway related business to the total income in the most recent year must be more than 75%. Apart from the above standards, CMS has not set any special criteria which are inconsistent with the characteristics of the Transactions. Selection standards (1) and (2) are important characteristics of business of Bay Area Development; selection standards (3) and (4) are requirements for the proportion of income generated from expressway related business. Those standards allow CMS to further select companies with expressway related business as core part of operation, and to improve their comparability with the business operated by Bay Area Development. This also allows a more complete reflection of the operating conditions of comparable companies through EBITDA indicators, and the selection of comparable companies is representative; and

3. The selection standards (3) and (4) set out different requirements for the proportion of income generated from expressway related business for H-share and A-share listed companies. It is mainly because the number of A-share listed companies with expressway operation as the main business is significantly more than that of H-share listed companies. In order to avoid overly relying on comparable companies listed in certain market, which will make it difficult to reasonably balance the capital market conditions of the two markets, it is necessary to set out different requirements regarding the proportion of income generated from expressway related business to balance the number of H-share and A-share listed companies in comparable companies, and make it more fair in the selection of comparable companies.

After discussing with CMS, the extreme values in the above table were selected based on the size of the absolute value of EV/EBITDA of comparable companies. The maximum value is 16.15 times EV/EBITDA from No. 7 Shandong Hi-speed Company Limited and the minimum value is 3.41 times EV/EBITDA from No. 12 Anhui Expressway Company Limited. As a norm, when calculating the average and median data, extreme values will be eliminated, to better reflect the general valuation level of the overall sample and the usual market conditions through the average and median data.

According to the table above, after excluding extreme values, the average and median EV/EBITDA of comparable Hong Kong and A-share listed companies are selected as the EV/EBITDA reference range of comparable companies. As at 15 March 2021, the EV/EBITDA reference range of comparable companies was 8.05 times to 8.41 times. The average EBITDA of GS JV and GZ West JV, the joint ventures held by Bay Area Development in proportion to its equity in 2018 and 2019 totaled to RMB1,871,692,100.

Valuation of 100% equity interests in Bay Area Development = Valuation of the expressway operating business carried out by Bay Area Development through the two expressway concessions owned by its affiliated joint ventures + Net amount of other non-operating and surplus assets and liabilities of Bay Area Development and two joint ventures held by Bay Area Development in proportion to its equity interests.

As at 31 December 2020, the net amount of other non-operating and surplus assets and liabilities of Bay Area Development and two joint ventures held by Bay Area Development in proportion to its equity interests amounted to RMB-4,916,719,100. As such, the valuation of 100% equity interests in Bay Area Development ranged from RMB10,153,617,600 to RMB10,824,243,500, and the valuation of the price per Bay Area Development Share (converted based on the issued total share capital of Bay Area Development and the exchange rate) ranged from HK$3.93 per share to HK$4.19 per share.

Taking into consideration that the Acquisition involved the acquisition of controlling stake in Bay Area Development, and the abovementioned valuation multiples of the comparable companies do not fully reflect the value of such controlling stake, the following adjustments to the above-mentioned price per Bay Area Development Share have been made to reflect the premium paid for the acquisition of controlling stake in Bay Area Development:

(i) CMS selected a total of 23 privatization cases completed since 2020 in the Hong Kong stock market which suspended trading pending the publication of the privatization announcements (with the privatization price offer price disclosed), among which, there are 8 general offer cases and 15 scheme of arrangement cases. The premium paid to privatize a listed company over the average prices in 1 trading day, 30 trading days, 60 trading days and 90 trading days preceding suspension are as follows:

Privatization Method		Premium over the average price in 1 trading day preceding suspension	Premium over the average price in 30 trading days preceding suspension	Premium over the average price in 60 trading days preceding suspension	Premium over the average price in 90 trading days preceding suspension
By way of general offer	First quartile	28%	40%	41%	45%
	Third quartile	72%	71%	77%	83%
	Average	53%	57%	61%	67%
By way of scheme of arrangement	First quartile	19%	32%	36%	37%
	Third quartile	74%	74%	67%	54%
	Average	50%	54%	52%	48%

Note: Source of information extracted from https://www.wind.com.cn/.

In the above table, the calculation method of each input is as follows:

For each privatization case, the premium over the average price in the previous 1 trading day = (announced privatization price - average price in the previous 1 trading day before suspension)/average price in the previous 1 trading day before suspension; The premium over the average price in the previous 30 trading days = (the announced privatization price - the average price in the 30 trading days before the suspension (exclusive of the suspension day)/the average price in the 30 trading days before the suspension (exclusive of the suspension day), the calculation method of the premium over the average price in the previous 60 trading days and over the average price in the previous 90 trading days is similar.

In terms of first quartile, the specific premium level of all privatization cases of a specific type (offer or scheme of arrangement) (the premium over the average price of the previous 1 trading day, the average price in the previous 30 trading days, the average price in the previous 60 trading days or the average price in the previous 90 trading days) is ranked from low to high, and to the level of first quartile, and the same for third quartile.

In terms of average, the specific premium level of all privatization cases of a specific type (offer or scheme of arrangement) (the premium over the average price of the previous 1 trading day, the average price in the previous 30 trading days, the average price in the previous 60 trading days or the average price in the previous 90 trading days) is the simple arithmetic average of all premiums.

For the calculation of above inputs, the average share price involved is based on the data provided by Wind Information.

Bay Area Development is a H-share listed company, and the Transactions is an indirect acquisition of control over Bay Area Development. Upon discussion between CMS and Shenzhen Expressway, in privatization process, the important purpose of the offeror or its parties act in concert is to obtain control of the offeree or to further enhance the control over the offeree, and controlling right generally has additional value. Therefore the premium of the privatization price over the market price of the shares of the offeree before the publication of the offer can be used as a reference to the level of premium regarding the controlling right.

In terms of individual privatization cases, if there is a premium of the privatization price over the market price of the company's shares before the issuance of the offer, in addition to reflecting the premium of the controlling rights, there is also possibilities that other transaction factors need to be taken into account, and if such other factors exist, it is difficult to determine whether they will have a positive or negative effect on the premium of the privatization price over the market price of the company's shares before the issuance of the offer. In the CMS valuation, in order to minimize the impact of other factors that may exist in individual privatization cases, the average value of the privatization premium was calculated, and it was found that most of the average values are around 50%. For prudent considerations, 50% is used as the upper limit of the reference range for the market level of the controlling premium rate. In terms of market valuation practice, there are privatization cases for references in the valuation of the controlling premium by CMS.

Besides, in order to conduct a more adequate and prudent analysis of the controlling premium, in the valuation carried by CMS, it analyzed the controlling rights premium by referring to the following cases of transfer of controlling rights of listed companies, and combined with the reference of the privatization cases, it prudently analyzed and determined the level of controlling premium used in the CMS valuation.

Therefore, it is relevant and reasonable to use the privatization case as one of the references for the analysis of the controlling premium in the CMS valuation.

(ii) CMS also selected a total of 21 cases which involved in the acquisition of controlling stake in A-share and Hong Kong listed companies disclosed and completed since 2019 with the equity transfer ratio of more than 29%. The premium paid to acquire the listed company controlling stake over the average prices in 1 trading day, 30 trading days, 60 trading days and 90 trading days preceding the date of the first announcement (the "**First Announcement**") of such acquisition are as follows:

	Premium over the average price in 1 trading day preceding the First Announcement	**Premium over the average price in 30 trading days preceding the First Announcement**	**Premium over the average price in 60 trading days preceding the First Announcement**	**Premium over the average price in 90 trading days preceding the First Announcement**
First quartile	11%	20%	22%	20%
Third quartile	41%	37%	36%	41%
Average	26%	29%	30%	32%

Note: Source of information extracted from https://www.wind.com.cn/.

After discussion with CMS, Shenzhen Expressway Board is of the opinion that in the CMS valuation, as one of the references for the analysis of the level of premium regarding the controlling right, the selection of these 21 cases is exhaustive, fair and representative. Based on the views of the Shenzhen Expressway Board, the Board is of the opinion that, as one of the references for the analysis of level of premium regarding the controlling right, the selection of these 21 cases is exhaustive, fair and representative:

1. The selection of market cases was generally based on professional databases provided by third-party agencies. CMS's selection of cases in relation to the level of premium regarding transfer of control was based on the M&A database provided by Wind Information, which is a data service provider commonly used by securities companies in the PRC. The cases were selected according to the disclosed and reasonable selection standards, and the selection of cases is exhaustive;

2. The selection standards include: (1) transfer of controlling rights in A-shares and H-share listed companies; (2) cases disclosed and completed since 2019; and (3) cases in which the proportion of equity transferred exceeds 29%. Apart from the above standards, CMS has not set any special criteria which are inconsistent with the characteristics of the Transactions;

3. The selection standards are based on the important characteristics of the Transactions. If CMS selects less cases, it will lead to a result that the average level of the overall sample cannot effectively reflect the general market condition. Thus the specific criteria require CMS to use more cases as the sample. The selection standard (1) is on the nature of the Transactions, Bay Area Development is characterised as a H-share listed company and the Transactions involves a company listed in Hong Kong and Mainland China; the selection standard (2) is on the timeliness of market cases, the requirement on cases disclosed and completed since 2019 allows the cases selected to be more appropriate and referential in light of the time difference from the Transactions; and the selection standard (3) is on the proportion of equity transfer. According to market practice, the acquisition of more than 30% of the equity interest of listed companies would be considered as obtaining a relatively stable control. Meanwhile, the acquisition of more than 30% of the equity interest generally triggers tender offer in A-share or H-share markets. Therefore, there are many cases of which the proportion of equity interest acquired ranged from 29% and 30% to avoid triggering tender offer while obtaining the controlling right. Shenzhen Expressway would obtain relatively stable control over Bay Area Development through the Transactions. The requirement on transfer of over 29% equity interest allows the cases selected to be more comparable. Therefore, the selection of cases is fair and representative.

Taking into account of the above two types of market cases, the premium rate for the listed company controlling stake ranges from 11% to 50%. Considering that the main assets of Bay Area Development are non-controlling joint venture interests in expressway assets, and the proportion of controlling stake in Bay Area Development acquired through the Acquisition is indirect and relatively high, CMS used 15% for prudence sake as the premium rate for the listed company controlling stake in its valuation under the CMS Valuation Report.

In conclusion, based on the comparable company method, after considering the premium rate for the listed company controlling stake, valuation of CMS of the price per Bay Area Development Share ranges from HK$4.52 to HK$4.82. As Bay Area Development declared dividends in April 2021 and approximately HK$0.109 per share shall be enjoyed by the Seller pursuant to the Sale and Purchase Agreement, based on the valuation provided in CMS Valuation Report, after deducting the dividend amount, the price of Bay Area Development Share is estimated to range from HK$4.42 to HK$4.71.

Major Assumptions under the CMS Valuation Report

The valuation of Bay Area Development under the CMS Valuation Report is based on a set of premises and assumptions. The major assumptions and premises of the valuation are as follows:

(i) for assets traded in the market or intended to be traded in the market, all parties to the asset trade are on equal terms with each other and each has the opportunity and time to obtain sufficient market information to make reasoned judgments as to the function, usage and trading price of the asset;

(ii) the appraised company will be under continuing and normal operations and it will continue its operations, without termination or massive reduction of its business in the foreseeable future;

(iii) the external economic environment remains unchanged, and the current macroeconomic situation does not change significantly on the reporting reference date;

(iv) there are no major changes in the social and economic environment, the tax rates, industry supervisions and other policies implemented;

(v) the management of the appraised company will perform its duties in the future operating period and continue to maintain the current operation management model for continuous operation;

(vi) no force majeure or unforeseen factors will have a significant adverse impact on the appraised company;

(vii) when determining the market valuation, the impact of the Acquisition on the Hong Kong and A Share market is taken into account to some extent;

(viii) the relevant basic information, financial information and public information are true, accurate and complete, and there is no significant difference between the assets and liabilities of Bay Area Development as at 31 December 2020 with the assets and liabilities as at the valuation reference date;

(ix) the relevant financial information of Bay Area Development used in the Valuation is the publicly disclosed information of Bay Area Development, which was calculated in accordance with international accounting standards. For the comparable companies selected in the valuation and the target companies in the comparable transactions, Chinese Accounting Standards or Hong Kong Accounting Standards are adopted. The differences in the above mentioned accounting standards have no significant impact on the calculation of valuation indicators such as EV/EBITDA and price-to-earnings ratio and the valuation conclusions; and

(x) in the first half of 2020, the expressway operation business of Bay Area Development was significantly impacted by the COVID-19 epidemic. According to the operation information of GS Expressway and GZ West Expressway in the second half of 2020 publicly disclosed by Bay Area Development, since the second half of 2020, the business operation of Bay Area Development has been back to normal. As of the valuation reference date, the situation of COVID-19 epidemic is not expected to have a long-term negative impact on the business operation and valuation of Bay Area Development. The impact on the business operation and valuation of Bay Area Development that may cause by future recurrence or aggravation of the COVID-19 epidemic has not been considered.

Valuation Basis and Approach under the Pengxin Appraisal Valuation Report

Pengxin Appraisal was engaged to assess the value of the Target Company as at 31 December 2020. According to the Assets Valuation Standards – Enterprise Value (《資產評估準則—企業價值》), Pengxin Appraisal shall consider the appropriateness of adopting one or more of the following basic asset valuation approaches while conducting valuation:

(i) asset-based approach – a valuation method for determining the value of the appraised enterprise by reasonably appraising the value of all its assets and liabilities on the basis of its balance sheet and those of which can be identified off the balance sheet at the valuation reference date;

(ii) income approach – a valuation method which determines the value of the appraised object by the capitalization or discount of the expected income; and

(iii) market approach – a valuation method of assessing the value of the appraised object by comparing the appraised enterprise with comparable listed companies or comparable transaction cases.

As the Target Company does not operate any business itself, and the only business consolidated to the accounts of the Target Company is 71.83% equity interests in Bay Area Development, Pengxin Appraisal is of the view that it is not appropriate to adopt the income approach or the market approach for the valuation of the Target Company. As such, Pengxin Appraisal adopted the asset-based approach to value the Target Company under the Pengxin Appraisal Valuation Report.

The only major asset long-term investment of the Target Company is its 71.83% equity interests in Bay Area Development, the assessed value of the Target Company is determined by multiplying the value of the entire equity interests in Bay Area Development by 71.83% before considering premium for acquiring the listed company controlling stake and other liquidity premium factors.

As Bay Area Development does not operate any business itself, and its main asset is 45% of the profit distribution right in GS JV, 50% of the profit distribution right in GZ West JV and 15% equity interests in Xintang JV, Pengxin Appraisal adopted the asset-based approach to value Bay Area Development. The assessed value of equity attributable to shareholders of the parent company of Bay Area Development as at the valuation reference date (i.e. 31 December 2020) is RMB9,629,528,900, and comprises of the followings:

		Equity value held by Bay Area Development	
	Total equity value	**Proportion of interests**	**Equity value**
	(RMB'0000)		*(RMB'0000)*
Profit distribution right in GS JV pursuant to the tolling right of GS Expressway	887,839.89	45%	399,527.95
Profit distribution right in GS JV pursuant to the right to reconstruct and expand GS Expressway, develop and utilize land along GS Expressway	275,400.00	45%	123,930.00
Profit distribution right in GZ West JV	764,637.58	50%	382,318.79
Equity interests in Xintang JV	247,955.00	15%	37,193.25
Assessed value of other assets and liabilities	–	–	33,710.72
The total assessed value of equity attributable to shareholders of the parent company of Bay Area Development (net of minority shareholders' equity interests of RMB138 million)	–	–	962,952.89

Pengxin Appraisal also considered the premium for the controlling stake (i.e. 71.83% interests held by Target Company) and liquidity premium in Bay Area Development (being a listed company in Hong Kong) when evaluating the equity investment.

The determination of the premium for the controlling stake is based on the comparison of the price-to-earnings multiples of minority stake acquisitions (6,457 transactions in total) and controlling stake acquisitions (4,993 transactions in total) in the historical merger and acquisition market. The historical average value of the controlling stake premium was approximately 14.79% (in particular, it was 18.27% in 2020). As such, Pengxin Appraisal used the controlling stake premium of 15% when conducting its valuation under the Pengxin Appraisal Valuation Report.

For the determination of the liquidity premium, Pengxin Appraisal conducted analysis with reference to the increment rate of the initial listing price and the secondary market trading price of Hong Kong listed shares during the period of 1 January 2020 to 31 March 2021 (the "**Period**"). Accordingly, the average first-day increment of Hong Kong listed shares during the Period was approximately 18.5% and Hong Kong listed shares that have been listed for over three months recorded an average increment of 15.5% in one year. Considering that the majority of Bay Area Development Shares are held by institutional shareholders, the proportion of Bay Area Development Shares being actively traded in the secondary market will be relatively low. As such, its liquidity premium will be relatively lower than the industry average. Accordingly, Pengxin Appraisal used the liquidity premium of 14% (instead of 15.5%) when conducting its valuation under the Pengxin Appraisal Valuation Report.

The principal factors that Pengxin Appraisal conducted the analysis with reference to the increment rate of the initial listing price and the secondary market trading price of Hong Kong listed shares for analysing the liquidity premium are as follows:

1. Due to the lack of authoritative data on liquidity premium published by professional institutions in China, the following calculation and analysis methods are usually adopted:

    1) Calculation and analysis of liquidity premium through legal person shares: before 2004, only public shares of A-share listed companies could be traded in the securities market, and state-owned shares and legal person shares could not be traded through bidding in the securities market, except that such legal person shares could be transferred through OTC agreement. The liquidity premium is calculated and analyzed based on the difference between the price of transfer by such OTC agreement and the transaction price of tradable shares of the same company.

    2) Method of consideration for reform of non-tradable shares: shareholders holding non-tradable shares (or known as legal person shares) of listed companies pay consideration to tradable shareholders "in exchange for" their consent of conversion of equity interest held by non-tradable shareholders from fully non-tradable to limited tradable shares, as a result of which trade limitation could be released after a certain period and non-tradable shares would become tradable shares. Therefore, the liquidity premium is calculated and analysed based on the consideration cost to be paid by non-tradable shareholders for conversion of non-tradable shares into tradable shares through the method of consideration for reform of non-tradable shares.

    3) Calculation and analysis of the liquidity premium by way of IPO pricing: through analysing the difference between the IPO pricing of listed companies and the trading price after the formal listing of the shares to study the liquidity premium in a quantitative manner.

    Through the analysis of the above three methods, the liquidity premium calculated by way of consideration of legal person shares and reform of non-tradable shares rely on the data 15 years ago. The issuance of new shares has a nature of continuity and the data of the newly issued shares every year enables Pengxin Appraisal to update the result of the discount for lack of marketability on a on-going basis. Therefore, the Pengxin Appraisal has adopted the means of IPO pricing to calculate the liquidity premium.

2. Bay Area Development is a listed company, and the direct method is usually used for valuation; the indirect method can also be used for valuation.

The above-mentioned direct method refers to: the fair value of the listed company is obtained by using a certain valuation method and the direct valuation of the parameters after the corresponding liquidity premium has been considered.

The above-mentioned indirect method refers to: using a certain valuation method, without considering the parameters of the liquidity premium for valuation, and then indirectly obtain the fair value of the listed company. The valuation model is: the fair value of the listed company = the fair value of the company when it is not listed × (1+liquidity premium)

Regardless of whether the valuation model adopts the direct method or the indirect method, the connotation of the evaluation result is completely consistent.

The indirect valuation model adopted in Pengxin Appraisal valuation is based on:

A. horizontal comparison of valuation parameters: when using the indirect method for valuation, the final estimation results of the valuation parameters in the report are easy to compare with the values of relevant parameters in recent market transaction cases. The market transaction cases are basically the acquisition of non-listed highway project companies. Therefore, in the valuation, the specific valuation parameters that do not consider liquidity are first adopted by Pengxin Appraisal.

B. The total annual turnover rate of Bay Area Development Shares in the past two years was less than HK$200 million. According to the statistics of RoyalFlush iFinD (a securities data base provider in the PRC), the average annual turnover rate of the shares of the companies listed on the Main Board of the Stock Exchange in 2019 and 2020 were approximately 40% and 48%, respectively. The annual turnover rate of the Bay Area Development Shares in the corresponding years were approximately 3% and 2%, respectively. As such, it reflects that the current turnover rate of Bay Area Development Shares is significantly lower than the shares listed on the Main Board of the Stock Exchange. As the significantly lower turnover rate of the Bay Area Development Shares will not objectively reflect the normal liquidity premium level, it is not appropriate to directly analyze and use the current stock liquidity premium level of Bay Area Development as the liquidity premium of Bay Area Development in the valuation.

C. Reasons for not directly adopting the liquidity premium rate for Bay Area Development in the Pengxin Appraisal valuation: Due to the impact of the COVID-19 epidemic, the share prices of companies in the expressway industry have fallen more than before.

   According to the statistics of RoyalFlush iFinD, the average net profit of expressway companies listed on the Main Board of the Stock Exchange in 2020 has dropped by approximately 31.8% as compared to the same period last year. The average closing price of the expressway companies listed on the Main Board of the Stock Exchange as at 31 December 2020 has dropped by approximately 17.5% as compared to the same period last year. The closing point of the Hang Seng Index as at 31 December 2020 has dropped by 3.4% as compared to the same period last year. It reflects that the performance and share price of the companies operating in the expressway industries are adversely affected by the COVID-19 epidemic to different extent, and the impact on such companies is greater than the impact on the overall market.

Below table sets out the statistics in relation to the closing price and net profit of the expressway companies listed on the Main Board of the Stock Exchange:

Stock code	Listed Company	**Closing price** *31 December 2019 Unit: RMB*	**Closing price** *31 December 2020 Unit: RMB*	**Closing price** *(Year-on-year growth rate) Unit: %*	**Net profit (Year-on-year growth rate)** *Reporting period: 2020 annual report Unit: %*
0107.HK	Sichuan Expressway Company Limited	2.17	1.71	-21.39	-35.24
0177.HK	Jiangsu Expressway Company Limited	9.51	8.16	-14.25	-41.43
0269.HK	China Resources and Transportation Group Limited	0.03	0.01	-65.52	-201.56
0548.HK	Shenzhen Expressway Co., Ltd.	9.76	6.85	-29.81	-14.30
0576.HK	Zhejiang Expressway Co., Ltd.	6.25	6.17	-1.32	-10.43
0737.HK	Bay Area Development	3.19	2.33	-27.21	11.72
0995.HK	Anhui Expressway Company Limited	4.08	4.39	7.56	-17.89
1052.HK	Yuexiu Transport Infrastructure Limited	6.55	5.20	-20.58	-74.65
1576.HK	Qilu Expressway Company Limited	1.47	1.58	7.56	4.20
1785.HK	Chengdu Expressway Co., Ltd.	1.80	1.98	9.87	-31.30
1823.HK	Huayu Expressway Group Limited	0.88	0.67	-24.18	17.83
80737.HK	Bay Area Development – R	2.88	2.00	-30.44	11.72
Arithmetic mean		4.05	3.42	-17.48	-31.78

Source: Tonghuashun iFinD

The average daily full-length equivalent traffic volume of the expressways invested and operated by the joint ventures of the Target Group, GS Expressway and GZ West Expressway, was approximately 100,000 vehicles and 59,000 vehicles in 2019 respectively, and approximately 74,000 vehicles and 43,000 vehicles in 2020 respectively, representing a year-on-year decrease of 26% and 27.12% respectively. The average daily full-length equivalent traffic volume of the expressways invested and operated by the joint ventures of the Target Group, GS Expressway and GZ West Expressway, was approximately 89,000 vehicles and 51,000 vehicles in the first half of 2021 respectively, representing a decrease of 9.18% and 8.92% respectively from the first half of 2019, the normal year before the epidemic, and are gradually recovering to traffic flow level before the epidemic.

We believe that the epidemic will eventually end, and in the long run, the expressway industry will return to the normal value level before the epidemic and return to the average premium level of the Hong Kong stock market. Therefore, in the valuation, Pengxin Appraisal selected the recent average liquidity premium rate in the Hong Kong stock market as the liquidity premium for Bay Area Development.

3. Under the appraisal, the listed companies listed in the Hong Kong stock market from 1 January 2020 to 31 December 2020 are selected to statistically analyze the increment between their issue price and the current share price, and their average increment, on a sample basis, is regarded as the liquidity premium rate of H-share listed companies, and their average liquidity premium rates of these H-share listed companies are regarded as the liquidity premium of Bay Area Development.

Taking into account abovementioned premiums, the valuation of other minority assets and all liabilities of the Target Company, Pengxin Appraisal concluded that the valuation of total equity interests of the shareholders of the Target Company as at 31 December 2020 was RMB2,630.97 million, which was 2.28% lower than the carrying amount of net assets of RMB2,653.0319 million. The composition of total equity interests of the shareholders of the Target Company is as follows:

		Equity held by the Target Company	
	Total equity value *(RMB'0000)*	**Percentage of equity**	**Equity value** *(RMB'0000)*
Equity attributable to shareholders of the parent company of Bay Area Development	962,952.89	71.83%	691,689.06
Value of 71.83% equity interests in Bay Area Development after considering the premium for controlling stake (15%) and liquidity premium (14%)	–	–	892,278.89
Total equity attributable to the shareholders of the Target Company	263,097.00	100%	263,097.00

Pursuant to the Pengxin Appraisal Valuation Report, the value of 71.83% equity interests in Bay Area Development after taking into account the abovementioned premium was RMB8,922.7889 million. After deducting the dividend declared by Bay Area Development in April 2021 which shall be enjoyed by the Seller pursuant to the Sale and Purchase Agreement, which is approximately HK$0.109 per share, the value per share of Bay Area Development is equivalent to HK$4.67.

Major Assumptions under the Pengxin Appraisal Valuation Report

The valuation of the Target Company under the Pengxin Appraisal Valuation Report is based on a set of premises and assumptions. The major assumptions and premises of the valuation are as follows:

(i) the appraised object or all appraised assets are in the process of market transactions on the valuation reference date, and the value estimation or calculation will be simulated according to the market environment on the valuation reference date and the trading conditions of the appraised object or all appraised assets;

(ii) the trading market where the appraised object or all appraised assets are located on the valuation reference date is an open market;

(iii) the economy corresponding to the appraised object continues to operate according to its existing business objectives in terms of its operating team, financial structure, business model and market environment on the valuation reference date and the utilization of the assets and liabilities corresponding to the appraised object remains the same as the current scale, frequency, environment etc. of such usage;

(iv) there are no material changes in the current relevant laws, regulations and policies, and the macroeconomic situation in the PRC, and there are no material changes in the political, economic and social environment of the region where the parties to the Transactions are located; there are no material changes in the interest rates, exchange rates, tax bases and tax rates, policy levies, financing conditions, etc; there are no force majeure and unforeseen factors that will cause significant adverse effects on the appraised object or all appraised assets;

(v) the information necessary for the valuation of the appraised object or all appraised assets is true, complete, legal and valid;

(vi) information obtained from certain sources used under the valuation can reasonably reflect the corresponding market transaction trends, market operation conditions or market development trends; and

(vii) unless otherwise stated, described or considered in the asset valuation report, the obtaining, usage or ownership of the appraised object or appraised assets is in compliance with the provisions of the laws, regulations and regulatory documents of the PRC.

Assessment on the Assumptions and Inputs Involved in CMS Valuation Report, Pengxin Appraisal Valuation Report and Traffic Study Report by the Board

As for the CMS Valuation Report, the Board, through the Shenzhen Expressway Board, has carried out the following tasks:

1. to review the valuation methods and measurement models used in the valuation of CMS;

2. to check and query the market information of comparable transactions related to the Acquisition in the valuation of CMS;

3. to check the relevant situation of comparable companies whose main business is the operation of expressways in Mainland China selected in the valuation of CMS;

4. to discuss with the person in charge about the relevant assumptions adopted in the valuation report; and

5. to evaluate the parameters used in the valuation, including: (a) EV/EBITDA and ratio of premium on controlling rights, which are based on publicly available market data, or based on the analysis of publicly available market data, and the parameter values are based on an objective basis; (b) EV/EBITDA, which is the median to average level of comparable companies, and the parameter value range is appropriate; (c) ratio of premium on controlling rights, which are determined with reference to the characteristics of the assets of the Bay Area Development, the proportion of equity in the Acquisition, and the lower level of the market range. The parameters were carefully selected.

Based on the above, the Shenzhen Expressway Board is of the opinion that the assumptions and inputs involved in the CMS Valuation Report are fair and reasonable. Based on the views of the Shenzhen Expressway Board, the Board is of the opinion that the assumptions and inputs involved in the CMS Valuation Report are fair and reasonable.

As for the Pengxin Appraisal Valuation Report, the Board, through the Shenzhen Expressway Board, has carried out the following tasks:

1. to review the valuation methods and valuation models used in Pengxin Appraisal's valuation;

2. to check and inquire about the legal basis, pricing basis, professional norms, pricing basis and other reference information used in Pengxin Appraisal's valuation;

3. to discuss with relevant appraisers on the appraisal assumptions adopted in preparation of their valuation reports;

4. to review the description of special matters disclosed in the Pengxin Appraisal Valuation Report and discuss with relevant appraisers; and

5. to evaluate the parameters adopted in the valuation, including: (a) the income forecast which is based on the toll revenue data from Traffic Study Report; (b) the forecast of out-of-pocket costs and expenses, which is made on a historical basis taking future operations into account, and is in line with the actual situation of the enterprise; (c) the forecast of depreciation, amortization and capital expenditure, which is calculated according to the original book value and economic serviceable life of each asset of the company and is in line with the actual situation of the company and audit; (d) calculation and selection of discount rate. The cost of equity capital is estimated using the Capital Asset Pricing Model (CAPM), which is based on public data in the market, or based on the analysis of public data in the market, and the parameters are based on an objective basis; (e) controlling rights and liquidity premiums, which are based on public data in the market, or based on the analysis of public data in the market, and the parameters are based on an objective basis.

Based on the above, the Shenzhen Expressway Board is of the opinion that the assumptions and inputs involved in the Pengxin Appraisal Valuation Report are fair and reasonable. After considering the views of the Shenzhen Expressway Board and the tasks carried out by the Shenzhen Expressway Board in forming its view, the Board concurs with the view of the Shenzhen Expressway Board that the assumptions and inputs involved in the Pengxin Appraisal Valuation Report are fair and reasonable.

As for the Traffic Study Report, the Board, through the Shenzhen Expressway Board, has carried out the following tasks:

1. to review the Study on traffic volume and revenue forecast of GS Expressway and GZ West Expressway prepared by the Guangdong Provincial Transport Planning & Research Center on traffic volume and toll revenue forecasting for the GS Expressway and GZ West Expressway;

2. to discuss with the person-in-charge the traffic volume forecasted recommendation and the assumptions adopted for conducting the traffic volume and toll revenue forecasting;

3. to recognize and agree the assumptions and methods for traffic volume forecasting are mainly based on the portfolio mode of "four-stage method";

4. the inputs adopted for traffic volume and toll revenue forecasting, including economic and social inputs, permanent population, random user balancing method of extensive transportation expenses are determined in accordance with the Guangdong Expressway Network Plan and the Feasibility Study Report of Highway Construction Project.

Based on the above, the Shenzhen Expressway Board is of the opinion that the assumptions and inputs involved in the Traffic Study Report are fair and reasonable. After considering the views of the Shenzhen Expressway Board and the tasks carried out by the Shenzhen Expressway Board in forming its view, the Board concurs with the view of the Shenzhen Expressway Board that the assumptions and inputs involved in the Traffic Study Report are fair and reasonable.

5. SIGNIFICANT FINANCIAL EFFECTS OF THE ACQUISITION ON THE ENLARGED GROUP

The following table sets forth the significant financial effects of the Acquisition on the Enlarged Group identified in the unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular ("**Pro Forma Financial Information**"), assuming that completion of the Acquisition had taken place on 30 June, 2021, as compared to the financial position of the Group as at 30 June, 2021:

	As at 30 June, 2021	**The Target Group and pro forma adjustment**	**Upon completion of the Acquisition (pro forma Enlarged Group)**	**Change**
	HK$'000	*HK$'000*	*HK$'000*	*%*
Net assets	59,522,134	1,797,624	61,319,758	3.02
Total assets	120,891,368	9,267,380	130,158,748	7.67
Total liabilities	61,369,234	7,469,756	68,838,990	12.17

Assets and liabilities

Based on the Pro Forma Financial Information, the unaudited pro forma consolidated total assets of the Enlarged Group as at 30 June, 2021 would increase by approximately HK$9.267 billion to approximately HK$130.159 billion and the unaudited pro forma consolidated total liabilities of the Enlarged Group as at 30 June, 2021 would increase by approximately HK$7.470 billion to approximately HK$68.839 billion after the Acquisition. The unaudited pro forma consolidated net assets of the Enlarged Group as at 30 June, 2021 would increase by approximately HK$1.798 billion to approximately HK$61.320 billion, assuming that completion of the Acquisition had taken place on 30 June, 2021. As disclosed in the section headed "3. Working Capital Sufficiency of the Enlarged Group" of Appendix I to this circular, the Directors are of the opinion that, after taking into account the completion of the Acquisition and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its requirement for at least the next twelve months from the date of this circular.

The net assets, the total assets and the total liabilities of the Enlarged Group which are referred to in this subsection were extracted from the Pro Forma Financial Information, which was based on, among other things, at an estimated total Consideration of no more than HK$10,479,000,000 and the assumption that the completion of the Acquisition had occurred on 30 June 2021. The total Consideration which comprises of the Amount Payable which is a fixed amount, and the outstanding amount of the debts of the Target Company and the Contingent Consideration, which depends on the actual date on which the Loan Consideration is paid. As the actual amount of the total Consideration will be different from the estimated amount used in such Pro Forma Financial Information, the abovementioned figures as at the date of completion of the Acquisition may also be different from the corresponding amounts presented in the such Pro Forma Financial Information.

Earnings

Assuming the occurrence of the completion of the Acquisition, the Target Group Members will become the subsidiaries of the Company. Based on the statements of comprehensive income of the Target Group as set out in Appendix III to this circular, it is expected that the earnings of the Enlarged Group will basically remain the same level or decrease slightly as a result of the Acquisition. Nonetheless, after considering the factors set out in the section headed "Reasons for and Benefits of the Transactions" in this letter, the Directors expect that the Transactions will have a positive impact on the Group's net profit in the coming period, with the synergy and integration of resources within the Group, including the Bay Area Development, and the implementation of the reconstruction and expansion of GS Expressway and the comprehensive development of the land along GS Expressway.

The unadjusted information of the unaudited pro forma financial information on the Group is derived from the most recent published interim report of the Group for the six months ended 30 June 2021 pursuant to Rule 4.29(5)(a) of the Listing Rules. The Directors confirmed that there has been no material change in the financial positions of the Enlarged Group since 30 June 2021, and therefore the Directors are of the view that it is appropriate to prepare the Pro Forma financial statements in respect of the Group's financial information as at 30 June 2021.

6. LISTING RULES IMPLICATION

As certain percentages exceed 25% but all the relevant percentages are below 100%, the Transactions constitute major transaction on the part of the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, since SIHCL is the controlling shareholder of the Company which indirectly owned approximately 43.48% of the issued share capital of the Company. As the Seller is an associate of SIHCL, SIHCL and the Seller are connected persons to the Company within the meaning of the Listing Rules, the Transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules and is subject to, among others, the approval of the Independent Shareholders at the SGM.

Messrs. Dai Jingming and Hu Wei (both are directors of the Company and Shenzhen Expressway), have abstained from voting at the board meeting of the Company to approve the Transactions.

None of the Directors has any undisclosed material interest in the Transactions.

7. TAKEOVERS CODE IMPLICATION

References are made to the joint announcements dated 15 March 2021 and 14 April 2021 of the Company and Shenzhen Expressway. On 13 April 2021, the Purchaser has obtained a waiver from the obligation to make a mandatory general offer for Bay Area Development arising as a result of the Acquisition pursuant to Note 6(a) of Rule 26.1 of the Takeovers Code from the Executive of SFC.

8. INFORMATION OF THE PURCHASER, SHENZHEN EXPRESSWAY AND THE COMPANY

The Purchaser is a company incorporated in Hong Kong. It is principally engaged in investment holding. It is a wholly owned subsidiary of Shenzhen Expressway.

Shenzhen Expressway is a company established in the PRC. Shenzhen Expressway Group is principally engaged in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities. Shenzhen Expressway is a subsidiary of the Company held as to approximately 52%.

The Company is incorporated in Bermuda. The Group is principally engaged in logistics and toll road businesses. It defines Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Pan-Bohai Rim as strategic regions, endeavours to invest in, construct and operate logistic infrastructure projects including integrated logistics hubs and toll roads, and provides high-end and value-added logistics services to customers based on these infrastructures, through expansion, mergers and acquisitions, restructuring and consolidation while expanding into various business segments such as comprehensive development of lands related to the logistics industry as well as investment in and operation of environmental protection business. The Company is indirectly owned as to approximately 43.48% by SIHCL.

9. INFORMATION OF SIHCL

SIHCL is a company established in the PRC. It is principally engaged in property rights management, capital operation, investment and financing business. SIHCL is wholly owned by Shenzhen SASAC. SIHCL is the controlling shareholder of the Company.

10. INFORMATION OF THE SELLER

The Seller is a company incorporated in Hong Kong. It is principally engaged in investment holding. The Seller is a wholly owned subsidiary of SIHCL. The Seller is an associate of the controlling shareholder of the Company.

11. INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands. It is principally engaged in investment holding. The Target Company is wholly owned by the Seller and holds 2,213,449,666 Bay Area Development Shares (representing approximately 71.83 % of the total issued share capital of Bay Area Development).

The Target Company acquired approximately 66.69% of the total issued capital of Bay Area Development (i.e. 2,055,287,337 Bay Area Development Shares) at a total cash consideration of HK$9,865,379,217.60 (i.e. HK$4.80 per Bay Area Development Share) in April 2018. Upon the completion of the acquisition, the Target Company made a mandatory general offer to the then Bay Area

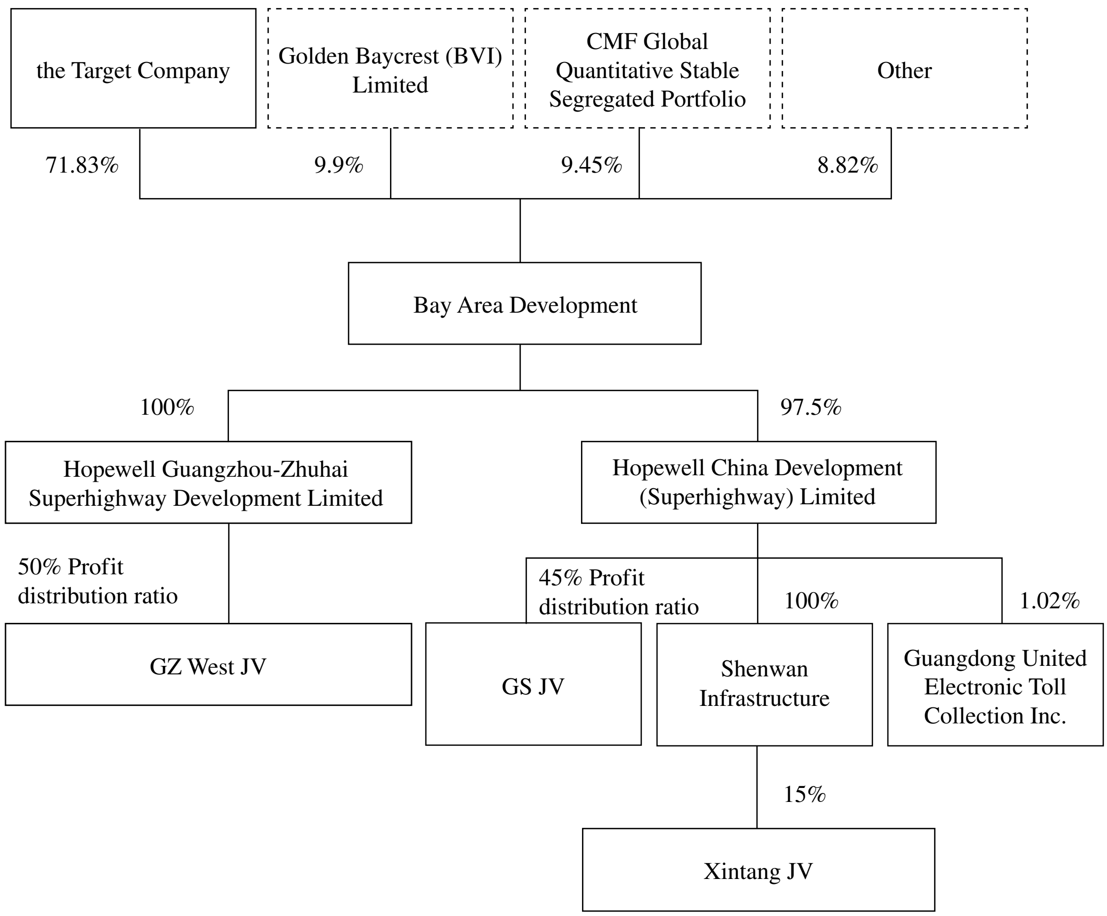
Development Shares pursuant to Note 6(a) of Rule 26.1 of the Takeovers Code at the offer price of HK$4.80 per Bay Area Development Share. Upon the completion of the mandatory general offer, the Target Company was interested in 91.18% of the total issued capital of Bay Area Development (i.e. 2,809,744,415 Bay Area Development Shares). The Target Company subsequently completed the placing at the price of HK$4.80 per Bay Area Development Share to restore the public float of Bay Area Development. As at the Latest Practicable Date, the Target Company is interested in approximately 71.83% of the total issued share capital of Bay Area Development.

Accordingly, upon the completion of the Acquisition, the Purchaser will have indirectly acquired more than 30% of the issued share capital of Bay Area Development, and is required to make a mandatory general offer to the shareholders of Bay Area Development pursuant to Note 6(a) of Rule 26.1 of the Takeovers Code unless a waiver has been obtained from the Executive. The Purchaser has obtained a waiver from the Executive to make a mandatory general offer to the shareholders of Bay Area Development pursuant to Note 6(a) of Rule 26.1 of the Takeovers Code as a result of the Acquisition.

The Bay Area Development Group is principally engaged in expressway business and adopts development strategies focusing on the infrastructure and correlated business as well as land development and utilisation along the GS Expressway within Guangdong-Hong Kong-Macao Greater Bay Area. The Bay Area Development Group currently operates two expressways namely, the GS Expressway and the GZ West Expressway and engages in the development of residential project located at the core area of Guangdong-Hong Kong-Macao Greater Bay Area.

Below is a schematic diagram on shareholders and major businesses of Bay Area Development as at the Latest Practicable Date:

Shareholders and Major Businesses of Bay Area Development



Note: This diagram has omitted some intermediate entities with 100% shareholding ratio, and it is only used to show the shareholding relationship.

(a) GS JV

GS JV is principally engaged in the business of investment, construction and management of the GS Expressway, which Bay Area Development is entitled to 45% profit distribution right.

GS Expressway is the Guangzhou-Shenzhen section of the Beijing-Hong Kong-Macao Expressway. It is an important passage connecting Guangzhou, Dongguan, Shenzhen and Hong Kong, starting from Huangcun Interchange in Guangzhou in the north, connecting with the northern section of Guangzhou Ring Expressway, ending at Huanggang Port in Shenzhen in the south, and connecting with Huanggang Road in Shenzhen. GS Expressway is part of G4 Beijing-Hong Kong-Macao Expressway, with a total length of 122.8 kilometres and a two-way six-lane structure.

The toll operating period of GS Expressway will be valid until June 2027, with an average daily standard traffic flow being 102,000 vehicles and 74,000 vehicles in 2019 and 2020, respectively, and an average daily toll revenue being RMB8.84 million and RMB6.51 million in 2019 and 2020, respectively.

As the traffic flow of GS Expressway continues to reach saturation, in order to meet the increasing traffic demands and better play the role of connecting the main traffic routes of Guangzhou and Shenzhen and the role as the important infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area's core regions, GS Expressway is planned to be reconstructed and expanded. GS JV was approved to be the owner of the GS Expressway reconstruction and expansion project in December 2019.

In January 2021, the feasibility study of GS Expressway reconstruction and expansion project passed the preliminary examination by the traffic administration department of Guangdong Province and the construction will formally commence after obtaining the approval for the project. According to the feasibility study report of GS Expressway reconstruction and extension project, the extension of GS Expressway is about 118.2 kilometres long, where the existing two-way 6-lane highway will be expanded to 8 to 12 lanes in different sections, with the estimated initial investment being about RMB47.1 billion.

As at the Latest Practicable Date, the investment and financing plan for the reconstruction and expansion of GS Expressway has not yet been determined. GS JV may apply to the government authorities for extending the tolling period based on the construction scale and investment and financing plan finally determined.

(b) GZ West JV

GZ West JV is principally engaged in the business of investment, construction and operation and management of the GZ West Expressway, which Bay Area Development is entitled to 50% profit distribution right.

GZ West Expressway spans from Hainan Interchange in Liwan District, Guangzhou in the north to Yuehuan Interchange in Tanzhou Town, Zhongshan in the south, and has a total length of about 98 kilometres. Its construction will be completed in 3 phases. The GZ West Expressway Phase I, II and III have an operational term up to September 2033, June 2035 and January 2038 respectively.

In 2019 and 2020, the average daily standard traffic flow of the GZ West Expressway is 59,000 vehicles and 43,000 vehicles respectively, while its toll revenue is RMB4.15 million and RMB2.99 million respectively.

(c) GS Expressway-related land development

In October 2019, Bay Area Development and Guangdong Highway Construction signed a memorandum of understanding on cooperation and a framework agreement regarding the principles of utilizing and developing the GS Expressway-related land to jointly explore the opportunities arising from the overall development of the existing GS Expressway-related land to unlock the value. Both parties agreed on the proportion according to which they shall enjoy the land development right in different areas, including 37.5% for Bay Area Development and 62.5% for Guangdong Highway Construction as to the land in Guangzhou area; 57.5% for Bay Area Development and 42.5% for Guangdong Highway Construction as to the land in Shenzhen area; and the proportion as to the land in Dongguan area to be determined.

Xintang JV was established in November 2019, of which Bay Area Development and Guangdong Highway Construction own 37.5% and 62.5% interests respectively. It conducts comprehensive development of a piece of transportation land of approximately 196,000 square meters in Xintang Town, Zengcheng District, Guangzhou, with a planned capacity building area of approximately 600,000 square meters.

In October 2020, Bay Area Development and Guangdong Highway Construction transferred a 60% interests in Xintang JV to Shenzhen Run Investment (a wholly owned subsidiary of China Resources Land Limited). Upon such transfer, Bay Area Development, Guangdong Highway Construction and Shenzhen Run Investment directly or indirectly hold 15%, 25% and 60% interests in Xintang JV respectively.

Currently, the Guangzhou Xintang Traffic Renovation Project and the related residential and ancillary facilities construction have commenced. The residential and ancillary facilities construction will be carried out in three phases according to the schedule. The pre-sale of the first phase of residential buildings has commenced.

Set out below is an extract of the audited financial statements prepared for the year ended 31 December 2020, and for the 7 months ended 31 July 2021 and the unaudited financial statements prepared for the year ended 31 December 2019 of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standard for Business Enterprises:

Unit: RMB'000

	For the year ended 31 December 2019	**For the year ended 31 December 2020**	**For the seven months ended 31 July 2021**
Total revenue	—	—	—
Profit/(loss) before taxation	13,895	(111,331)	137,227
Net profit/(loss)	(28,751)	(282,335)	79,477
Including: Share of results of joint ventures	399,338	20,833	234,861
Financial costs	(351,565)	(309,393)	(142,619)

	As at 31 December 2019	**As at 31 December 2020**	**As at 31 July 2021**
Total assets	11,378,833	11,936,112	12,262,906
Including: Long-term equity investment	10,593,960	9,725,754	9,840,070
Total liabilities	9,384,441	7,971,270	8,411,368
Net assets	1,994,392	3,964,842	3,851,538

The table below sets out the analysis of major differences between the net profit of financial statements of Bay Area Development published and the net profit (loss) of Target Group:

Unit: RMB million

Item	For the year ended 31 December 2019	For the year ended 31 December 2020	For the seven months ended 31 July 2021
Net profit of financial statements of Bay Area Development published	620	694	370
Less: amortisation of fair value gain from acquisition of Bay Area Development included in the consolidated financial statements of Target Company	300	683	159
Less: financial costs of Target Company	348	291	132
Net profit/(net losses) of Target Group as shown in the accountants' report	(28)	(282)	79

Based on the above, the Board is of the opinion that such differences are fair and reasonable.

Note 1: Share of profits/(losses) of associates and joint ventures represents the share of profits generated by the interests in GS JV, GZ West JV and Xintang JV held by Bay Area Development.

Note 2: In 2020, due to the impact of the epidemic, the 79-day toll-free policy was implemented, resulting in a decline of RMB405 million in investment income from GS Expressway and GZ West Expressway, and considering 71.83% equity interest in Bay Area Development held by the Target Company, the respective investment income of the Target Company declined by RMB291 million.

Note 3: Target Company considered the amortization of the increase in fair value during the acquisition of Bay Area Development in the consolidated financial statements. The increase in the fair value generated from the increase in intangible assets and the increase in development value of the land during the acquisition of the GS JV and GZ West JV, and is respectively amortized in accordance with the intangible asset amortization policy and land development progress of GS JV and GZ West JV. As a result of the above amortization, the investment income of Bay Area Development in 2019, 2020, and January to July 2021 has been reduced by RMB300 million, RMB683 million, and RMB159 million, respectively, the corresponding impacts of the 71.83% equity of Bay Area Development holds by the Target Company were RMB215 million, RMB491 million, and RMB114 million, respectively.

Note 4: The financial costs include the interest expenses of the borrowings used by the Target Company to acquire Bay Area development and the financial costs of Bay Area development itself.

Note 5: In 2020, the Target Company received a shareholder capital injection of RMB1,922 million and reduce its total debt accordingly.

Upon Completion, Bay Area Development will remain owned as to approximately 71.83% by the Target Company, which will become direct wholly-owned by the Purchaser (a wholly-owned subsidiary of Shenzhen Expressway). Therefore, the Target Company and Bay Area Development will become subsidiaries of the Company and Shenzhen Expressway and their financial results will be consolidated into the financial statements of the Company and Shenzhen Expressway.

12. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive directors of the Company, namely, Professor Cheng Tai Chiu, Edwin, Messrs, Pan Chaojin and Chan King Chung, has been formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement, Payment Obligation Agreement and the Transactions.

Dakin Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this connection.

13. RE-ELECTION OF RETIRING DIRECTOR

Reference is made to the announcement of the Company dated 14 September 2021 in relation to the appointment of Mr. Liu Zhengyu as an executive Director and Chief Executive Officer of the Company.

At the SGM, Mr. Liu Zhengyu will retire and, being eligible, offer himself for re-election as Director in accordance with Code Provision A.4.2 of Appendix 14 of the Listing Rules.

Particulars of the aforesaid retiring Director are set out in Appendix IX to this circular.

14. SGM

At the SGM, ordinary resolutions will be proposed to consider and, if thought fit, among others, approve the Transaction Agreements and the Transactions and the re-election of the retiring Director.

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon.

Shareholders not attending the SGM in person may view a live streaming webcast of the SGM and submit online questions to us by the instructions as stated in the letter sent to Shareholders on 24 November 2021. Shareholders should note that viewing the live streaming webcast of the SGM will not be counted towards a quorum nor will they be able to cast their votes online.

15. CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Friday, 10 December 2021, will be eligible for attending and voting at the SGM. The Company's register of members will be closed from Tuesday, 7 December 2021 to Friday, 10 December 2021, both days inclusive, during which no transfer of shares will be registered. In order to be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 December 2021.

16. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the SGM will demand a poll under Bye-Law 78 for each and every resolution put forward at the SGM. The poll results will be published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.szihl.com upon the conclusion of the SGM.

As at the Latest Practicable Date, SIHCL, the controlling shareholder of the Company, indirectly held 985,635,960 Shares representing approximately 43.48% of the issued share capital of the Company. Accordingly, SIHCL and its associates will abstain from voting at the SGM in respect of the resolution approving the Transaction Agreements and the transactions contemplated thereunder.

Save as mentioned above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other shareholder of the Company has a material interest and has to abstain from voting on any of the resolutions at the SGM.

17. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 46 of this circular and the letter from the Independent Financial Adviser on pages 47 to 87 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders regarding the Transaction Agreements and transactions completed thereunder as well as the principal factors and reasons taken into consideration in arriving at their advice.

The Directors consider that the terms of the proposed transaction are fair and reasonable and on normal commercial terms, and the proposed transaction is in the ordinary and usual course of business of the Group 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 be proposed at the SGM in respect of the Transaction Agreements and transactions completed thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolution to be proposed at the SGM.

The Directors also consider that it is in the interests of the Company and its Shareholders to re-elect the retiring Director at the SGM, and recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM.

18. FURTHER INFORMATION

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

Yours faithfully,
By Order of the Board
Shenzhen International Holdings Limited
Li Haitao
Chairman

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its recommendation to the Independent Shareholders in respect of the Transaction Agreements and the transactions contemplated thereunder.

Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00152)

24 November 2021

To the Independent Shareholders

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHENZHEN INVESTMENT INTERNATIONAL CAPITAL HOLDINGS INFRASTRUCTURE CO., LTD.

We refer to the circular of Shenzhen International Holdings Limited (the "**Company**") dated 24 November 2021 (the "**Circular**"), of which this letter forms a part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Transaction Agreements and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the Circular. Dakin Capital Limited has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the "Letter from the Board" on pages 9 to 45 of the Circular and the "Letter from Independent Financial Adviser" on pages 47 to 87 of the Circular and the additional information contained in the appendices to the Circular.

RECOMMENDATION

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the "Letter from Independent Financial Adviser" contained in the Circular, we concur with the view of the Independent Financial Adviser and consider that the terms of the Transaction Agreements are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and that the Transaction Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM for approving the Transaction Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Independent Board Committee
Professor Cheng Tai Chiu, Edwin
Mr. Pan Chaojin
Mr. Chan King Chung
Independent non-executive Directors

The following is the full text of the letter of advice from Dakin Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

德健融資有限公司
DAKIN CAPITAL LIMITED

24 November 2021

To: the Independent Board Committee and the Independent Shareholders of Shenzhen International Holdings Limited

Dear Sirs/Madams,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHENZHEN INVESTMENT INTERNATIONAL CAPITAL HOLDINGS INFRASTRUCTURE CO., LTD.

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction Agreements and the Transactions, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 24 November 2021 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As stated in the Letter from the Board, SIHCL, the indirect controlling shareholder of the Company and Shenzhen Expressway, provided an undertaking to Shenzhen Expressway and undertook that it will, among others, avoid business competition with Shenzhen Expressway, support the business development of Shenzhen Expressway and perform asset injection to and integration with Shenzhen Expressway. On 15 March 2021, Shenzhen Expressway and SIHCL entered into the MOU, pursuant to which, SIHCL intended to transfer its 71.83% indirect equity interests in Bay Area Development to Shenzhen Expressway. It is stated in the joint announcement of the Company and Shenzhen Expressway dated 15 March 2021 that the main purpose for signing the MOU is to promptly seize Shenzhen's strategy on promoting the reformation of stated-owned enterprises, and business opportunities arising from the optimisation of industrial layout, so as to achieve the goals of acquiring high-quality toll highway assets and expanding the scale and profit base of toll highway business.

On 10 August 2021, (i) the Purchaser and the Seller entered into the Sale and Purchase Agreement in relation to the Acquisition; and (ii) SIHCL, the Seller, the Purchaser and Shenzhen Expressway entered into the Payment Obligation Agreement in relation to the Payment Obligation Arrangement. Pursuant to the Transaction Agreements, the Shenzhen Expressway Group has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares, at an estimated total Consideration of no more than HK$10,479,000,000.

Upon completion of the Acquisition, the Purchaser will have indirectly acquired more than 30% of the issued share capital of Bay Area Development, and is required to make a mandatory general offer to the shareholders of Bay Area Development pursuant to Note 6(a) of Rule 26.1 of the Takeovers Code unless a waiver has been obtained from the Executive. According to the joint announcement of the Company and Shenzhen Expressway dated 14 April 2021 and the Letter from the Board, on 13 April 2021, the Purchaser has obtained a waiver from the Executive to make a mandatory general offer to the shareholders of Bay Area Development pursuant to Note 6(a) of Rule 26.1 of the Takeovers Code as a result of the Acquisition.

As certain percentages exceed 25% but all the relevant percentages are below 100% of the applicable percentage ratios under the Listing Rules, the Transactions constitute major transaction on the part of the Company under Chapter 14 of the Listing Rules. As at the Latest Practicable Date, SIHCL is the controlling shareholder of the Company which indirectly owned approximately 43.48% of the issued share capital of the Company. As the Seller is an associate of SIHCL, SIHCL and the Seller are connected persons to the Company within the meaning of the Listing Rules, and thus the Transactions also constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listings Rules.

Messrs. Dai Jingming and Hu Wei (both are directors of the Company and Shenzhen Expressway), have abstained from voting at the board meeting of the Company to approve the Transactions.

The Independent Board Committee, comprising Professor Cheng Tai Chiu, Edwin, Messrs. Pan Chaojin and Chan King Chung, each being an independent non-executive Director, has been established to advise the Independent Shareholders in respect of the Transaction Agreements and the Transactions. We, Dakin Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, Dakin Capital did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of Dakin Capital. In the last two years, there was no engagement between Dakin Capital and any member of the Group. In addition to acting as the Independent Financial Adviser, we also act as the independent financial adviser to the independent board committee and independent shareholders of Shenzhen Expressway in respect of the Transaction Agreements and the Transactions. Apart from the normal professional fees paid or payable to us in connection with abovementioned appointment as the independent financial adviser regarding the Transaction Agreements and the Transactions, no other arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other parties to the Transaction Agreements and the Transactions that could reasonably be regarded as relevant to our independence as defined under Rule 13.84 of the Listing Rules. Accordingly, we consider that such business relationship would not affect our independence to form our opinion in relation to the Transaction Agreements and the Transactions.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the statements, information, financial information and facts contained or referred to in the Circular; (ii) the information supplied by the Group, the Shenzhen Expressway Group and/or the Target Group; (iii) the opinions expressed by and the representations of the Directors, the respective management of the Group, the Shenzhen Expressway Group, and/or the advisers of Shenzhen Expressway; and (iv) the relevant public information available to us as at the date hereof. We have assumed that all the statements, information and financial information provided and facts, representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intentions of the Directors and the management of the Group and/or the Shenzhen Expressway Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry and consideration. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors, the respective management of the Group and the Shenzhen Expressway Group, and/or the advisers of Shenzhen Expressway. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the respective management of the Group and/or the Shenzhen Expressway Group are true, accurate, complete and not misleading or deceptive in all respects at the time they were made and as at the Latest Practicable Date. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and the Shareholders will be notified of any material change by the Company as soon as it becomes aware.

We consider that we have reviewed relevant and necessary information currently available to reach an informed view and to justify our reliance on the accuracy of the statements and information contained in the Circular so as to provide a reasonable basis for our opinion and recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors, the respective management of the Group and the Shenzhen Expressway Group, and/or the advisers of Shenzhen Expressway, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, internal control, profitability or prospects of the Company, Shenzhen Expressway, the Target Company or any of their respective subsidiaries or associates.

The Directors have collectively and individually accepted full responsibility for the truth, accuracy and completeness of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the statements and information contained in the Circular is true, 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments or changes (including any material change in market, economic conditions and the Novel Coronavirus ("**COVID-19**") pandemic) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Transaction Agreements and the Transactions, we have taken into account the following principal factors and reasons:

1. Particulars of the development of the PRC's expressway network and key factors affecting traffic volume

According to the Outline of the Construction of a Strong Transportation Country* (交通強國建設綱要) issued by the Central Committee of the Communist Party of China (中國共產黨中央委員會) (the "**CPC**") and the State Council of the PRC (中華人民共和國國務院) (the "**State Council**") on 19 September 2019 (the "**Transportation Construction Outline**"), the construction of a strong transportation system is encouraged and it will be implemented from 2021 to 2050 in two phases with the aim of establishing national strength in transportation that will be basically finished by 2035.

To accommodate its economic growth, the PRC has made significant progress in the development of expressway network over the years, as demonstrated by the data from the Ministry of Transport of the PRC (中華人民共和國交通運輸部) (the "**Ministry of Transport**") that the expressway mileage in the PRC grew from approximately 74,100 kilometres in 2010 to approximately 161,000 kilometres in 2020, representing an increase of approximately 117.3%. In particular, according to the 2020 Statistical Report on the Development of the Transportation Industry* (2020年交通運輸行業發展統計公報) published by the Ministry of Transport on 19 May 2021, the expressway mileage was approximately 161,000 kilometres as at 31 December 2020, which represents a YoY increase of approximately 11,400 kilometres as compared to that of 31 December 2019. Moreover, for the year ended 31 December 2020, Guangzhou had an investment of approximately RMB35.6 billion in transportation infrastructure projects, which represents a YoY increase of approximately 31.1% as compared to the year ended 31 December 2019 and approximately 111.7 kilometres of new expressway was opened for operation, according to the information as stated on the website of The People's Government of Guangzhou Municipality (廣州市人民政府).

With reference to the Traffic Study Report issued by The Guangdong Provincial Transport Planning and Research Center* (廣東省交通運輸規劃研究中心) (the "**Traffic Study Expert**") in May 2021 (a summary of which is set out in Appendix VII to the Circular), and as advised by the management of the Shenzhen Expressway Group, development in economics, number of populations and number of vehicles are generally the key factors that affect the expressway traffic volume. According to Hong Kong Trade Development Council Research, the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Greater Bay Area**") maintained a similar level of gross domestic product ("**GDP**") at approximately USD1,679.3 billion and USD1,668.9 billion for the two years ended 31 December 2019 and 2020, respectively. According to the National Bureau of Statistics of the PRC (the "**National Bureau of Statistics**"), the GDP of Guangdong Province increased by approximately 2.6% from approximately RMB10,798.7 billion for the year ended 31 December 2019 to approximately RMB11,076.1 billion for the year ended 31 December 2020. Furthermore, according to the National Bureau of Statistics, the permanent population of Guangdong Province increased by approximately 20.8% to approximately 126.0 million from 2010 to 2020 and the number of privately-owned vehicles* (民用汽車擁有量) of Guangdong Province increased by approximately 197.4% from approximately 7.8 million to approximately 23.3 million during 2010 to 2019.

2. Information of the Group

As stated in the Letter from the Board, the Group is principally engaged in logistics and toll road businesses. It defines Shenzhen, the Greater Bay Area, the Yangtze River Delta and the Pan-Bohai Rim as strategic regions, endeavours to invest in, construct and operate logistic infrastructure projects including integrated logistics hubs and toll roads, and provides high-end and value-added logistics services to customers based on these infrastructures, through expansion, mergers and acquisitions, restructuring and consolidation while expanding into various business segments such as comprehensive development of lands related to the logistics industry as well as investment in and operation of environmental protection business.

Set out below is the summary of the financial information of the Group for the periods indicated as extracted from the Company's annual report for the year ended 31 December 2020 (the "**2020 Company Annual Report**") and interim report for the six months ended 30 June 2021 (the "**2021 Company Interim Report**"):

	For year ended 31 December		**For the six months ended 30 June**	
	2019	**2020**	**2020**	**2021**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	16,820,326	19,452,409	4,402,036	7,287,183
Gross profit	6,699,254	6,462,262	566,709	2,590,585
Profit for the year/period	7,109,541	6,038,627	1,745,399	1,888,818

As depicted in the above table, the Group recorded an increase of approximately 15.6% in its revenue to approximately HK$19,452.4 million for the year ended 31 December 2020 as compared to that of the year ended 31 December 2019. In particular, toll revenue of the Group amounted to approximately HK$5,058 million for the year ended 31 December 2020 and approximately HK$5,305 million for the year ended 31 December 2019. This was mainly attributable to the fact that since the resumption of toll collection at 00:00 a.m. on 6 May 2020 by toll roads operated and invested by the Group, overall traffic volume resumed normal and exhibited positive growth, which partially offset the impact of the COVID-19 pandemic on the toll road business in the first half of 2020. In addition, Shenzhen Expressway actively explored investment prospects and opportunities in the environmental protection sectors such as reutilization and management of solid waste, and clean energy. According to the 2020 Company Annual Report, revenue generated from environmental protection service recorded an increase of approximately 331.9% to approximately HK$2,906.3 million for the year ended 31 December 2020 from approximately HK$672.9 million for the year ended 31 December 2019. It is noted that the net profit of the Group for the year ended 31 December 2020 decreased by approximately 15.1% to approximately HK$6,038.6 million as compared with the prior fiscal year. According to the 2020 Company Annual Report, the decrease in the profit of the Group for the year ended 31 December 2020 was mainly due to the loss of approximately HK$1,179 million incurred by Shenzhen Airline Company Limited, an associate in which the Company holds a 49% equity interest, as a result of the decrease in demand for air travel due to COVID-19. For further details, please refer to the 2020 Company Annual Report published on 15 April 2021.

According to the 2021 Company Interim Report, the operating results from the Group's core business segments have basically returned to the pre-pandemic levels and demonstrated a growing momentum. The Group recorded an increase of approximately 65.5% in its revenue to approximately HK$7,287.2 million for the six months ended 30 June 2021 as compared to that of the six months ended 30 June 2020. In particular, toll roads operated and invested by the Group have resumed full toll collection in the second half of 2020. Coupled with the launch of the first phase of the Outer Ring Expressway, the toll revenue collected by Shenzhen Expressway during the six months ended 30 June 2021 was approximately HK$3,345 million, representing an increase of approximately 183% as compared to the corresponding period of the previous year. For further details, please refer to the 2021 Company Interim Report published on 16 September 2021.

3. Information of the Shenzhen Expressway Group

As stated in the Letter from the Board, the Shenzhen Expressway Group is principally engaged in investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities.

Set out below is the summary of the financial information of the Shenzhen Expressway Group for the periods indicated as extracted from Shenzhen Expressway's annual report for the year ended 31 December 2020 (the "**2020 Shenzhen Expressway Annual Report**") and interim report for the six months ended 30 June 2021 (the "**2021 Shenzhen Expressway Interim Report**"):

	For year ended 31 December		**For the six months ended 30 June**	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	6,390,295	8,026,737	1,736,563	4,211,138
Gross profit*(Note)*	2,804,751	2,812,220	249,972	1,831,008
Profit/ (loss) for the year/period	2,608,678	2,235,556	(4,594)	1,289,768

Note: The 2020 Shenzhen Expressway Annual Report and the 2021 Shenzhen Expressway Interim Report do not provide gross profit of the Shenzhen Expressway Group. For illustrative purpose only, the gross profit presented in this table is calculated by deducting cost of services from the total revenue for the year/period.

As depicted in the above table, the Shenzhen Expressway Group recorded an increase of approximately 25.6% in its revenue to approximately RMB8,026.7 million for the year ended 31 December 2020 as compared to that of the year ended 31 December 2019. According to the 2020 Shenzhen Expressway Annual Report, the increase in revenue mainly derived from the environmental protection sector (including but not limited to solid waste treatment and clean energy related infrastructure), which recorded an increase of approximately 320.8% from approximately RMB599.0 million for the year ended 31 December 2019 to approximately RMB2,520.6 million for the year ended 31 December 2020. Also, among the total revenue of approximately RMB8,026.7 million for the year ended 31 December 2020, approximately RMB4,386.7 million, or approximately 54.7% of the total revenue, was derived from toll revenue. In comparison with the toll revenue of approximately RMB4,722.1 million, or approximately 73.9% of the total revenue, for the year ended 31 December 2019, the decrease in the toll revenue for the fiscal year 2020 was due to the toll-free measure caused by COVID-19 during the period from 17 February 2020 to 5 May 2020 (both days inclusive) published by the Ministry of Transport ("**COVID-19 Toll Free Measure**"). Also, the net profit for the year ended 31 December 2020 decreased by approximately 14.3% to approximately RMB2,235.6 million as compared to that of approximately RMB2,608.7 million for the prior fiscal year. The net profit attributable to owners of Shenzhen Expressway decreased by approximately 19.9% to approximately RMB2,054.5 million for the year ended 31 December 2020 as compared to that of approximately RMB2,564.3 million for the year ended 31 December 2019 and taking aside the effects of the recognition of deferred income tax asset of Shenzhen Guangshen Coastal Expressway Investment Company Limited by the Shenzhen Expressway Group, the YoY increase of the net profit attributable to owners of Shenzhen Expressway was approximately 0.32%. For further details, please refer to the 2020 Shenzhen Expressway Annual Report published on 26 April 2021.

Notwithstanding the above, it is noted from the 2021 Shenzhen Expressway Interim Report that Shenzhen Expressway recorded net profit for the six months ended 30 June 2021 of approximately RMB1,289.8 million, representing an increase of approximately RMB1,294.4 million as compared to that of the net loss of approximately RMB4.6 million for the six months ended 30 June 2020. As stated in the 2021 Shenzhen Expressway Interim Report, the aforesaid increase in net profit is principally attributed to (i) the relatively low toll income recorded for the six months ended 30 June 2020 due to the COVID-19 Toll Free Measure; (ii) the operation of Phase I of Outer Ring Expressway has only commenced since the end of

2020; and (iii) the positive income contribution made by the environmental protection sector of Shenzhen Expressway. For further details, please refer to the 2021 Shenzhen Expressway Interim Report published on 16 September 2021.

4. Information of the Target Group

As stated in the Letter from the Board, the Target Company is an investment holding company being a wholly-owned subsidiary of the Seller, which in turn is indirectly wholly owned by Shenzhen SASAC through SIHCL. It is also stated that the Target Company holds 2,213,449,666 Bay Area Development Shares (representing approximately 71.83% of the total issued share capital of Bay Area Development) as at the Latest Practicable Date.

Set out below is an extract of the audited financial statements prepared for the year ended 31 December 2020, and for the seven months ended 31 July 2021 and the unaudited financial statements prepared for the year ended 31 December 2019 of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standard for Business Enterprises as disclosed in the Letter from the Board:

	For year ended 31 December		**For seven months ended 31 July**
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)
Total revenue	–	–	–
Profit/(loss) before taxation	13,895	(111,331)	137,227
Net profit/(loss)*(Notes 1, 2 and 3)*	(28,751)	(282,335)	79,477
Including: Share of results of joint ventures*(Note 4)*	399,338	20,833	234,861
Financial costs*(Note 5)*	(351,565)	(309,393)	(142,619)

	As at 31 December		**As at 31 July**
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)
Total assets	11,378,833	11,936,112	12,262,906
Including: Long-term equity investments	10,593,960	9,725,754	9,840,070
Total liabilities*(Note 6)*	9,384,441	7,971,270	8,411,368
Net assets	1,994,392	3,964,842	3,851,538

Notes:

1. In 2020, due to the impact of the epidemic, the 79-day toll-free policy was implemented, resulting in a decline of approximately RMB405 million in investment income from the GS Expressway and the GZ West Expressway, and considering 71.83% equity interest in Bay Area Development held by the Target Company, the respective investment income of the Target Company declined by approximately RMB291 million.

2. The Target Company considered the amortisation of the increase in fair value during the acquisition of Bay Area Development in the consolidated financial statements. The increase in the fair value generated from the increase in intangible assets and the increase in development value of the land during the acquisition of GS JV and GZ West JV, and is respectively amortised in accordance with the intangible asset amortisation policy and land development progress of GS JV and GZ West JV. As a result of the above amortisation, the investment income of Bay Area Development in 2019, 2020, and January to July 2021 has been reduced by approximately RMB300 million, RMB683 million, and RMB159 million, respectively, the corresponding impacts of the 71.83% equity interests of Bay Area Development held by the Target Company were approximately RMB215 million, RMB491 million, and RMB114 million, respectively.

3. For the analysis of major differences between the net profit of financial statements of Bay Area Development published and the net profit (loss) of the Target Group, please refer to the section headed "Information of the Target Company" set out in the Letter from the Board.

4. Share of profits/(losses) of associates and joint ventures represents the share of profits generated or losses incurred by the interests in GS JV, GZ West JV and Xintang JV held by Bay Area Development.

5. The financial costs include the interest expenses of the borrowings used by the Target Company to acquire Bay Area Development and the financial expenses of Bay Area Development itself.

6. In 2020, the Target Company received a shareholder capital injection of RMB1,922 million and reduce its total debt accordingly.

5. Information of Bay Area Development

As stated in the Letter from the Board, the Bay Area Development Group is principally engaged in expressway business and adopts development strategies focusing on the infrastructure and correlated business as well as land development and utilisation along the GS Expressway within the Greater Bay Area. The Bay Area Development Group currently operates two expressways, namely the GZ West Expressway and the GS Expressway and engages in the development of residential project located at the core area of the Greater Bay Area.

Set out below is the summary of the financial information of the Bay Area Development Group for the periods indicated as extracted from Bay Area Development's annual report for the year ended 31 December 2020 (the "**2020 Bay Area Development Annual Report**") and interim report for the six months ended 30 June 2021 (the "**2021 Bay Area Development Interim Report**"):

	For year ended 31 December		**For the six months ended 30 June**	
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Segment result				
– GZ West JV	188,926	34,874	(62,725)	87,673
– GS JV*(Note 1)*	487,384	221,176	(9,311)	214,228
– Xintang JV	(1,886)	(42,036)	(21,957)	(21,915)
Total	674,424	214,014	(93,993)	279,986
Profit/(loss) for the year/period*(Note 2)*	620,975	693,783	(114,677)	290,751

Notes:

1. Excluding exchange gain or loss.

2. For the analysis of major differences between the net profit of financial statements of Bay Area Development published and the net profit (loss) of the Target Group, please refer to the section headed "Information of the Target Company" set out in the Letter from the Board.

Bay Area Development's segment result of the expressway projects (the GZ West Expressway and the GS Expressway) operated by two joint ventures decreased by approximately 62.1% to approximately RMB256.1 million for the year ended 31 December 2020 from approximately RMB676.3 million for the year ended 31 December 2019. With reference to the 2020 Bay Area Development Annual Report, the decrease in the segment result of both expressways for the year ended 31 December 2020 was due to the decrease of over 25% in toll revenue because of the COVID-19 Toll Free Measure implemented on toll roads nationwide and the adjustments on the holiday toll-free policy for small passenger vehicles with 7 seats or less during the Lunar New Year holiday in 2020 as published by the Ministry of Transport. The loss in Xintang JV was mainly due to the increase in the finance costs which mainly consisted of shareholders' loan interests. For further details, please refer to the 2020 Bay Area Development Annual Report published on 25 March 2021.

Notwithstanding the above, it is noted from the 2021 Bay Area Development Interim Report that Bay Area Development Group recorded net profit of approximately RMB290.8 million for the six months ended 30 June 2021, representing an increase of approximately RMB405.4 million as compared to a loss of approximately RMB114.7 million for the six months ended 30 June 2020. In particular, the segment results of both expressways increased from a loss of approximately RMB72.0 million for the six months ended 30 June 2020 to a profit of approximately RMB301.9 million for the six months ended 30 June 2021. As stated in the 2021 Bay Area Development Interim Report, the aforesaid profit turnaround is primarily attributable to the low toll revenue from the GZ West Expressway and the GS Expressway due to the COVID-19 Toll Free Measure during the six months ended 30 June 2020 and the adjustments on the holiday toll-free policy for small passenger vehicles with 7 seats or less during the Lunar New Year holiday in 2020. For further details, please refer to the 2021 Bay Area Development Interim Report published on 16 September 2021.

5.1 GZ West JV and GZ West Expressway

As stated in the Letter from the Board, GZ West JV is principally engaged in the business of investment, construction and operation and management of the GZ West Expressway, which Bay Area Development is entitled to 50% profit distribution right.

Background of GZ West Expressway

The GZ West Expressway spans from Hainan Interchange in Liwan District, Guangzhou in the north to Yuehuan Interchange in Tanzhou Town, Zhongshan in the south. Its construction was completed in three phases. Further information on the GZ West Expressway according to the 2020 Bay Area Development Annual Report and the 2021 Bay Area Development Interim Report is set forth below.

Location:	Guangzhou to Zhuhai, Guangdong Province, the PRC
Length:	Approximately 97.9 kilometres
Lanes:	A total of six lanes in dual directions
Operational term and toll collection period:	Phase I West (September 2003 to September 2033) Phase II West (June 2010 to June 2035) Phase III West (January 2013 to January 2038)
Average daily standard traffic flow in the recent two calendar years and the last half-year:	2019 – approximately 59,000 vehicles 2020 – approximately 43,000 vehicles First half of 2021 – approximately 51,000 vehicles
Average daily toll revenue in the recent two calendar years and the last half-year:	2019 – approximately RMB4.15 million 2020 – approximately RMB2.99 million First half of 2021 – approximately RMB3.64 million

It is also stated in the 2020 Bay Area Development Annual Report that the GZ West Expressway is the main expressway artery between Guangzhou and Zhuhai, and is highly accessible to the Hengqin New Zone and the Hong Kong-Zhuhai-Macao Bridge (the "**HZM Bridge**") through the expressway network connecting Zhuhai. In November 2020, the Guangdong Provincial Public Security Department* (廣東省公安廳) issued the Administrative Measures of Guangdong Province on the Entry of Motor Vehicles into and out of the Mainland via the Zhuhai Highway Port of the Hong Kong-Zhuhai-Macao Bridge (Draft for Comments)* (廣東省關於澳門機動車經港珠澳大橋珠海公路口岸入出內地管理辦法(徵求意見稿)), which announced that the entry of single-licensed vehicles into and out of the Mainland via the Zhuhai Port of the HZM Bridge will be further eased. The permitted driving area is expanded from the current Zhuhai Hengqin area to the entire Guangdong Province, serving as an experience to the policy of expanding the permission of Hong Kong vehicles into and out of the Guangdong Province via the HZM Bridge. According to the 2020 Bay Area Development Annual Report, the usage of the HZM Bridge is expected to increase, which will have a positive effect on the traffic volume of the GZ West Expressway in the long run.

5.2 GS JV and GS Expressway

As stated in the Letter from the Board, GS JV is principally engaged in the business of investment, construction and management of the GS Expressway, which Bay Area Development is entitled to 45% profit distribution right.

Background of GS Expressway

As part of G4 Beijing-Hong Kong-Macao Expressway, the GS Expressway is the Guangzhou-Shenzhen section of the Beijing-Hong Kong-Macao Expressway. It is an important passage connecting Guangzhou, Dongguan, Shenzhen and Hong Kong, starting from Huangcun Interchange in Guangzhou in the north, connecting with the northern section of Guangzhou Ring Expressway, ending at Huanggang Port in Shenzhen in the south, and connecting with

Huanggang Road in Shenzhen. Further information on the GS Expressway according to the 2020 Bay Area Development Annual Report and the 2021 Bay Area Development Interim Report is set forth below.

Location:	Guangzhou to Shenzhen, Guangdong Province, the PRC
Length:	Approximately 122.8 kilometres
Lanes:	A total of six lanes in dual directions (except for certain sections being ten lanes)
Operational term and toll collection period:	July 1997 to June 2027* * *Extension of the concession period and the toll collection period along with GS JV's proposed reconstruction and expansion project of the GS Expressway (the "**GS Expressway Expansion Project**") is subject to the approval by the relevant government departments*
Average daily standard traffic flow in the recent two calendar years and the last half-year:	2019 – approximately 100,000 vehicles 2020 – approximately 74,000 vehicles First half of 2021 – approximately 89,000 vehicles
Average daily toll revenue in the recent two calendar years and the last half-year:	2019 – approximately RMB8.84 million 2020 – approximately RMB6.51 million First half of 2021 – approximately RMB7.74 million

GS Expressway Expansion Project

As stated in the Letter from the Board, the reconstruction and expansion of the GS Expressway has been included in the development plan of the Greater Bay Area and the plan of Guangdong Province's expressway network. According to Guangdong Province Expressway Network Planning* (廣東省高速公路網規劃) released by the Department of Transportation of Guangdong Province* (廣東省交通運輸廳) on 28 May 2020, the reconstruction and expansion of the GS Expressway was included in the planning ideas and can be used to ease the traffic congestion in the Pearl River Delta regions.

It has come to our knowledge that (i) GS JV was approved to be the owner of the GS Expressway Expansion Project in December 2019; and (ii) the feasibility study concerning the GS Expressway Expansion Project (the "**Feasibility Study**") passed the preliminary examination by the traffic administration department of Guangdong Province in January 2021 and the construction will formally commence after obtaining the approval for the project. According to the Feasibility Study, the extension of the GS Expressway is about 118.2 kilometres long, where the existing two-way 6-lane highway will be expanded to 8 to 12 lanes in different sections, with the estimated initial investment being about RMB47.1 billion.

It is the view of the Directors that if the GS Expressway Expansion Project can be successfully implemented, the capacity of the GS Expressway will be further improved, and GS JV will be entitled to apply for approval from government departments to extend the toll collection period, and will increase the Shenzhen Expressway Group's toll highway asset scale and toll operation period after Completion.

The Letter from the Board further states that as at the Latest Practicable Date, the investment and financing plan for the GS Expressway Expansion Project is yet to be determined, and GS JV may apply to the government authorities for extending the tolling period based on the construction scale and investment and financing plan finally determined.

5.3 Xintang JV and GS Expressway-related land development

According to the Letter from the Board, Xintang JV was established in November 2019 between Bay Area Development and Guangdong Highway Construction after the said parties signed a memorandum of understanding on cooperation and a framework agreement in October 2019 in relation to the utilisation and development of the GS Expressway-related land situated in different areas consisting of Guangzhou, Shenzhen and Dongguan. For further details, please refer to the announcement of Bay Area Development dated 28 October 2019.

As at the Latest Practicable Date, Xintang JV is directly or indirectly owned as to 15%, 25% and 60% by Bay Area Development, Guangdong Highway Construction and Shenzhen Run Investment (a wholly-owned subsidiary of China Resources Land Limited), respectively.

Set forth below is the information on the residential project in Xintang undertaken by Xintang JV (the "**Guangzhou Xintang Project**") according to the 2020 Bay Area Development Annual Report:

Location:	Xintang Town, Zengcheng District, Guangzhou, Guangdong Province, the PRC
Year of implementation:	2019
Nature of development:	Residential project
Total site area:	Approximately 200,000 square metres
Gross floor area:	Approximately 600,000 square metres

It is noted from the Letter from Board that currently, the relevant traffic renovation and the related residential and ancillary facilities construction in Xintang have commenced. In particular, the residential and ancillary facilities construction will be carried out in three phases according to the schedule, and the pre-sale of the first phase of residential buildings has commenced.

6. Background of and reasons for the Transactions

As stated in the Letter from the Board, both the GS Expressway and the GZ West Expressway are located in the core area of the Greater Bay Area. The board of directors of Shenzhen Expressway (the "**Shenzhen Expressway Board**") is of the view that the GS Expressway is the core passage connecting

Guangzhou, Dongguan and Shenzhen, the three major cities on the eastern coast of the Greater Bay Area, and Hong Kong, whereas the GZ West Expressway is an important passage connecting Guangzhou to Zhuhai and the western coast of the Greater Bay Area leading to the HZM Bridge.

According to the Outline of Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area* (粵港澳大灣區發展規劃綱要) published by the CPC and the State Council on 18 February 2019 (the "**Greater Bay Area Development Outline**"), which is an outline document guiding the current and future development of the Greater Bay Area covering the period from 2019 to 2035, the development of the Greater Bay Area plays a significant strategic role in the overall development of the PRC. Given the location of the GS Expressway and the GZ West Expressway, and after taking into account the fact that the GS Expressway Expansion Project to be operated by the Bay Area Development Group has been included in the development plan of the Greater Bay Area and the plan of Guangdong Province's expressway network, it is reasonable for the Directors to expect that the Shenzhen Expressway Group can take advantages of the said development plan for the Greater Bay Area through the Transactions. For details of the GS Expressway Expansion Project, please refer to the paragraph headed "Information of Bay Area Development – GS JV and GS Expressway – GS Expressway Expansion Project" above.

It is stated in the Letter from the Board that comprehensive development of land along toll highways to realise their value is one of the focus and achievements of Shenzhen Expressway in recent years with the successful implementation of the Meiling Checkpoint Urban Renewal Project together with the Company. We are given to understand that business opportunity relating to comprehensive land development usually arises during changes in the rights and interests of toll highways operations or toll highways reconstruction. It is also limited by local government's urban planning, toll highway reconstruction plans and other conditions, and needs to be carried out in accordance with relevant urban planning and laws and regulations, thus there is uncertainty. The Letter from the Board further states that according to the preliminary studies conducted by Bay Area Development, it is estimated that about ten plots of land are suitable for comprehensive development after improvement in transportation facilities, and the Guangzhou Xintang Project, which was implemented in 2019, is considered to have positive influence for promoting other projects along the expressways. We noted that it is the current intention of Shenzhen Expressway to actively promote the land development plan along the GS Expressway that combines the reconstruction and expansion with the land development and utilisation, and further release the value of the land along the GS Expressway.

In light of the above and having considered (i) the fact that investment, construction, operation and management of toll highways and roads are within the general and normal scope of business of the Shenzhen Expressway Group; (ii) that the Transactions are in line with the reformation policies and measures of Shenzhen SASAC; and (iii) other relevant factors as detailed in the section headed "Reasons for and Benefits of the Transactions" set out in the Letter from the Board (including that the Transactions may provide the opportunities for Shenzhen Expressway to bolster its future profitability and regional market share in the expressway industry), the Shenzhen Expressway Board considers that the entering into of the Transaction Agreements is in the interests of the shareholders of Shenzhen Expressway and Shenzhen Expressway as a whole.

As stated in the Letter from the Board, the Board is of the view that the Transactions are in line with the Company's strategy to consolidate premium infrastructure resources. After taking into account the analysis and judgment of Shenzhen Expressway, the effect of the Transactions on the Group and all relevant factors, the Board considers that the entering into of the Transaction Agreements is in the interests of the Shareholders and the Company.

7. Principal terms of the Transaction Agreements

Below set out the details of the principal terms of the Sale and Purchase Agreement and the Payment Obligation Agreement as stated in the Letter from the Board:

7.1 Sale and Purchase Agreement

Date

10 August 2021

Parties

(i) Shenzhen Investment International Capital Holdings Co., Ltd., as the seller; and

(ii) Mei Wah Industrial (Hong Kong) Limited, as the purchaser.

Subject matter

Acquisition of the Sale Shares, assumption of repayment obligations of debts owed by the Target Company to the Seller, and the repayment of Third Party Loans.

Effectiveness

The Sale and Purchase Agreement shall be effective upon the satisfaction of all the conditions set out under the paragraph headed "Conditions" below.

Conditions

The Sale and Purchase Agreement shall be effective from the date on which the following conditions are satisfied:

(i) the necessary shareholders' approval of the Seller and the approval from SIHCL in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Seller;

(ii) the necessary approvals from SIHCL in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Purchaser; and

(iii) the necessary board and/or shareholders' approval of the Purchaser, the Company and Shenzhen Expressway in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained.

The abovementioned conditions shall be satisfied on or before 31 December 2021 (or such other date as otherwise agreed in writing by the Purchaser and the Seller).

As at the Latest Practicable Date, the above-mentioned conditions (i) and (ii) have been satisfied.

Completion

Completion will take place on the Completion Date, being 20 Business Days after the date of the delivery of the Conditions Satisfaction Notification (or such date as otherwise agreed in writing by the Purchaser and the Seller).

The Sale Shares will be acquired free from all Encumbrances and together with all rights and benefits which will be on the Completion Date attaching or may at any time thereafter become attached thereto including the right to all dividends, distributions and any return of capital declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the Completion Date.

Transition Period Arrangement

The Seller and the Purchaser agreed that profit and loss incurred by the Target Company during the Transition Period shall be enjoyed and borne by the Purchaser, save for the special interim dividend for the year ended 31 December 2020 and the final dividend for the year ended 31 December 2020 declared by Bay Area Development. Without the consent of the Purchaser, the Target Company shall not make any distribution on the profit for the Transition Period. If the Target Company makes any distribution on the profit for the Transition Period, the equivalent amount shall be deducted from the Amount Payable accordingly.

In respect of any outstanding dividends previously declared but not paid by the Target Company, the Purchaser shall procure that the Target Company pay, and if necessary, provide shareholders loan to the Target Company to pay, the outstanding dividends to the Seller within three Business Days of the Completion Date.

Change of Target Company Directors

On the Completion Date, the Seller shall procure the Target Company to appoint candidates nominated by the Purchaser as the director(s) of the Target Company. Such appointment shall be effective on the Completion Date.

The Purchaser intends to nominate persons with extensive experience in toll highway investment, construction and operation as directors of the Target Company at a later stage. As at the Latest Practicable Date, the Purchaser has not identified any candidates to be nominated as new directors of the Target Company.

7.2 Payment Obligation Agreement

Date

10 August 2021

Parties

(i) Shenzhen Investment Holdings Company Limited;

(ii) Shenzhen Investment International Capital Holdings Co., Ltd.;

(iii) Mei Wah Industrial (Hong Kong) Limited; and

(iv) Shenzhen Expressway Company Limited.

Subject matter

Assumption of payment obligation under the Supplemental Agreements. The assumption of payment obligation by the Purchaser and Shenzhen Expressway is conditional upon the Sale and Purchase Agreement being effective.

Effectiveness

The Payment Obligation Agreement shall be effective upon the date on which the Purchaser is registered as the shareholder of the Target Company.

7.3 Consideration

As stated in the Letter from the Board, after arm's length negotiations, the Shenzhen Expressway Group has conditionally agreed to purchase and the Seller has conditionally agreed to sell the Sale Shares, at an estimated total Consideration of no more than HK$10,479,000,000. After deducting approximately HK$151,000,000 of cash and receivables of the Target Company, the price per Bay Area Development Share is estimated to be no more than HK$4.67 (representing a premium of approximately 60% over the closing price of HK$2.85 per Bay Area Development Share on the date of the Sale and Purchase Agreement (the "**Price Premium**"). As stated in the Letter from the Board, the Price Premium is mainly attributable to (i) the acquisition of the controlling rights of Bay Area Development as a result of the Acquisition; (ii) the synergy that can be generated between the expressway assets of Bay Area Development and Shenzhen Expressway; (iii) the business opportunities and potential value of the GS Expressway Expansion Project and the land development along the GS Expressway; and (iv) the Directors' view that the valuation of the expressway companies have been underestimated to a certain extent as a result of the negative impacts of the COVID-19 including the COVID-19 Toll Free Measure. For further details, please refer to the paragraph headed "Transaction Agreements – Consideration for the Sale Shares" set out in the Letter from the Board.

It was also highlighted in the Letter from the Board that, reference has been primarily made by the Shenzhen Expressway Board to the valuation of the 71.83% equity interests in Bay Area Development as at 15 March 2021 performed by CMS (the "**CMS Valuation**") under the CMS Valuation Report when determining the Consideration, while the valuation of the entire equity interests of the Target Company as at 31 December 2020 (the "**Pengxin Appraisal Valuation**") provided in the Pengxin Appraisal Valuation Report is of use to the Board, as well as the Shareholders, as additional reference when considering the Consideration. According to the CMS Valuation Report, CMS concluded that the price per Bay Area Development Share should be between HK$4.42 to HK$4.71 (the "**CMS Reference Range**"). As to the relations between the CMS Valuation and the Consideration, it is disclosed in the Letter from the Board that the corresponding valuation of the 71.83% equity interests in Bay Area Development (i.e. 2,213,449,666 Bay Area Development Shares) held by the Target Company is between approximately HK$9.783 billion and approximately HK$10.425 billion, and after adding the cash and receivables of the Target Company of approximately HK$151 million, the corresponding valuation of the Target Company is between approximately HK$9.934 billion and approximately HK$10.576 billion which indicates that the Consideration of no more than HK$10.479 billion is within such corresponding valuation range of the

Target Company as derived based on the CMS Reference Range. For further details of the CMS Valuation Report and the relations between the CMS Valuation and the Consideration, please refer to (i) Appendix V to the Circular; (ii) the paragraph headed "Valuation - Relations between CMS valuation and the Consideration" set out in the Letter from the Board; and (iii) the paragraph headed "Valuation – CMS Valuation Report" in this section below.

Furtherware, Pengxin Appraisal concluded in the Pengxin Appraisal Valuation Report that the price per Bay Area Development Share is estimated to be no more than HK$4.67 (the "**Pengxin Reference Price**"). As stated in the letter from the Board, the Consideration of no more than HK$10.479 billion is not higher than the adjusted total valuation of the Target Company of HK$10.512 billion as derived based on the Pengxin Reference Price. For further details of the Pengxin Appraisal Valuation Report and the relations between the Pengxin Appraisal Valuation and the Consideration, please refer to (i) Appendix VI to the Circular; (ii) the paragraph headed "Valuation – Relations between Pengxin Appraisal valuation and the Consideration" set out in the Letter from the Board; and (iii) the paragraph headed "Valuation – Pengxin Appraisal Valuation Report" in this section below.

Set out below are (i) the composition of the Consideration pursuant to the Transaction Agreements; and (ii) the cash and receivables of the Target Company as at 31 December 2020 and the estimated value of the 71.83% equity interests in Bay Area Development held by the Target Company, that form the basis for the negotiation between the Shenzhen Expressway Group and the Seller when determining the Consideration:

	HK$' million
Amount Payable*(Note 1)*	2,450.0
Outstanding amount of the debts of the Target Company	7,890.1
Contingent Consideration estimated to be no more than*(Note 1)*	139.0
Total*(Note 2)*	**10,479.0**
Cash and receivables of the Target Company	151.0
Value of the 71.83% equity interests in Bay Area Development held by the Target Company*(Note 3)*	10,328.0
Total*(Note 2)*	**10,479.0**

Notes:

1. Please refer to "Unaudited Pro Forma Financial Information on the Enlarged Group" set out in Appendix IV to the Circular for further details.

2. Certain figures included have been subject to rounding adjustments and/or exchange rate conversion. Any discrepancy between totals and sums of individual amounts listed are due to rounding/exchange rate conversion. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

3. This is estimated by the Shenzhen Expressway Board based on 2,213,449,666 Bay Area Development Shares held by the Target Company and HK$4.67 per Bay Area Development Share (that is, an estimated price not exceeding both the CMS Reference Range and the Pengxin Reference Price).

As we understood from the Letter from the Board, the Consideration shall be satisfied by the Purchaser and Shenzhen Expressway pursuant to the agreed payment schedule stipulated in the Transaction Agreements, details of which are set out in the paragraph headed "Transaction Agreements – Consideration for the Sale Shares" in the Letter from the Board, as summarised below:

(i) Amount Payable

The Amount Payable amounting to HK$2,450,034,805.18 that is attributable to the Consideration shall be paid to the Seller in three stages. The directors of Shenzhen Expressway (the "**Shenzhen Expressway Directors**") confirmed that as at the Latest Practicable Date, the SPA Deposit (inclusive of the MOU Deposit), which represents 30% of the Amount Payable, has been fully settled, with the remaining 70% of the Amount Payable due to be paid on the Completion Date (or such date as otherwise agreed in writing by the Purchaser and the Seller).

(ii) Debts of the Target Company

The outstanding amount of the debts of the Target Company amounting to approximately HK$7,890,127,007.98 that is attributable to the Consideration consists of the outstanding shareholder loans owed by the Target Company to the Seller of USD700,000,000 (i.e. approximately HK$5,460,000,000) and the Third Party Loans of no more than HK$2,429,495,000.

Repayment of outstanding shareholder loans:

As at the Latest Practicable Date, the Seller has provided shareholder loans in the principal amount of USD700,000,000 to the Target Company, at an interest rate of 2.85% per annum from 1 January 2021 subject to Completion, repayable in two stages about two years apart with the first repayment of USD400,000,000 to be made within the first ten Business Days of 26 September 2021. If the Sale and Purchase Agreement becomes effective after 10 September 2021 (i.e. ten Business Days prior to 26 September 2021), the deadline for the principal payment by the Target Company is extended to ten Business Days after the effective date of the Sale and Purchase Agreement.

The remaining principal of USD300,000,000 repayable to the Seller within the first ten Business Days of 26 September 2023.

Upon the satisfaction of all the Conditions, the Purchaser shall assume the repayment obligation of the Target Company, or alternatively, provide sufficient funds to the Target Company to enable the Target Company, to repay the outstanding shareholder loans and the respective interests.

We have obtained and reviewed the relevant shareholder loan agreements entered into between the Seller and the Target Company and understood that the aggregate principal amount of loans given to the Target Company is USD700,000,000. Furthermore, as confirmed by the management of Shenzhen Expressway, the interest rate of 2.85% per annum which was arrived at after arm's length negotiations between the relevant parties is lower than the interest rates of the Shenzhen Expressway Group's independent third party short-term and long-term borrowings guaranteed by credit as at 31 December 2020 as detailed in the 2020 Shenzhen Expressway Annual Report; all such independent third party borrowings were PRC onshore loans denominated in RMB. Furthermore, the interest rate of 2.85% is (i) below the prevailing borrowings rates for loans offered by The People's Bank of China ("**PBOC**") for term within one year and from one year to five year of 4.35% per annum and 4.75% per annum respectively; and (ii) within the range of the monthly average interest rates between January 2020 to June 2021 for loans denominated in USD with a term over one year from 1.87% to 3.71% per annum, based on China Monetary Policy Implementation Report* (中國貨幣政策執行報告) issued by PBOC on a quarterly basis.

Repayment of Third Party Loans:

The Target Company has the Third Party Loans in the principal amount of no more than HK$2,429,495,000.

Within 15 Business Days from the date of the delivery of the Conditions Satisfaction Notification (or such date as otherwise agreed in writing by the Purchaser and the Seller), the Purchaser shall pay an amount equivalent to the outstanding principal and the respective interests of the Third Party Loans to the designated bank account of the Target Company.

The Seller shall procure the Target Company to utilise the Repayment Amount to repay all outstanding payments under the Third Party Loans no later than two Business Days prior to the Completion Date and to release all guarantees provided by the Seller to such third party financial institutions under the Third Party Loans.

We have obtained and reviewed the loan agreements in relation to the Third Party Loans and understood that the aggregate principal amount of debts owned by the Target Group to the relevant third party institutions is no more than HK$2,429,495,000.

(iii) Contingent Consideration

The Contingent Consideration being estimated to be no more than approximately HK$139,000,000 that is attributable to the Consideration consists of (a) the payment obligation assumed by the Purchaser and Shenzhen Expressway under the Supplemental Agreements (the "**Payment Obligation**") (if any); and (b) the payment of all taxes (if any) arising out of the Transactions to be responsible by the Purchaser.

Reference is made to the announcement of Bay Area Development dated 17 September 2018 regarding the placing of 291,207,411 Bay Area Development Shares to the CMF Fund for the purpose of restoring the minimum public float of Bay Area Development. It is stated that pursuant to the Supplemental Agreements, the CMF Fund may during the Agreed Period give a one-off notification to SIHCL and the Seller (or either of them) that CMF Fund intends to, on or within six months after the fifth anniversary of the Previous Placing Completion Date (the "**Disposal Period**"), dispose of all or part of the Previous Placing Shares on-market and/or off-market to independent third party(ies), and if the aggregate amount of the consideration received by the CMF Fund under the CMF Disposal(s) is less than the total investment costs of the CMF Fund and its investor in relation to the all or part of the Previous Placing Shares (i.e. the original acquisition cost of the Previous Placing Shares together with other related costs and expenses but less the amount of dividends of Bay Area Development received/receivable by the CMF Fund in respect of the Previous Placing Shares), SIHCL and the Seller (or either of them) will pay to the CMF Fund the difference in cash. The original acquisition cost of the Previous Placing Shares was approximately HK$1,397,795,573.

On 10 August 2021, SIHCL, the Seller, the Purchaser and Shenzhen Expressway entered into the Payment Obligation Agreement, pursuant to which, the Purchaser and Shenzhen Expressway shall perform the payment obligation (if any) of SIHCL and the Seller to the CMF Fund under the Supplemental Agreements upon Completion.

We are given to understand that in estimating the Payment Obligation which originated from the Previous Placing for the aforesaid restoration of public float of Bay Area Development, Shenzhen Expressway has primarily taken into account the relevant factors and the terms of the Supplemental Agreements, such as (i) the original acquisition cost of the Previous Placing Shares of HK$4.80 per Bay Area Development Share; (ii) other related costs and expenses in respect of the Previous Placing Shares, which should be not more than 4% of the original acquisition cost; and (iii) the amount of dividends of Bay Area Development received/receivable by the CMF Fund. According to the annual report of Bay Area Development for each of the last three financial years ended 31 December 2020, a total of dividends of approximately HK$0.934453 per Bay Area Development Share was declared for the financial years ended 30 June 2018 to 31 December 2020.

It should be noted that the CMF Disposal, at the discretion of the CMF Fund, may or may not occur in the future, and the Payment Obligation cannot be precisely measured at present but until future events transpire. As such, the Payment Obligation is uncertain both in whether it will be materialised and in its total amount payable thereunder as at the Latest Practicable Date. As we understood from the Shenzhen Expressway Directors, in case of the occurrence of the CMF Disposal and subject to satisfaction of the relevant conditions, the exact amount payable under the Payment Obligation by the Purchaser and/or Shenzhen Expressway pursuant to the Payment Obligation Arrangement will be reassessed and determined as and when appropriate based on the actual results of the CMF Disposal and pursuant to the terms of the Supplemental Agreements where the actual transaction amount should be adopted when performing the Payment Obligation.

To the best of the Shenzhen Expressway Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, Bay Area Development is held as to approximately 9.45% by the CMF Fund and neither the Seller nor SIHCL had received any verbal and/or written indication, notification or expression of intention from the CMF Fund to give a one-off notification during the Agreed Period and/or dispose of any Previous Placing Shares during the Disposal Period.

In estimating the payment of taxes arising out of the Transactions, we are given to understand that Shenzhen Expressway has primarily taken into account factors such as (i) the Amount Payable amounting to HK$2,450,034,805.18; and (ii) the corporate income tax rate of 10% adopted pursuant to Announcement No. 7 [2015] – Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises * (2015年第7號公告 —《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) issued by the State Taxation Administration (國家稅務總局). As stated in the Letter from the Board, in case any tax arises out of the Transactions, which requires the confirmation from the tax authority and is currently uncertain, the Purchaser shall be responsible for the payment of all taxes arising of the Transactions.

In light of the above, and specifically, while also taking into account our assessment on the CMS Valuation and the Pengxin Appraisal Valuation as discussed in the paragraph headed "Valuation" below, we consider that the basis of the determination of the Consideration is fair and reasonable.

8. Valuation

As stated in the Letter from the Board, as the Acquisition involves the transfer of ownership of listed shares held by state owned entities, the requirements under the Measures have been primarily considered by the Shenzhen Expressway Board when determining the Consideration, and the following requirements under the Measures are applicable:

(i) a financial adviser must be appointed for the purposes of valuing the 71.83% equity interests in Bay Area Development; and

(ii) the price per Bay Area Development Share must not be lower than (a) the arithmetic mean value of the daily weighted average price of the 30 trading days before 15 March 2021, being the date when the first announcement in relation to the Acquisition is made; and (b) the audited net asset value per Bay Area Development Share for the latest financial year.

Accordingly, Shenzhen Expressway has engaged CMS as its financial adviser in the PRC in accordance with the Measures for the purpose of the CMS Valuation. According to the CMS Valuation Report, CMS concluded the CMS Reference Range, that is, the price per Bay Area Development Share should be between HK$4.42 to HK$4.71. It is stated in the Letter from the Board that there is no material change in the CMS Valuation since 15 March 2021 (being the reference date of the CMS Valuation Report).

It is also stated that besides the CMS Valuation and the reasons for the Transactions set out in the Letter from the Board, the valuation of the Target Company conducted by Pengxin Appraisal has also been considered when determining the Consideration. According to the Pengxin Appraisal Valuation Report, Pengxin Appraisal concluded the Pengxin Reference Price, that is, the price per Bay Area Development Share is estimated to be no more than HK$4.67. It is stated in the Letter from the Board that there is no material change in the Pengxin Appraisal Valuation since 31 December 2020 (being the valuation reference date of the Pengxin Appraisal Valuation Report).

8.1 CMS Valuation Report

As stated in the Letter from the Board, reference has been primarily made by the Shenzhen Expressway Board to the CMS Valuation under the CMS Valuation Report when determining the Consideration. Given the fact that CMS was appointed by Shenzhen Expressway as the financial adviser in the PRC in accordance with the requirement under the Measures for the purposes of valuing the 71.83% equity interests in Bay Area Development, and based on our work performed on CMS and the CMS Valuation, coupled with our analysis as discussed below, we consider, based on the totality of circumstances, that the CMS Valuation performed by CMS and the Board's determination of the Consideration based on, among others, the CMS Reference Range is justifiable.

(i) Expertise of CMS

As stated in Appendix V to the Circular, CMS was entrusted by Shenzhen Expressway to analyse 71.83% of Bay Area Development Shares in accordance with the relevant provisions of the Measures and issue the CMS Valuation Report. It is also stated in Appendix VIII to the

Circular that at the Latest Practicable Date, to the best of the Directors' knowledge and belief and after reasonable inquiry, CMS (i) held 1,300 shares in Shenzhen Expressway through on assets management plan and (ii) leased the properties on the 41st, 42nd, 44th and 45th floors of Jiangsu Building, Futian District, Shenzhen City, the PRC to Shenzhen Expressway. Save as disclosed above, CMS had no shareholding interest 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; CMS was not interested, directly or indirectly, in any assets which had since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group. Based on crosschecking of the list of the principal subsidiaries, substantial shareholders and directors of the Company, Shenzhen Expressway, Bay Area Development and SIHCL with the principal subsidiaries, substantial shareholders and directors of CMS, as referred to in their respective latest published annual reports, there was no person or entity in common between CMS and any of the Company, Shenzhen Expressway, Bay Area Development and SIHCL. Furthermore, to ascertain CMS is suitably qualified possessing the expertise to undertake the CMS Valuation, we, on a best effort basis, have conducted a series of works within our capacity mainly including (1) making enquiry with Shenzhen Expressway into the appointment of CMS and its scope of work relating thereto, and crosschecking with the terms of the financial advisory agreement entered into between CMS and Shenzhen Expressway in relation to the CMS Valuation; (2) reviewing the business license and the securities and futures business permit (經營証券期貨業務許可証) of CMS, as well as the information of CMS's team members responsible for the CMS Valuation (including but not limited to their past experiences in corporate finance transactions), as provided by Shenzhen Expressway; (3) reviewing the license records of CMS and its relevant team members publicly available on the website of China Securities Regulatory Commission ("**CSRC**"); (4) reviewing the CMS Valuation Report and performing assessment on the CMS Valuation as discussed below; and (5) obtaining and reviewing the written confirmation provided by CMS to Shenzhen Expressway, in which CMS confirmed that, among others, CMS did not receive any fees from any party in respect of the CMS Valuation other than the financial advisory fees agreed in its financial advisory agreement entered into with Shenzhen Expressway.

On the basis of the above, in particular after principally taking into account (i) the fact that CMS is a licensed corporation and each of its relevant team members is licensee under CSRC with relevant experiences in corporate finance transactions; (ii) the underlying principle for the CMS Valuation is consistent with the scope of work described in its financial advisory agreement entered into with Shenzhen Expressway; and (iii) the methodology adopted and works performed by CMS in respect of the CMS Valuation as discussed below, we are not aware of any material matter which causes us to doubt the qualifications and experiences of CMS in regard to its engagement to perform the CMS Valuation.

(ii) Valuation methodology

We have reviewed the CMS Valuation Report, in particular the bases and assumptions used (as detailed in the paragraph headed "Valuation – Major Assumptions under the CMS Valuation Report" in the Letter from the Board and "Information of CMS Valuation Report" set out in Appendix V to the Circular) and the methodology adopted by CMS for the CMS Valuation.

As to the methodology adopted, in order to estimate the market value of the 71.83% equity interests in Bay Area Development as at 15 March 2021 (being the date when the MOU was entered into), we noted that CMS, as stated in the CMS Valuation Report, has initially considered two generally adopted valuation approaches, namely the comparable company method and comparable transaction method whereby the result derived by using comparable company method is adopted by CMS as the final valuation conclusion. Among the valuation approaches considered, CMS has adopted the comparable company method instead of the comparable transaction method for the CMS Valuation after considering (i) the comparability of valuations of listed companies principally engaged in expressway business is relatively high since Bay Area Development is a listed company; (ii) under the comparable transaction method, valuation results may vary largely due to specific circumstance in each individual transaction; and (iii) under the comparable company method, EV/EBITDA can reflect clearer the company's operational performance and asset resources minimising the effects of differences in the capital structure of different companies.

Based on the aforesaid and having considered the competence of CMS as previously discussed above, nothing has come to our attention that will cause us to doubt the reasonableness of using comparable company method for conducting the CMS Valuation.

Based on our review on the CMS Valuation Report and "Information of CMS Valuation Report" set out in Appendix V to the Circular, we noted that CMS has identified 15 comparable companies for the CMS Valuation ("**CMS Comparable Companies**") that are Hong Kong or A-share listed companies and principally engaged in expressway operation in the PRC. According to the CMS Valuation Report, the CMS Comparable Companies are (i) listed on the Shenzhen Stock Exchange, the Shanghai Stock Exchange or the Stock Exchange; (ii) principally engaged in expressway operation in the PRC; (iii) for Hong Kong listed companies, revenue derived from expressway operation accounted for more than 50% of the total revenue of the respective CMS Comparable Companies in their latest financial year; and (iv) for A-share listed companies, revenue derived from expressway operation accounted for more than 75% of the total revenue of the respective CMS Comparable Companies in their latest financial year. It is also stated in the CMS Valuation Report that the EV was computed based on information as at 15 March 2021 and EBITDA was the average figures of EBITDA of 2018 and 2019. Apart from the aforesaid, we have, on a best effort basis, conducted an independent background check on the CMS Comparable Companies, and noted that the CMS Comparable Companies were selected based on the aforementioned selection criteria adopted by CMS in the CMS Valuation and that the EV/EBITDA of the CMS Comparable Companies was calculated based on the information publicly available to us which are consistent with those as stated in the CMS Valuation Report. As referred to in the CMS Valuation Report, after prudent consideration, the median and average of EV/EBITDA of Hong Kong and A-share listed companies after excluding extreme values (comprising the maximum value of 16.15 times and the minimum value of 3.41 times) are selected as the reference range, which is 8.05 times to 8.41 times. For further details of the above analysis performed by CMS, please refer to the paragraph headed "Valuation – Valuation Basis and Approach under the CMS Valuation Report" set out in the Letter from the Board and "Information of CMS Valuation Report" set out in Appendix V to the Circular.

The CMS Valuation Report specifically stated that the average EBITDA of the CMS Comparable Companies for two years ended 31 December 2018 and 2019 were used instead of the EBITDA for the year ended 31 December 2020 because of the effects brought by the COVID-19. We noted that the prevention and control measures implemented by the central or provincial government of the PRC in the context of the COVID-19 pandemic continued after the most critical stage and were only gradually relaxed since July 2020. It is believed that the business operation of the expressway operation industry in 2020 was negatively impacted across the PRC by different extent as the timing of resumption of business activities varies and the financial data may not reasonably reflect the operational performance of Bay Area Development and its peer companies under normal circumstances.

(iii) Controlling stake premium

As stated in the CMS Valuation Report, taking into consideration that the Acquisition involved the sale of controlling stake in Bay Area Development, controlling stake premium have been considered for the acquisition of controlling stake in Bay Area Development.

As stated in the Letter from the Board, in determining the premium rate for the listed company controlling stake in the CMS Valuation, CMS has selected, based on Wind Information Co. Ltd., which is a financial data service provider principally provides information on China stocks, bonds, futures, RMB rates and the economy, (i) a total of 23 privatisation cases completed since 2020 in the Hong Kong stock market which suspended trading pending the publication of the privatisation announcements (with the privatisation price offer price disclosed); and (ii) a total of 21 cases which involved in the acquisition of controlling stake in A-share and Hong Kong listed companies disclosed and completed since 2019 with the equity transfer percentage of more than 29%. After discussion with CMS about the factors considered for its adoption of 15% as the premium rate for the listed company controlling stake in the CMS Valuation, and having considered the above in particular the median of the premium rates of the aforesaid 21 cases concerning acquisition of controlling stake in A-share and Hong Kong listed companies, the Shenzhen Expressway Board is of the opinion that 15% adopted by CMS as the controlling stake premium in the CMS Valuation is fair and reasonable. For further details, please refer to the paragraph headed "Valuation – Valuation Basis and Approach under the CMS Valuation Report" set out in the Letter from the Board and "Information of CMS Valuation Report" set out in Appendix V to the Circular.

(iv) Comparable analysis

For the purpose of assessing the fairness and reasonableness of the controlling stake premium adopted in the CMS Valuation when valuing the equity interest of Bay Area Development, we have performed the premium comparable analysis. We have searched for companies listed on the Stock Exchange which have undergone mandatory general offer exercised by offerors since 1 January 2020 and up to 10 August 2021, being the date of entering into the Sale and Purchase Agreement, (the "**Comparable Transaction Selection Criteria**"). To the best of our knowledge and endeavor, we had identified 43 transactions based on the Comparable Transaction Selection Criteria (the "**Comparable Transactions**"), 19 transactions of which featuring premiums of the offer prices over the closing prices on, as well as their respective five-day and ten-day averages prior to, the last trading day (the "**Premium Comparables**"), and they are exhaustive as far as we are aware of. We consider the period under review, being more than 18 months, providing fair and representative samples for analysis purpose. Shareholders should note that the businesses, operations and prospect of Bay Area Development are not the same as those of any of the listed companies of the Comparable Transactions. However, for illustrative purpose only, information on the Comparable Transactions presented in the table below is aimed to provide the Independent Shareholders the pricing of recent acquisitions of majority control of listed companies in Hong Kong, in particular the Premium Comparables indicate the range of premium paid by the relevant offerors for obtaining or consolidating control of listed companies in Hong Kong during the review period. Accordingly, the totality of the Premium Comparables which is indicative of an acceptable premium range in the market may serve as a reasonable reference for the Independent Shareholders in comparing the controlling stake premium of 15% adopted by CMS in the CMS Valuation Report.

Set out below are the premiums or discounts of the offer prices offered in the Comparable Transactions over/to the closing prices prior to the relevant mandatory general offer transactions:

			Premium over/(discount) to the		
Date of announcement	Company name (Stock code)	Offer price	closing price per share on the last trading day	average closing price per share for the last five trading day up to and including the last trading day	average closing price per share for the last ten trading day up to and including the last trading day
		HK$	*%*	*%*	*%*
08 Jan 2020	Sunway International Holdings Limited (58)	0.1000	25.00	24.07	14.03
17 Jan 2020	Season Pacific Holdings Limited (1709)	0.5500	(19.12)	(16.16)	(17.17)
21 Jan 2020	Zhuhai Holdings Investment Group Limited (908)	1.2100	(0.83)	1.51	2.72
24 Jan 2020	Imperium Group Global Holdings Limited (776)	1.0400	(20.00)	(20.00)	(20.00)
05 Feb 2020	Pine Care Group Limited (1989)	1.6470	105.90	116.70	87.20
11 Feb 2020	WINDMILL Group Limited (1850)	0.2680	(4.29)	(5.96)	(6.62)
17 Feb 2020	Bonjour Holdings Limited (653)	0.1147	(7.50)	13.80	20.90
03 Apr 2020	Zhongchang International Holdings Group Limited (859)	0.5425	6.37	(3.12)	(8.05)
28 Apr 2020	Hopefluent Group Holdings Limited (733)	1.5000	7.14	8.70	11.94
06 May 2020	PF Group Holdings Limited (8221)	0.0812	84.55	63.71	56.76
14 May 2020	Bossini International Holdings Limited (592)	0.0430	(70.95)	(71.90)	(71.14)
25 May 2020	Global Mastermind Capital Limited (905)	0.0900	(15.09)	(1.10)	7.14
15 Jun 2020	Yixin Group Limited (2858)	1.9088	0.50	4.90	10.30
10 Sep 2020	Kwan On Holdings Limited (1559)	0.2200	41.94	45.70	41.03
16 Sep 2020	Get Nice Financial Group Limited (1469)	0.4726	(33.44)	(32.68)	(33.15)
21 Sep 2020	Macau Legend Development Limited (1680)	1.0500	9.38	14.13	12.90
24 Sep 2020	Get Nice Holdings Limited (64)	0.1700	5.59	9.82	10.68
18 Oct 2020	Sun Art Retail Group Limited (6808)	8.1000	2.14	1.00	(0.45)
20 Oct 2020	Midland IC&I Limited (459)	0.0959	(0.14)	0.28	0.60
29 Oct 2020	Milestone Builder Holdings Limited (1667)	0.2813	(3.02)	7.76	11.61
16 Nov 2020	Gemini Investments (Holdings) Limited (174)	1.1000	26.44	47.06	66.67
02 Dec 2020	Fullwealth Construction Holdings Company Limited (1034)	0.1250	(40.48)	(38.73)	(36.55)
10 Dec 2020	Cowell e Holdings Inc. (1415)	5.8700	2.98	1.38	10.34
17 Dec 2020	BCI Group Holdings Limited (8412)	0.0800	(55.06)	(55.06)	(55.06)
22 Dec 2020	PacRay International Holdings Limited (1010)	1.3450	72.44	82.25	84.25
22 Dec 2020	Pak Wing Group (Holdings) Limited (8316)	0.0750	(86.61)	(85.96)	(85.66)
31 Dec 2020	Cash Financial Services Group Limited (510)	0.7500	7.10	10.60	21.00

			Premium over/(discount) to the		
Date of announcement	Company name (Stock code)	Offer price	closing price per share on the last trading day	average closing price per share for the last five trading day up to and including the last trading day	average closing price per share for the last ten trading day up to and including the last trading day
		HK$	*%*	*%*	*%*
21 Jan 2021	Great Wall Belt & Road Holdings Limited (524)	0.1687	(30.60)	(37.70)	(45.90)
28 Jan 2021	Loto Interactive Limited (8198)	0.7500	8.70	6.50	6.70
01 Feb 2021	Beijing Digital Telecom Co., Ltd. (6188)	3.8429	7.04	19.27	37.39
08 Mar 2021	Creative Enterprise Holdings Limited (3992)	1.4560	(5.50)	2.97	4.00
19 Mar 2021	Global Mastermind Capital Limited (905)	0.1100	37.50	37.50	26.44
09 Apr 2021	HKE Holdings Limited (1726)	0.1880	(27.69)	(26.56)	(25.52)
15 Apr 2021	MEIGU Technology Holding Group Limited (8349)	0.2000	(67.70)	(66.30)	(66.90)
22 Apr 2021	Hong Kong Aerospace Technology Group Limited (1725)	2.0000	(45.95)	(29.43)	(17.66)
27 Apr 2021	LKS Holding Group Limited (1867)	0.2200	83.33	73.78	82.42
28 Apr 2021	Eagle Legend Asia Limited (936)	0.4500	(21.10)	(17.60)	(16.80)
05 May 2021	Speed Apparel Holding Limited (3860)	0.9880	(45.10)	(36.60)	(36.20)
13 May 2021	Steering Holdings Limited (1826)	0.1580	37.40	11.30	5.30
06 Jun 2021	CTEH INC. (1620)	0.2278	18.65	9.10	4.83
08 Jun 2021	TOMO Holdings Limited (6928)	0.5667	(80.12)	(80.70)	(77.64)
06 Jul 2021	Goal Forward Holdings Limited (1854)	0.1500	7.14	(4.46)	(11.76)
30 Jul 2021	Century Sage Scientific Holdings Limited (1450)	0.2300	(71.25)	(64.17)	(54.00)
			Comparable Transactions		
		Maximum	105.90	116.70	87.20
		Minimum	(86.61)	(85.96)	(85.66)
			Premium Comparables		
		Maximum	105.90	116.70	87.20
		Minimum	0.50	1.38	2.72
		Average	30.65	30.95	31.21
		1st quartile	7.07	8.90	10.32
		3rd quartile	39.72	46.38	48.90

Note: The data in the above table was based on the respective announcements and/or composite documents of the Comparable Transactions.

As illustrated in the table above, we noted that the controlling stake premium of 15% adopted by CMS in the CMS Valuation Report is not only within the ranges of the premium over (i) the closing price on the last trading day; and (ii) the average closing prices for the last five and last ten consecutive trading days prior to and including the last trading day of the Premium Comparables and lower than each of the averages of such ranges being approximately 31%, but also falls within the interquartile ranges of the Premium Comparables.

Pursuant to the CMS Valuation Report, valuation of the price per Bay Area Development Share ranges from HK$4.52 to HK$4.82. As Bay Area Development declared dividends in April 2021 and approximately HK$0.109 per Bay Area Development Share shall be enjoyed by the Seller pursuant to the Sale and Purchase Agreement, based on the valuation provided in CMS Valuation Report, after deducting the dividend amount, the CMS Valuation of the price per Bay Area Development Share is estimated to range from HK$4.42 to HK$4.71.

8.2 Pengxin Appraisal Valuation Report

In order to further assess the intrinsic value of the Target Company as a whole, Shenzhen Expressway also engaged Pengxin Appraisal to conduct the Pengxin Appraisal Valuation, as an additional reference for (i) the Board when considering the Consideration; and (ii) the Shareholders.

Based on our work performed on Pengxin Appraisal and the Pengxin Appraisal Valuation as supported by the Traffic Study Report, coupled with our analysis as discussed below, we consider the Pengxin Appraisal Valuation performed by Pengxin Appraisal, as well as making reference to the Pengxin Reference Price when considering the Consideration, are justifiable.

(i) Expertise of Pengxin Appraisal

To ascertain Pengxin Appraisal is suitably qualified possessing the expertise to undertake the Pengxin Appraisal Valuation, we have reviewed and enquired into, among others, (i) the scope of work stipulated under the engagement letter entered into between Pengxin Appraisal and Shenzhen Expressway in relation to the Pengxin Appraisal Valuation; (ii) Pengxin Appraisal's qualifications and experiences that are relevant to the Pengxin Appraisal Valuation; and (iii) the methodology adopted and works performed by Pengxin Appraisal in respect of the Pengxin Appraisal Valuation mainly including (a) examination of documents of the Target Group including business licenses, relevant certificates of property rights and other legal documents; (b) review of the accounting statements and audit reports of the Target Group; and (c) reference made to the Traffic Study Report, a summary of which is set out in Appendix VII to the Circular. Also, Pengxin Appraisal has confirmed to us that it is independent from any member of the Group, the Shenzhen Expressway Group, the Target Group and the SIHCL Group and their respective associates. Given the aforesaid, we are not aware of any material matter which causes us to doubt the qualifications, experiences and independence of Pengxin Appraisal in regard to its engagement to perform the Pengxin Appraisal Valuation.

(ii) Valuation methodology

We have reviewed the Pengxin Appraisal Valuation Report and discussed with Pengxin Appraisal regarding the bases and assumptions used (as detailed in the paragraph headed "Valuation – Major Assumptions under the Pengxin Appraisal Valuation Report" set out in the Letter from the Board and "Pengxin Appraisal Valuation Report" set out in Appendix VI to the Circular) and the methodology adopted in the Pengxin Appraisal Valuation Report. We are given to understand that the Pengxin Appraisal Valuation Report has been prepared in accordance to the PRC valuation standard and the Pengxin Appraisal Valuation Report has a validity period of one year from the base date of the appraisal which is 31 December 2020.

As to the methodology adopted, in the course of our discussion with Pengxin Appraisal and based on our review of the Pengxin Appraisal Valuation Report, we noted that in order to assess the value of the entire equity interests in the Target Company as at 31 December 2020, Pengxin Appraisal has initially considered the appropriateness of the basic asset valuation approaches while conducting valuation, namely the income approach, the asset-based approach and the market approach, according to the Assets Valuation Standards – Enterprise Value《資產評估準則—企業價值》. As we understand from the Pengxin Appraisal Valuation Report, Pengxin Appraisal adopted (i) the income approach for the purpose of valuing the equity interest of GS JV and GZ West JV; (ii) the market approach for the purpose of valuing the equity interest of Xintang JV; and (iii) the asset-based approach for the two investment holding companies, Bay Area Development and the Target Company, for the reasons stated below.

As for the equity interest of GS JV and GZ West JV, we noted that Pengxin Appraisal has considered both the asset-based approach and income approach in the valuation; nevertheless, the result derived from the income approach is adopted by Pengxin Appraisal as the final valuation conclusion for GS JV and GZ West JV. Among the valuation approaches considered, Pengxin Appraisal is of the view that the income approach, which focuses on the income-producing capability, is the most appropriate method for the purpose of the valuation of GS JV and GZ West JV after considering (i) the close relationship between cash flow and the value of the expressways; and (ii) the availability of cash flow forecasts reviewed by the Shenzhen Expressway Directors, which is believed to be estimated with a reasonable degree of certainty given the historical data of the GS Expressway and the GZ West Expressway and the reference to the Traffic Study Report.

When it comes to valuing the equity interest of Xintang JV, Pengxin Appraisal is of the view that income approach is not appropriate and cannot be adopted since Xintang JV is indirectly held as to 15% by Bay Area Development as at the valuation reference date of the Pengxin Appraisal Valuation Report (i.e. 31 December 2020) and therefore Bay Area Development is not in the position to obtain the information in relation to Xintang JV's business and main project, thereby making it unable to provide supportable operating profit and cash flow forecast as stated in the Pengxin Appraisal Valuation Report. Therefore, as confirmed by Pengxin Appraisal, the valuation of Xintang JV was conducted by making reference to the recent public transaction of Xintang JV involving the disposal of the 60% equity interest in Xintang JV by Bay Area Development and Guangdong Highway Construction ("**Xintang JV Transaction**"), details of which are set out in the circular of Bay Area Development dated 20 October 2020 (the "**Xintang JV Transaction Circular**").

We also understand from Pengxin Appraisal that the asset-based approach is adopted to value the Target Company and Bay Area Development under the Pengxin Appraisal Valuation Report as both are investment holding companies, each does not operate any business itself and generate any operating earnings but to ascertain its value from the value of its investment holding. As stated in the Letter from the Board, the only major asset long-term investment of the Target Company is its 71.83% equity interests in Bay Area Development, and the only business consolidated to the accounts of the Target Company is such major investment. On the other hand, the main assets of Bay Area Development are 45% of the profit distribution right in GS JV, 50% of the profit distribution right in GZ West JV and 15% equity interests in Xintang JV.

Based on the aforesaid and having considered the competence of Pengxin Appraisal as previously discussed above, nothing has come to our attention that will cause us to doubt the reasonableness of the valuation approaches finally adopted by Pengxin Appraisal for the purpose of the Pengxin Appraisal Valuation.

As stated in the Letter from the Board, the composition of (i) the total assessed value of equity attributable to shareholders of the parent company of Bay Area Development as at 31 December 2020; and (ii) the total equity interests of the shareholders of the Target Company as at 31 December 2020 (before and after taking into account the premium for controlling stake at 15% and liquidity premium at 14%, that is, 29% in aggregate (the "**Aggregate Premium**") as adopted by Pengxin Appraisal when evaluating the equity interests of the Target Company in Bay Area Development (the "**Bay Area Development Evaluation**")) is as follows:

		Equity value held by Bay Area Development	
	Total equity value *(RMB'000)*	**Proportion of interests**	**Equity value** *(RMB'000)*
Profit distribution right in GZ West JV	7,646,375.8	50%	3,823,187.9
Profit distribution right in GS JV pursuant to the tolling right of GS Expressway	8,878,398.9	45%	3,995,279.5
Profit distribution right in GS JV pursuant to the right to reconstruct and expand GS Expressway, develop and utilise land along GS Expressway	2,754,000.0	45%	1,239,300.0
Equity interests in Xintang JV	2,479,550.0	15%	371,932.5
Assessed value of other assets and liabilities	–	–	337,107.2
The total assessed value of equity attributable to shareholders of the parent company of Bay Area Development*(Note 1)*	–	–	9,629,528.9

	Total equity value (RMB'000)	Equity value held by the Target Company: Proportion of equity	Equity value held by the Target Company: Equity value (RMB'000)
Equity attributable to shareholders of the parent company of Bay Area Development	9,629,528.9	71.83%	6,916,890.6
Value of 71.83% equity interests in Bay Area Development after considering the premium for controlling stake (15%) and liquidity premium (14%) *(Note 2)*	–	–	8,922,788.9

Notes:

1. Excluding the minority shareholders' equity interests of RMB138 million.

2. For details, please refer to the paragraph headed "Valuation – Pengxin Appraisal Valuation Report – Controlling stake premium and liquidity premium" below.

8.2.1 GZ West JV and GS JV

(i) Valuation bases and assumptions

In adopting the income approach, Pengxin Appraisal has relied upon the estimated future cash flows attributable to GS JV and GZ West JV, respectively and the underlying assumptions under the cash flow forecasts and calculating the net present value of these cash flows by utilising a discount rate accounted for the time value of money and investment risk factors.

Under the income approach, it is possible to use free cash flow to firm ("**FCFF**") or free cash flow to equity ("**FCFE**") to value. The differences between FCFF and FCFE is that FCFF reflects the value of debt (if any) 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 present value ("**PV**") using weighted average cost of capital ("**WACC**"), while FCFE is discounted to PV using capital asset pricing model (i.e. cost of equity) ("**CAPM**").

(a) GZ West JV

In estimating an appropriate discount rate for the GZ West Expressway, we noted that Pengxin Appraisal had used the CAPM to estimate the cost of equity for the discounting of FCFE to PV. Based on our discussion with Pengxin Appraisal, the discount rate is the cost of equity determined through CAPM after taking into account of the risk-free rate, market risk premium, equity beta and specific risk premium.

In respect of the risk-free rate, we were given to understand that Pengxin Appraisal has adopted the monthly arithmetic average of yield to maturity ("**YTM**") of PRC government bonds with maturities of over ten years since December 2014 as published by China Central Depository and Clearing Co., Ltd.* (中央國債登記結算有限責任公司) ("**CCDC**") of 3.69%, in which the quote of over ten-year term is comparable to the remaining concession period of each phase of the GZ West Expressway. We have, also conducted research independently from the public domain on the background of CCDC, and noted that it is a central securities depository of the PRC in responsible for all securities depository and clearing services for the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

On the other hand, a market risk premium of 7.1% was adopted by making reference to the average yield rate of the CSI 300 Index (which is composed of 300 stocks with the largest market capitalisation and most active liquidity from the entire basket of listed A share companies in the PRC and aims to measure the overall performance of the A shares traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange) with a time span no less than ten years.

Given that GZ West JV are operating and incorporated in the PRC, it is believed to be fair and reasonable to adopt the YTM of the PRC government bonds and market risk premium of the PRC market as the risk-free rate and the equity risk premium of GZ West JV, respectively, which also fulfill the requirement of the Guidelines for the Application of Regulatory Rules – Appraisal No. 1* (監管規則適應指引—評估類第1號) published by China Securities Regulatory Commission in January 2021 (the "**Appraisal Guideline**").

In determining the specific risk premium, Pengxin Appraisal has adopted the premium of 2% based on its professional judgement. Based on our independent research, we note that the global corporates in transportation sector has a weighted average default rate of approximately 2% during the period from 1981 to 2020, as stated in the Default, Transition, and Recovery: 2020 Annual Global Corporate Default and Rating Transition Study published by Standard & Poor's Financial Services LLC on 7 April 2021, and that the specific risk premium of 2% adopted in the Pengxin Appraisal Valuation by Pengxin Appraisal is in line with the said weighted average default rate.

In arriving at the beta being adopted in the CAPM Model, based on our review of the list of comparable companies as stated in the Pengxin Appraisal Valuation Report, and as ascertained by Pengxin Appraisal, we noted that Pengxin Appraisal has identified 11 companies which are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange for at least three years as at 31 December 2020; and are principally engaged in expressway operation in the PRC (the "**Beta Reference Companies**"). In the course of our discussion with Pengxin Appraisal and as stated in the Pengxin Appraisal Valuation Report, we were given to understand that the Beta Reference Companies (i) are located in the PRC and listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange; (ii) are principally engaged in expressway operation in the PRC; and (iii) generated a relative high level of income from expressway operation business. Apart from discussing with Pengxin Appraisal as detailed above, we have, on a best effort basis, conducted an independent background check on the Beta Reference Companies, and noted that the Beta Reference Companies were selected based on the aforementioned selection criteria adopted by Pengxin Appraisal in the Pengxin Appraisal Valuation. As referred to in the Pengxin Appraisal Valuation Report, the average beta of the Beta Reference Companies is 0.384.

Based on our discussion with Pengxin Appraisal and our review of the profit and cash flow forecast of GZ West JV for the period between January 2021 and January 2038, we understand that, among others, (i) the projected annual revenue of GZ West JV is directly extracted from the annual toll revenue estimated by the Traffic Study Expert as stated in the Traffic Study Report; (ii) the projected operating cost and administrative cost of GZ West JV are primarily based on the historical costs for the two years ended 31 December 2018 and 2019; (iii) the project capital expenditure considered two large-scale maintenance and repair projects to be conducted during the two years ending 31 December 2028 and 2029; (iv) the existing borrowings of approximately RMB5.0 billion will be gradually repaid in full by 2028; and (v) an estimated interest rate of 4.0% was adopted by making reference to the current loan interest rate of GZ West JV for repaying the outstanding principals of bank loans to project the interest expense.

It is specifically stated in the Pengxin Appraisal Valuation Report that the audited financial statements of GZ West JV for the two years ended 31 December 2018 and 2019 have been referred to for the purpose of valuing GZ West JV instead of the audited financial statement for the year ended 31 December 2020 because of the effects brought by the COVID-19 as discussed in the paragraph headed "Valuation – CMS Valuation Report – Valuation methodology" above.

(b) GS JV

In estimating an appropriate discount rate for GS JV, we noted that Pengxin Appraisal had used the CAPM to estimate the cost of equity for the discounting of FCFE to PV, which has taken into account of the risk-free rate, market risk premium, equity beta and specific risk premium.

In respect of the risk-free rate, we were given to understand that Pengxin Appraisal has adopted the monthly arithmetic average of YTM of seven-year PRC government bonds since December 2014 as published by CCDC of 3.1699%, in which the quote of seven year term is comparable to the remaining concession period of the GS Expressway.

Saved as the risk-free rate discussed above, please refer to "Valuation – Pengxin Appraisal Valuation Report – GZ West JV and the paragraph headed GS JV – Valuation bases and assumptions – GZ West JV" above for further details of the parameters (including market risk premium, beta and specific risk premium) in determining the discount rate for the GS Expressway.

Based on our discussion with Pengxin Appraisal and our review of the profit and cash flow forecast of GS JV for the period between January 2021 and June 2027, we understand that, among others, (i) the projected annual revenue of GS JV is directly extracted from the annual toll revenue estimated by the Traffic Study Expert as stated in the Traffic Study Report; (ii) the projected operating cost of GS JV is primarily based on the historical costs for the two years ended 31 December 2018 and 2019; (iii) the project capital expenditure considered a large-scale maintenance and repair project to be conducted during the six months ending 30 June 2027; (iv) the existing borrowings of approximately RMB3.7 billion will be gradually repaid in full by 2026; and (v) an estimated interest rate of 4.0% was adopted by making reference to the current loan interest rate of GS JV for repaying the outstanding principals of bank loans to project the interest expense. For the same reason related to the audited financial results of GZ West JV, the audited financial statements of GS JV for the two years ended 31 December 2018 and 2019 have been referred to for the purpose of valuing GS JV.

8.2.2 GS Expressway Expansion Project

We noted that the Pengxin Appraisal had used the CAPM to estimate the cost of equity, which is then used to calculate the WACC (before tax) for discounting FCFF (before tax) into PV. As advised by Pengxin Appraisal, we noted that Pengxin Appraisal had selected FCFF (before tax) according to Accounting Standards for Enterprise No.8 – Asset Impairment* (企業會計準則第8號—資產減值) issued by the Ministry of Finance of the PRC and Risk Warning for Accounting Supervision No. 8 – Goodwill Impairment* (會計監管風險提示第8號—商譽減值) issued by China Securities Regulatory Commission.

In determining the specific risk premium, Pengxin Appraisal has adopted the premium of 2% based on its professional judgement. Pengxin Appraisal then adjusted downward the specific risk premium by 2% after taking into account (i) the potential government grants that may be received by GS JV; (ii) the potential land development and utilisation alongside the GS Expressway; and (iii) the adjustment between the pre-tax cash flow and the after-tax cash flow. Based on our discussion with Shenzhen Expressway, we noted that (i) as at the Latest Practicable Date, GS JV received a government subsidy of approximately RMB300 million for the GS Expressway

Expansion Project; (ii) the PRC government contributed approximately 60% of the total cost of an expressway project (that is, the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen)) previously completed by the Shenzhen Expressway Group; and (iii) the Feasibility Study (including the studies on the planning of land along the GS Expressway) was submitted to the relevant government authority in order to promote the planning scheme of the integration of certain interchange transformations and development and utilisation of land simultaneously. Nonetheless, it should be noted that the land development and use planning proposed by GS JV is still subject to, among others, the local government's urban planning, toll highway reconstruction plans and other conditions, procedures for the change of land use and the obtaining of land use rights for future development according to the relevant urban planning and laws and regulations in the PRC, and thus the situation remains uncertain at the current stage. As for the adjustment between the pre-tax cash flow and the after-tax cash flow, as advised by Pengxin Appraisal, according to article 18 of the Accounting Standards for Enterprise No.8 – Asset Impairment* (企業會計準則第8號—資產減值), the discount rate should be the pre-tax interest rate and where the estimate of the discount rate is based on the post-tax factors, it shall be adjusted to the pre-tax discount rate. Also, with reference to the Appraisal Guideline, the discount rate and the cash flow forecast should be consistent.

Saved as the specific risk premium discussed above, for the determination of risk-free rate, please refer to paragraph headed "Valuation – Pengxin Appraisal Valuation Report – GZ West JV and GS JV – Valuation bases and assumptions – GS JV" above; for the determination of market risk premium and beta, please refer to paragraph headed "Valuation – Pengxin Appraisal Valuation Report – GZ West JV and GS JV – Valuation bases and assumptions – GZ West JV".

Based on our discussion with Pengxin Appraisal and our review of the profit and cash flow forecast for the GS Expressway Expansion Project for the period between July 2027 and June 2052, we understand that, among others, (i) the projected annual revenue of GS JV is directly extracted from the annual toll revenue estimated by the Traffic Study Expert as stated in the Traffic Study Report; (ii) the projected operating cost of the GS Expressway Expansion Project is primarily determined by making reference to the historical cost over revenue ratio of the GS Expressway; (iii) the project capital expenditure of approximately RMB47.1 billion as stated in the Letter from the Board; and (iv) an estimated interest rate of 4.0% was adopted by making reference to the current loan interest rate of GS JV for repaying the outstanding principals of bank loans to project the interest expense.

When preparing the Pengxin Appraisal Valuation, Pengxin Appraisal assumed that the GS Expressway Expansion Project will be implemented by GS JV as planned and the concession rights of the GS Expressway (including the proposed expansion) can be extended for another 25 years after 30 June 2027 until 30 June 2052 which is in line with the assumption of the 25-year concession rights extended for the GS Expressway adopted in the Traffic Study Report. These assumptions, as advised by Pengxin Appraisal, were made after having taken into consideration (i) the Feasibility Study which is for a concession period of 25 years up to 30 June 2052 has already passed the preliminary examination by the traffic administration department of Guangdong Province in January 2021; and (ii) the Decree No. 417 of the State Council of the People's Republic of China – Regulations on Administration of Toll Roads* (中華人民

共和國國務院令(第417號)《收費公路管理條例》) published on 13 September 2004 stating that the time limit for toll collection of for-profit roads may not exceed 25 years. Given the aforesaid, Pengxin Appraisal conducted the valuation under an assumption that the concession rights of the GS Expressway (including the proposed expansion) will be valid until 30 June 2052. Shenzhen Expressway has confirmed to us that as at the Latest Practicable Date, neither GS JV nor Bay Area Development had received any verbal and/or written indication, comment or objection from the traffic administration department of Guangdong Province concerning the proposed 25-year concession rights as stated in the Feasibility Study.

8.2.3 15% equity interest in Xintang JV

As advised by Pengxin Appraisal, its valuation of the 15% equity interest in Xintang JV held by Bay Area Development was conducted by making reference to the Xintang JV Transaction as detailed in the Xintang JV Transaction Circular. According to the Xintang JV Transaction Circular, the final transaction price for the Xintang JV Transaction was equivalent to the highest bidding price obtained through the public tender process carried out through the GuangDong United Assets and Equity Exchange* (廣東聯合產權交易中心), Southern United Assets and Equity Exchange* (南方聯合產權交易中心) and Shenzhen United Property and Share Rights Exchange* (深圳聯合產權交易所).

To the best of the Shenzhen Expressway Directors' knowledge, information and belief having made all reasonable enquiry, there has been no material adverse change in the business, operations, financial condition or assets of Xintang JV since the date of the Xintang JV Transaction Circular (i.e. 20 October 2020) and up to the valuation reference date of the Pengxin Appraisal Valuation Report (i.e. 31 December 2020).

8.2.4 Controlling stake premium and liquidity premium

Based on our discussion with Pengxin Appraisal and review of the Pengxin Appraisal Valuation Report, it has come to our knowledge that given the indirect transfer of the controlling stake (i.e. 71.83% equity interests) of Bay Area Development (being a listed company in Hong Kong) held by the Seller to the Group as a result of the Acquisition, Pengxin Appraisal has also considered the controlling stake premium and liquidity premium in Bay Area Development when conducting the Bay Area Development Evaluation.

According to the Letter from the Board and the Pengxin Appraisal Valuation Report, and as ascertained by Pengxin Appraisal, besides minority stake acquisitions, the adoption of the controlling stake premium of 15% was determined based on the comparison of the price-to-earnings multiples of controlling stake acquisitions (4,993 transactions in total) in the historical mergers and acquisitions market with a historical average value of controlling stake premium of approximately 14.79% (in particular, it was 18.27% in 2020). As for the liquidity premium, Pengxin Appraisal determined to adopt 14% as the liquidity premium for the Bay Area Development Evaluation, after considering (i) its analysis with reference to the increment rate of the initial listing price and the secondary market trading price of Hong Kong listed shares during the period from 1 January 2020 to 31 March 2021; and (ii) the relatively inactive secondary market trading of the Bay Area Development Shares given the majority of the public float being held by institutional shareholders. For further details of the above analysis performed by Pengxin Appraisal, please refer to the paragraph headed "Valuation – Valuation Basis and Approach under the Pengxin Appraisal Valuation Report" set out in the Letter from the Board and "Pengxin Appraisal Valuation Report" set out in Appendix VI to the Circular.

In addition to the discussion with Pengxin Appraisal, we have also made references to the premiums of the offer prices offered in the Premium Comparables, each involving a mandatory general offer for shares of a publicly traded company listed on the Stock Exchange, as discussed in the paragraph headed "Valuation – CMS Valuation Report – Comparable analysis" above. It is noted that the Aggregate Premium adopted by Pengxin Appraisal in the Pengxin Appraisal Valuation Report falls within the ranges of the premiums over (i) the closing price on the last trading day; and (ii) the average closing prices for the last five and last ten consecutive trading days prior to and including the last trading day of the Premium Comparables and is lower than each of the averages of such ranges being approximately 31%, as well as falling within the interquartile ranges of the Premium Comparables.

Pursuant to the Pengxin Appraisal Valuation Report, the value of 71.83% equity interests in Bay Area Development after taking into account the abovementioned premium was approximately RMB8,922.79 million. After deducting the dividend declared by Bay Area Development in April 2021 which shall be enjoyed by the Seller pursuant to the Sale and Purchase Agreement, which is approximately HK$0.109 per Bay Area Development Share, the value per Bay Area Development Share is equivalent to HK$4.67.

8.2.5 Comparable analysis

In order to assess the fairness and reasonableness of the Pengxin Reference Price, we considered using commonly adopted price multiples analyses, namely, price to earnings ratio (the "**PER(s)**") and price to book ratio (the "**PBR**"). However, PBR is mainly used in evaluating capital intensive business. We consider the asset value of expressway operation varies depending on the remaining period of the concession rights of operating the expressway as the non-current assets depreciates and/or amortise throughout the concession period. As such, we consider PBR is not applicable for this comparison purpose.

We have searched for companies listed on the Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange which are primarily engaged in business similar to those of the Bay Area Development Group based on the criteria that the comparable companies (i) had a high proportion (exceeding 75%) of their total turnover derived from toll revenue according to their respective latest published financial information; (ii) generated majority of the revenue in the PRC; and (iii) recorded profit for their respective latest financial year. To the best of our knowledge and endeavor, we have identified eight listed companies (the "**Market Comparables**") which met the aforementioned selection criteria and they are exhaustive as far as we are aware of, and thus considering the Market Comparables would serve as fair and representative samples for the purpose of drawing a meaning comparison with the implied PER of Bay Area Development. However, Shareholders should note that the business, operation and prospect of Bay Area Development is not the same as those of any of the Market Comparables. Our comparable analysis illustrates that the PERs of the Market Comparables range from approximately 2.5 times to 45.8 times, with an average of approximately 16.7 times which is close to the implied PER of Bay Area Development of approximately 17.4 times, details of which are set forth below.

Company name (Stock code)	Latest financial year-end date	PER (Note 1) *times*	Percentage of toll revenue over total turnover %
Anhui Expressway Co. Ltd. (00995.HK)	31 December 2020	2.5	88.8
Qilu Expressway Co. Ltd. (01576.HK)	31 December 2020	3.3	91.2
Yuexiu Transport Infrastructure Ltd. (01052.HK)	31 December 2020	16.1	98.4
Dongguan Development (Holdings) Co. Ltd. (000828.SZ)	31 December 2020	12.0	78.8
Fujian Expressway Development Co. Ltd. (600033.SH)	31 December 2020	12.7	98.0
Guangdong Provincial Expressway Development Co. Ltd. (000429.SZ)	31 December 2020	10.9	96.7
Henan Zhongyuan Expressway Co. Ltd. (600020.SH)	31 December 2020	30.2	76.4
Jilin Expressway Co., Ltd. (601518.SH)	31 December 2020	45.8	85.7
	Maximum	**45.8**	
	Minimum	**2.5**	
	Average	**16.7**	
		Implied PER	
Bay Area Development		17.4 (Note 2)	

Notes:

1. The PERs of the Market Comparables were calculated based on their respective average closing price for the period from 15 March 2021 to 10 August 2021 (being the dates of entering into the MOU and the Sale and Purchase Agreement, respectively) and net profit recorded in the latest published full year financial statements.

2. The implied PER of Bay Area Development was calculated based on HK$4.67 per Bay Area Development Share (that is, an estimated price not exceeding both the CMS Reference Range and the Pengxin Reference Price) and the audited net profit of Bay Area Development for the year ended 31 December 2020.

It is noted that the price per Bay Area Development Share of HK$4.67 estimated by the Shenzhen Expressway Directors when determining the Consideration (the "**Price Estimate**") represents a premium of approximately 61% over each of the closing price on the last trading day, and the average closing prices for the last five and last ten consecutive trading days, prior to the date of entering into the Sale and Purchase Agreement. Nonetheless, besides the underlying rationale for the Price Premium submitted by the Shenzhen Expressway Directors as discussed in the paragraph headed "Principal terms of the Transaction Agreements – Consideration" above, after taking into account (i) that reference has been primarily made by the Shenzhen Expressway Board to the CMS Valuation when determining the Consideration among the parties to the Transactions, and the Pengxin Appraisal Valuation is of use to the Board as additional reference when considering the Consideration; and (ii) our assessments on the CMS Valuation and the Pengxin Appraisal Valuation as supported by the Traffic Study Report for the projection of the toll revenue of the GS Expressway with the GS Expressway Expansion Project and the GZ West Expressway expected to be generated up to June 2052 and January 2038, respectively, we consider that the implied PER of Bay Area Development calculated based on the Price Estimate which is equivalent to the highest Pengxin Reference Price and not exceeding the CMS Reference Range is justifiable. Given the aforesaid, and based on our comparable analysis involving the Market Comparables as discussed above, we concur with the view of the Directors that it is fair and reasonable to have the Consideration determined based on the Price Estimate when estimating the value of the 71.83% equity interests in Bay Area Development held by the Target Company.

9. Traffic Study Report

We are given to understand that the Traffic Study Report was prepared and provided in support of the Pengxin Appraisal Valuation, to serve as a reference for the projection of the traffic volume and toll revenue of (i) the GS Expressway for the period from January 2021 to June 2052 (including the proposed 25-year extension of concession rights for the GS Expressway with the GS Expressway Expansion Project); and (ii) the GZ West Expressway for the period from January 2021 to January 2038.

(i) Expertise of the Traffic Study Expert

To ascertain the Traffic Study Expert is suitably qualified possessing the expertise to prepare the Traffic Study Report, we have reviewed and enquired into, among others, (1) the scope of work stipulated under the engagement letter entered into between the Traffic Study Expert and Shenzhen Expressway in relation to the Traffic Study Report (2) the Traffic Study Expert's qualifications and experiences that are relevant to the Traffic Study Report; and (3) the methodology adopted and work performed by the Traffic Study Expert in respect of the Traffic Study Report. Also, the Traffic Study Expert has confirmed to us that it is independent from any member of the Group, the Shenzhen Expressway Group the Target Group and the SIHCL Group and their respective associates. It has come to our knowledge that the Traffic Study Expert is an independent professional consultant, principally engaged in, among others, (i) undertaking the decision-making support research work for the development of the provincial transportation industry; (ii) undertaking pre-evaluation and post-evaluation of provincial key transportation construction projects; (iii) undertaking collaborative transportation management, driver training management, and transportation industry technical and transactional work such as preliminary review and auxiliary management of the credit of units and personnel; and (iv) providing guidance and consulting services on transportation policies, regulations and management, and transportation technology for the transportation system and the society. Given the aforesaid, we are not aware of any material matter which causes us to doubt the qualifications, experiences and independence of the Traffic Study Expert in regard to its engagement to prepare the Traffic Study Report.

(ii) Methodology

Based on our review of the Traffic Study Report, we noted that the Traffic Study Expert has, among others, (i) reviewed and considered historical economic data, population and traffic volume of Guangdong Province and researched the future development plan of the transportation network in Guangdong Province; (ii) analysed historical traffic data (including but not limited to traffic volume and types of vehicles) of expressways in Guangdong Province; (iii) reviewed relevant national or local government policies, including the Greater Bay Area Development Outline and the Transportation Construction Outline; (iv) built a traffic model factoring in, among others, future economic data, population, traffic volume and types of vehicles to estimate the traffic volume and toll revenue of the GZ West Expressway and the GS Expressway, respectively; and (v) performed sensitivity analysis on the traffic volume and toll revenue of the two expressways under the optimistic scenario and conservative scenario. In particular, in estimating the traffic volume of the GZ West Expressway and the GS Expressway, the Traffic Study Expert has considered, including but not limited to, (a) the GDP of Guangdong Province, where the GZ West Expressway and the GS Expressway are running through; (b) the historical traffic data for the period from 2015 to 2019 for expressways in Guangdong Province; (c) the connection between transportation and local economies; and (d) the toll free policy for goods vehicle carrying agricultural products and small passenger cars during major holidays.

(iii) Traffic volume

As stated in the Traffic Study Report, the Traffic Study Expert adopted the “four-stage” method in projecting the traffic volume of the GZ West Expressway and the GS Expressway, which comprises (i) forecast of economic development in the affected area; (ii) forecast of traffic demand; (iii) forecast of traffic distribution; and (iv) forecast of traffic allocation. In the course of our discussion with the Traffic Study Expert and based on our review of the Traffic Study Report, we noted that the “four-stage” method allows (i) accurately analysing the total travel volume, the travel structure and the travel flow characteristics; (ii) better reflecting the behavior characteristic that the traveler’s travel tends to be simultaneous rather than sequential; and (iii) reducing the bias between stages due to the lack of essential linkages and focus more coherent solutions for the assignment of traffic in all modes. We are also advised by the Traffic Study Expert that the “four-stage” method is widely use in studying expressway industry. In addition, we have discussed with the Traffic Study Expert on the impact of the new lanes on the traffic projection of the GS Expressway, and are given to understand that the model adopted by the Traffic Study Expert has already taken into account the upcoming road extension from six lanes to ten lanes of the GS Expressway.

(iv) Toll revenue

With regard to the toll revenue, as stated in the Traffic Study Report, the toll rate is determined according to the Notices Regarding Adjusting the Billing Methods of Expressway Vehicle Tolls* (關於調整高速公路車輛通行費計費方式有關事宜的通知) jointly issued by the Department of Transportation of Guangdong Province* (廣東省交通運輸廳), the Guangdong Provincial Development and Reform Commission (廣東省發展改革委) and the Department of Finance of Guangdong Province (廣東省財政廳) on 31 December 2019 which is a notice outlining the existing official toll rate in Guangdong Province implemented since 1 January 2020. We have reviewed and noted that the said notice sets out the existing official toll rate standard for expressways in Guangdong Province, which is applicable to both the GS Expressway and the GZ West Expressway.

The Traffic Study Expert has further advised that the factors considered, underlying assumptions and the forecast procedures adopted in the Traffic Study Report are commonly used in its previous traffic study in the PRC and are commonly used in the market. For further details of the Traffic Study Report prepared by the Traffic Study Expert, please refer to "Summary of the Traffic Study Report on GS Expressway and GZ West Expressway" set out in Appendix VII to the Circular.

Based on our discussion with the Traffic Study Expert and our review of Traffic Study Report, we have not identified any major issues that would cause us to doubt the fairness and reasonableness of the bases, assumptions, and methodologies applied in the Traffic Study Report.

10. Possible financial effects of the Acquisition

Earnings

Upon Completion, the Target Company and Bay Area Development will become subsidiaries of the Company and their financial results will be fully consolidated into the financial statements of the Company. According to the 2020 Company Annual Report and the 2021 Company Interim Report, the profit of the Group was approximately HK$6,038.6 million and HK$1,888.8 million for the year ended 31 December 2020 and the six months ended 30 June 2021, respectively. Based on the consolidated statements of profit or loss and other comprehensive income of the Target Group as set out in Appendix III in this Circular, the Company expects that the earnings of the Enlarged Group will basically remain the same level or decrease slightly as a result of the Acquisition. Nonetheless, after considering the factors as detailed in the section headed "Reasons for and Benefits of the Transactions" set out Letter from the Board, the Directors expect that the Transactions will have a positive impact on the Group's net profit in the coming period, with the synergy and integration of resources within the Group, including Bay Area Development, and the implementation of the GS Expressway Expansion Project and the comprehensive development of the land along the GS Expressway.

Net asset value

Based on the 2021 Company Interim Report, the consolidated net asset value of the Group as at 30 June 2021 was approximately HK$59,522.1 million. According to "Unaudited Pro Forma Financial Information on the Enlarged Group" set out in Appendix IV to the Circular, the total assets and total liabilities of the Enlarged Group as at 30 June 2021 would increase to approximately HK$130,158.7 million and HK$68,839.0 million respectively as a result of the Acquisition, resulting in an increase of approximately 3.0% in the net asset value to approximately HK$61,319.8 million based on the assumption that the Acquisition had been completed on 30 June 2021.

Working capital

As disclosed in the section headed "Working Capital Sufficiency of the Enlarged Group" set out in Appendix I to the Circular, the Directors, after due and careful consideration, are of the opinion that based on existing cash and bank balances, available facilities and the internal resources of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements, taking into consideration of the Acquisition and the existing operations, for at least the next twelve months from the date of the Circular.

It should be noted that the above is for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be as a result of the Acquisition.

OPINION AND RECOMMENDATION

Having taken into account the principal factors and reasons discussed above, we consider that the Transactions are conducted on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transaction Agreements and the Transactions.

Yours faithfully,
for and on behalf of
DAKIN CAPITAL LIMITED
Kinson Li **Annie Kwong**
Managing Director *Director*

Note: Mr. Kinson Li is a licensed person and a responsible officer of Dakin Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in corporate finance industry. Ms. Annie Kwong is a licensed person and a responsible officer of Dakin Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in corporate finance industry.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for identification purpose only and should not be regarded as the official English name(s) of such Chinese name(s).*

In case of any discrepancy, inconsistency or ambiguity between the English and Chinese versions of this letter, the English version shall prevail.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Company for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the following annual reports of the Company for the years ended 31 December 2018, 2019 and 2020, respectively, which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.szihl.com):

- the annual report of the Company for the year ended 31 December 2018 (pages 75 to 184) published on 11 April 2019
- the annual report of the Company for the year ended 31 December 2019 (pages 76 to 188) published on 8 April 2020
- the annual report of the Company for the year ended 31 December 2020 (pages 85 to 192) published on 15 April 2021
- the interim report of the Company for the six months ended 30 June 2021 (pages 32 to 70) published on 16 September 2021

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 30 September 2021, being the latest practicable date for the sole purpose of determining this statement of indebtedness and contingent liabilities of the Enlarged Group prior to the date of the Circular, same as otherwise disclosed herein, the Enlarged Group had aggregate outstanding carrying amount of borrowings of approximately HKD49,552,155,000 and the details are as follows:

	HKD'000
Bank borrowings	
– Secured and guaranteed	288,974
– Unsecured and guaranteed	5,041,437
– Secured and unguaranteed	9,265,724
– Unsecured and unguaranteed	11,148,148
	25,744,283
Other borrowings	
– Secured and unguaranteed	31,941
– Unsecured and unguaranteed	6,362
	38,303
Debt securities	
– Secured and guaranteed	959,646
– Unsecured and unguaranteed	17,360,400
	18,320,046

Amounts due to former shareholder of the Target Company	*HKD'000*
– Unsecured and unguaranteed	5,449,523
Total	49,552,155

Charges

As at the close of business on 30 September 2021, the Enlarged Group's bank borrowings approximately RMB7,959,637,000 (equivalent to HKD9,554,698,000) were secured by toll collection right, equity interest, certain equipment, vehicles and properties, franchise right, lease receivables, rights to expected earnings of Public-Private-Partnership contracts and receivables of future operating incomes of the Enlarged Group. The Enlarged Group's other borrowings approximately RMB26,609,000 (equivalent to HKD31,941,000) were secured by commercial bills receivables of the Group. As to the Enlarged Group's debt securities approximately RMB799,443,000 (equivalent to HKD959,646,000), were secured by equity interest of the Group.

Lease liabilities

As at 30 September 2021, the Enlarged Group had lease liabilities of approximately RMB451,174,000 (equivalent to HKD541,586,000) related to the lease of mechanical equipment from leasing companies in the PRC among which the amount of RMB318,514,000 (equivalent to HKD382,342,000) were guaranteed by subsidiaries of the Company and non-controlling shareholders of subsidiaries of the Company and secured by equity interest, certain properties and equipments, lease properties, trade receivables, franchise right and use right of industrial land of the Group, and the amount of RMB132,660,000 (equivalent to HKD159,244,000) were unsecured and guaranteed by a subsidiary of the Company. There are lease liabilities of approximately RMB681,319,000 (equivalent to HKD817,851,000) related to the lease of office premises and commercial units from non-leasing companies in the PRC and Hong Kong among which the amount of RMB656,285,000 (equivalent to HKD787,800,000) were unguaranteed and secured by rental deposits paid, and the amount of RMB25,034,000 (equivalent to HKD30,051,000) were unsecured and unguaranteed.

Contingent liabilities

As at 30 September 2021, the Enlarged Group have the following contingent liabilities:

(a) Guarantees in respect of mortgage facilities of certain property buyers

The Enlarged Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Enlarged Group's property units and has made deposits of RMB10,814,000 as security to and given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of the agreement, upon default in payments of mortgage loans by these buyers, the Enlarged Group is responsible to repay the remaining outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Enlarged Group is entitled to take over the legal title and possession of the related properties. As at 30 September 2021, the total outstanding mortgages guaranteed by the Enlarged Group were RMB3,770,743,000 (equivalent to HKD4,526,376,000).

(b) Guarantee given to other company in respect of certain contract

The Enlarged Group has entered into an agreement with other companies to give guarantee on accounts payable from 深圳市朗能電池有限公司 which is a former related party of 深圳深汕特別合作區乾泰技術有限公司 to its supplier with amount approximately RMB4,545,000.

(c) Litigation

As at the Latest Practicable Date, the Enlarged Group was involved in outstanding litigations with total claim amount of approximately RMB342,502,000 in relation to the subsidiaries of the Company including Guangxi Lande renewable energy Co., Ltd (a subsidiary of the Company) being sued for paying equipment payment, capital occupation fee, civil engineering payment, interest on civil engineering payment and liquidated damages of total approximately RMB31,649,000 to Yongqing Environmental Protection Co., Ltd. which was responsible for the construction of the reconstruction and expansion project of Nanning kitchen waste recycling and harmless treatment plant; Taizhou Lande Environmental Protection Technology Co., Ltd (a subsidiary of the Company) being sued for paying the remaining project payment and related one-year interest according to the annual interest rate of 6.5%, interest loss of overdue payment and the liquidated damages of total approximately RMB51,327,000 to Nantong No. 4 Construction Group Co., Ltd. which was responsible for the civil engineering, water and electricity installation, procurement and installation of electromechanical equipment of a project; Nanjing Wind Power Technology Co., Ltd (a subsidiary of the Company, "**Nanjing Wind Power**") being sued for paying losses of approximately RMB109,526,000 caused by the delay in delivery of Nanjing Wind Power to Juye Changguang Wind Energy Co., Ltd. which purchased wind turbines and ancillary equipments from Nanjing Wind Power; and other outstanding litigations of total approximately RMB150,000,000.

After taking into account the advice of the external legal counselors of the Group, the management of the Group considers that the risk of losses and the amount of contingent liabilities resulting from the outstanding litigations cannot be estimated properly.

General

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as at 30 September 2021, any other debt securities issued or outstanding, and authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, lease liabilities, charges, guarantees or other material contingent liabilities.

For the purpose of preparing the indebtedness of the Group, translation of amounts in RMB into HK$ and US$ into HK$ have been made at the exchange rates of HK$1 = RMB0.83306 and HK$7.784 = US$1, the respective closing rates as at 30 September 2021.

3. WORKING CAPITAL SUFFICIENCY OF THE ENLARGED GROUP

The Directors, after due and careful consideration, are of the opinion that based on existing cash and bank balances, available facilities and the internal resources of the Enlarged Group, the Enlarged Group will have sufficient working capital for its present requirements, taking into consideration of the Acquisition and the existing operations for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Impacted by the COVID-19 pandemic in 2020, the political and economic structure across the globe experienced drastic changes. The Central Committee of the Chinese Communist Party advocated a new domestic and international "dual circulation" development framework in which domestic economic cycle plays a leading role. Under this framework, logistics will be the backbone of the circulation system in the society and play a more important role in the "dual circulation". The Opinions on Promoting High-Quality Development of Infrastructure (《關於推動基礎設施高品質發展的意見》) recently approved by the Central Comprehensively Deepening Reforms Commission (中央深改委) emphasised the need to build an integrated, efficient, economical, practical, smart, green, safe, reliable and modern infrastructure system, which will facilitate the development of integrated, efficient, high-end and smart logistics infrastructure. Shenzhen has already devised a new plan for logistics freight transportation stations that aims to comprehensively revamp and upgrade logistics infrastructure in Shenzhen as well as build a modern and high-standard three-tier logistics hub system. This plan will bring enormous opportunities to the logistics industry and enterprises. In view of the ongoing consumption upgrade, heightened expectations from end customers, production and manufacture upgrade as well as increasing logistics demand in respect of daily supplies and protective equipment as a result of the pandemic in China, the Group believes that the logistics industry in which it operates will enjoy enormous room for development and thus continuous growth in the future.

Going forward, the Group will aggressively roll out more diversified logistics value-added services and actively transform itself into a comprehensive urban auxiliary service provider, in addition to strengthening the operations of its logistics park. The Group will further refine its short closed-loop "investment, construction, financing and operation" and long closed-loop "investment, construction, operation and transformation" business development models, and push for the identification and realization of value throughout the lifecycle of its logistics park assets. With the short closed-loop "investment, construction, financing and operation" business model, financing of relevant projects will continuously and steadily proceed with the aim of improving the Group's operational efficiency, facilitating constant expansion of its logistics park operations, and implementing a rolling program of integrated logistics hub development. On the other hand, the long closed-loop "investment, construction, operation and transformation" development model will help the Group seize historical opportunities brought by urbanization, drive the change in land use, renewal and reconstruction of parks with potential to realize additional investment gain, which would in turn lay a solid foundation for the Group's revenue growth for years to come. As the application of automation, artificial intelligence, big data, internet of things and other similar technologies becomes a general trend in the logistics industry, the Group will continue to step up its development of smart logistics and cold chain logistics businesses in order to drive future business growth. At the same time, the Group will actively participate in the implementation of Shenzhen's new plan for logistics freight transportation stations and further expand its market share in Shenzhen. The port segment, on the other hand, will work on its Yangtze River network initiative, speed up the commencement and construction of new projects, and push for the operation and revenue contribution of these new projects as soon as possible.

2021 marks the beginning of the Group's 14th Five-year Strategic Development Plan. The Group will capitalize on the golden strategic opportunities brought by the development of two regions, namely the Guangdong-Hong Kong Macau Greater Bay Area and Shenzhen Pilot Demonstration Zone, to attain its owned development goals and create greater value and returns for all shareholders. The Group is working on growing into a unique and top industrial group with a corporate value of hundreds of billions.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out in Appendix III to this circular is the accountant's report on the Target Group for the three financial years ended 31 December 2018, 2019 and 2020 and seven months ended 31 July 2021. Below is the management discussion and analysis of the Target Group during the period reported on which should be read in conjunction with the accountant's report on the Target Group set out in Appendix III to this Circular.

For the year ended 31 December 2018

Share of results of joint ventures

Since 4 April 2018 (the "**Consolidation Date**"), the Target Company was able to control the financial and operating decisions of the Bay Area Development, therefore, Bay Area Development was included in the consolidated financial statements of the Target Company since the same day. For the year ended 31 December 2018, the Target Company's share of results of joint ventures (after taking into account of the fair value amortization) was approximately RMB273.19 million, of which, RMB156.85 million was attributable to GS Expressway and RMB116.35 million was attributable to GZ West Expressway. The average daily toll revenue of the GS Expressway fell 3% YoY in 2018 to RMB9.15 million. Its total toll revenue for the year was RMB3,341 million. Its average daily full-length equivalent traffic fell 1% YoY to 102,000 vehicles. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 71.2% and 83.4% of the toll revenue and full-length equivalent traffic of the GS Expressway respectively. The GS Expressway saw a decline in its toll revenue and traffic volume mainly due to impacts brought by newly operated highways near its Guangzhou section and Dongguan section.

The annual toll revenue from the GZ West Expressway was about RMB1,443 million. The average daily toll revenue and average daily full-length equivalent traffic of GZ West Expressway rose 10% and 10% YoY to RMB3.95 million and 54,000 vehicles, respectively. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 67.6% and 79.8% of the GZ West Expressway toll revenue and full-length equivalent traffic respectively.

General and administrative expenses

The general and administrative expenses were about RMB46.80 million for the year ended 31 December 2018. It mainly represented the staff salaries of supporting departments and intermediary fees such as lawyers, audits, and securities commissions from the acquisition of Bay Area Development incurred during the year.

Financial costs

The Target Group incurred about RMB309.04 million financial costs for the year ended 31 December 2018, the interest costs of bank loans during the year was RMB309.04 million, the interest income was RMB11.63 million, and the exchange loss was RMB16.95 million.

Loss for the year

Loss for the year of the Target Group for the year ended 31 December 2018 was about RMB115.21 million, mainly due to the increased financial costs caused by the high debt ratio (78.97%) and the high funding costs (3.95% - 4.35%) of fixed-rate debt.

For the year ended 31 December 2019

Share of results of joint ventures

For the year ended 31 December 2019, the Target Company's share of results of joint ventures (after taking into account of the fair value amortization) was approximately RMB399.34 million, an increase of approximately 46.17% over the year ended 31 December 2018, mainly due to the fact that the accounting period for the Target Group's share of results of joint ventures was 3 months more than the accounting period calculated on a consolidated basis in 2018, of which, RMB228.88 million was attributable to GS Expressway, RMB172.34 million was attributable to GZ West Expressway and RMB(1.88) million was attributable to Xintang Residential Project. The annual toll revenue from the GS Expressway was about RMB3,225 million, decreased about 3.47% from that of the year ended 31 December 2018. The average daily toll revenue of the GS Expressway fell 3% YoY to RMB8.84 million. Its average daily full-length equivalent traffic fell 2% YoY to 100,000 vehicles. The decrease in toll revenue was greater than that in full-length equivalent traffic, mainly due to higher ETC discount, which resulted in a decrease in average toll revenue per vehicle. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 71.3% and 83.4% of the toll revenue and full-length equivalent traffic of the GS Expressway respectively.

The annual toll revenue from the GZ West Expressway was about RMB1,515 million, increased about 5% from that of the year ended 31 December 2018. The average daily toll revenue and average daily full-length equivalent traffic recorded steady growth, rising 5% and 9% YoY to RMB4.15 million and 59,000 vehicles, respectively. The increase in toll revenue was lower than that in full-length equivalent traffic, mainly due to reduced proportion of truck traffic and higher ETC discount, which resulted in a decrease in average toll revenue per vehicle. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 71.3% and 82.1% of the GZ West Expressway's toll revenue and full-length equivalent traffic respectively.

Xintang JV is a joint venture set by Bay Area Development and a subsidiary of Guangdong Provincial Communication Group Company Limited (廣東省交通集團有限公司) in November 2019 to participate in the bidding for the land use rights of the Project Land. Bay Area Development owns 37.5% equity in the Xintang JV. The Parties provided the Xintang JV with a three-year shareholders' loan of approximately RMB825 million as bidding deposit of the land (approximately RMB309 million was attributable to Bay Area Development) based on their respective shareholding percentages. The shareholder's loan bears an interest rate of 8% per annum and incurred interests expenses of approximately RMB5.13 million, of which RMB2 million was attributable to Bay Area Development.

General and administrative expenses

The general and administrative expenses were about RMB37.77 million for the year ended 31 December 2019, decreased by 19.29% from that of the year ended 31 December 2018. It mainly represented the staff salaries of supporting departments and listing service fees, intermediary agency service fees and share registration fees incurred for the year. The decrease for the administrative expenses was mainly due to the internal corporate structure reorganization following the disposal of the entire 66.69% equity interest in the Target Group held by Hopewell Holdings Limited in April 2018.

Financial costs

The Target Group incurred about RMB351.57 million financial costs for the year ended 31 December 2019, increased by about 13.76% from that of the year ended 31 December 2018. The interest costs of bank loans during the year amounted to RMB351.57 million, interest incomes amounted to RMB6.31 million, and exchange losses amounted to RMB5.89 million. Due to the combined effect of the fact that the accounting period for the consolidation of Bay Area Development into Target Group during the year was 3 months more than the accounting period calculated on a consolidated basis in 2018 and net exchange losses (including the Target Group's share of the exchange losses arising from the GS JV's loans denominated in US dollars and Hong Kong dollars) decreased by RMB11.06 million.

Loss for the year

For the year ended 31 December 2019, the loss of the Target Group for the year was approximately RMB28.75 million, a decrease of 75% over the year ended 31 December 2018. Loss for the year was mainly due to the increased financial costs caused by the high debt ratio (82.47%) and the high funding costs (3.95% - 4.35%) of fixed-rate debt. The decrease in losses for the year was mainly due to the fact that the accounting period for the consolidation of Bay Area Development into Target Group during the year was 3 months more than the accounting period calculated on a consolidated basis in 2018, resulting in an increase in revenue such as share of results of joint ventures compared with the previous year.

For the year ended 31 December 2020

Share of results of joint ventures

For the year ended 31 December 2020, the Target Company's share of results of joint ventures (after taking into account of the fair value amortization) was approximately RMB20.83 million, a decrease of approximately 94.78% over the year ended 31 December 2019, of which, RMB51.51 million was attributable to GS Expressway, RMB11.35 million was attributable to GZ West Expressway and RMB(42.42) million was attributable to Xintang Residential Project. The annual toll revenue from the GS Expressway was about RMB2,382 million, decreased about 26% from that of the year ended 31 December 2019. The average daily toll revenue and average daily full-length equivalent traffic both fell 26% YoY to RMB6.51 million and 74,000 vehicles, respectively. The significant decrease in toll revenue and traffic volume was mainly due to the waiver of tolls effective from 17 February 2020 to 5 May 2020 according to the notice from the Ministry of Transport. Toll revenue and traffic volume contributed by passenger vehicles accounts for 68% and 81% of the toll revenue and full-length equivalent traffic of the GS Expressway respectively.

The annual toll revenue from the GZ West Expressway was about RMB1,096 million, decreased about 27.6% from that of the year ended 31 December 2019. The average daily toll revenue and average daily full-length equivalent traffic for the 2^{nd} half of 2020 fell 3% and 5% YoY to RMB4.21 million and 60,000 vehicles respectively. The significant decrease in toll revenue and traffic volume was mainly due to the waiver of tolls effective from 17 February 2020 to 5 May 2020 according to the notice from the Ministry of Transport and the diversion impact caused by the conversion of Foshan Ring Road into a toll expressway and the closure and transformation of the Shizhou toll station since August 2020. Toll revenue and traffic volume contributed by passenger vehicles accounts for 67% and 79% of the toll revenue and full-length equivalent traffic of the GZ West Expressway respectively.

Xintang Residential Project made significant progress in 2020. The land of the GS JV with a book value of RMB3 million was purchased and stored by the government, and was auctioned off by the Xintang JV in December 2019. Shenwan Infrastructure, a company of the Target Group, disposed of its 22.5% equity interest in Xintang JV in 2020 with a disposal proceeds of RMB409.15 million. Since the income has been included in the fair value of the equity investment in the GS JV upon the acquisition of Bay Area Development by Target Company on 4 April 2018, therefore, the Target Company carried forward a corresponding proportion of the equity investment cost when Xintang JV realized income. In addition, the project is still under construction, the delivery conditions have not been met and the income has not been realized. As of 31 December 2020, the Target Company has confirmed a cumulative investment loss of RMB42.42 million in the Xintang JV under the equity method, which was mainly due to the inability to capitalize part of the interest costs of the project.

General and administrative expenses

The general and administrative expenses were about RMB37.50 million for the year ended 31 December 2020, decreased by 0.71% from that of the year ended 31 December 2019, mainly includes employee salaries of support departments, listing service fees, service fees of intermediary agencies, and share registration fees incurred during the year, all of which have been slightly reduced.

Financial costs

For the year ended 31 December 2020, the Target Group incurred financial costs of approximately RMB309.39 million, a decrease of approximately 12.00% over the year ended 31 December 2019. The interest costs of bank loans during the year amounted to RMB309.39 million, interest income amounted to RMB59.62 million, and exchange gains amounted to RMB13.38 million. It refers to the interest costs of bank loans during the year. The decrease of financial costs was mainly due to the reduction in interest expenses caused by the repayment of part of bank borrowings with shareholders' investment of RMB1.922 billion. The increase in interest income from the receivables from the Xintang JV, and the net exchange gains (including the Target Group's share of the exchange gains arising from the GS JV's loans denominated in US dollars and Hong Kong dollars) of RMB13.38 million (recorded a net exchange loss of RMB5.89 million in 2019) caused by the appreciation of RMB in the second half of 2020.

Loss for the year

For the year ended 31 December 2020, the loss of the Target Group for the year was approximately RMB282.34 million, increased over the year ended 31 December 2019. The increase in loss for the year was due to the implementation of a toll exemption policy on national toll highways for a total of 79 days from 17 February 2020 to 5 May 2020 by the Ministry of Transport of the PRC, and the extension the implementation period of toll exemption policy for small passenger cars with 7 seats or less from the original 7 days to 16 days in 2020 Chinese New Year Holiday, in response to the deployment of the prevention and control of the COVID-19 pandemic. The implementation of above two policies resulted in a significant year-on-year decrease in toll revenue and profit of GS Expressway and GZ West Expressway during the year under review. On the other hand, the discount range of Electronic Toll Collection ("**ETC**") has been expanded from 2% to 5% since 1 July 2019, which continued to have a slight negative impact on the toll revenue of GS Expressway and GZ West Expressway. In addition, due to the fall in the debt ratio to 66.78% and the appreciation of the RMB, net foreign exchange gains resulted in a decrease in financial costs.

For the seven months ended 31 July 2021

Share of results of joint ventures

For the seven months ended 31 July 2021, the Target Company's share of results of joint ventures (after taking into account of the fair value amortization) was approximately RMB234.86 million, an increase in income of approximately RMB374.06 million over the same period in 2020 (unaudited data), of which, RMB163.32 million was attributable to GS Expressway, RMB94.11 million was attributable to GZ West Expressway and RMB(10.51) million was attributable to Xintang Residential Project. The toll revenue of GS Expressway was approximately RMB1,675.46 million, an increase of approximately 69.44% over the same period in 2020. The average daily toll revenue and the average daily equivalent total traffic volume achieved RMB7.90 million and 91,000 units, respectively. The annual toll revenue of the GZ West Expressway was approximately RMB780.12 million, an increase of approximately 73.24% over the same period in 2020. The average daily toll revenue and the average daily equivalent total traffic volume achieved RMB3.68 million and 52,000 units, respectively.

The expected turnaround of GS Expressway and GZ West Expressway is mainly due to the situation of the COVID-19 pandemic. From 17 February to 5 May 2020, the implementation of a toll exemption policy on national toll highways resulted in the decrease in toll revenue, and toll collection has been restored in the same period of 2021. Therefore, the data of average daily toll revenue and traffic volume in this period is uncomparable with the data of the same period last year.

Xintang Residential Project

Xintang Interchange Residential Project has been named as Park Upper City, with a total construction area of approximately 600,000 square meters. The Project will be constructed in three phases. At present, the residential construction project and the interchange renovation project are progressing smoothly as planned. The pre-sale of some residential units in the first phase began in May 2021. The sales target during the year includes a construction area of approximately 70,000 square meters, which can be delivered to purchasers and confirmed revenue as soon as 2023. For the seven months ended 31 July 2021, the Target Company has confirmed a investment loss of RMB10.51 million in the Xintang JV under the equity method, which was mainly due to the inability to capitalize part of the interest costs of the project.

General and administrative expenses

For the seven months ended 31 July 2021, general and administrative expenses were approximately RMB23.85 million, an increase of 5.48% over the same period in 2020 (unaudited data). The slight increase in general and administrative expenses over the same period of last year was mainly caused by a slight increase in employee remuneration and other expenses.

Financial costs

For the seven months ended 31 July 2021, the Target Group incurred financial costs of approximately RMB142.62 million, a decrease of approximately 99.93% over the same period in 2020 (unaudited data). The interest costs of bank loans was RMB142.62 million, interest income was RMB59.17 million, and exchange gains were RMB6.26 million. The decrease in financial costs was mainly due to the repayment of part of bank borrowings with shareholders' investment funds of RMB1.922 billion in September 2020, resulted in a decrease in interest costs during the period compared with the same period in 2020, and an increase in interest income during the period.

Profit for the year

For the seven months ended 31 July 2021, the Target Group's profit for the year was approximately RMB79.48 million, realized a turnaround from loss of RMB345.32 million (unaudited data) Compared with the same period in 2020, mainly due to the return to normal toll collections of the GS Expressway and GZ West Expressway under the Target Group, which resulted in a significant year-on-year increase in investment income, and also, the debt ratio remained at 68.59% and the funding costs of fixed-rate debt was reduced (2.85%), resulted in a significant year-on-year decrease in financial expenses.

For the three financial years ended 31 December 2020 and the seven months ended 31 July 2021

Liquidity and Financial Resources

During the three years ended 31 December 2020 and the seven months ended 31 July 2021, the Target Group financed its operations and capital expenditure by its internal resources, long term bank loan and loans from a related company. As at 31 December 2018, 2019, 2020 and 31 July 2021, total bank loan drawn by the Target Group amounted to about RMB4,129.93 million, RMB4,465.49 million, RMB3,120.26 million and RMB3,626.12 million respectively; total loans from a related company amounted to about RMB4,716.92 million, RMB4,822.43 million, RMB4,530.66 million and RMB4,475.74 million respectively; and total cash and cash equivalents, including bank deposits and cash on hand amounted to about RMB263.43 million, RMB245.72 million, RMB582.18 million and RMB1,451.04 million respectively.

As at 31 December 2018, 2019, 2020 and 31 July 2021, the bank loans were repayable as follows:

	As at December 31			As at July 31
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	2,586,765	2,293,847	1,084,887	1,903,690
After 1 year but within 5 years	1,543,168	2,171,646	2,035,374	1,722,429
After 5 years	-	-	-	-

As at 31 December 2018, 2019, 2020 and 31 July 2021, the loans from a related party were repayable as follows:

	As at December 31			As at July 31
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	-	-	2,587,069	2,555,714
After 1 year but within 5 years	4,716,918	4,822,432	1,943,585	1,920,029
After 5 years	-	-	-	-

As at 31 December 2018, 2019, 2020 and 31 July 2021, approximately 53.32%, 51.92%, 59.22% and 55.24% of the interest-bearing liabilities of the Target Group are charged with a fixed interest rate.

As at 31 December 2018, 2019, 2020 and 31 July 2021, the gearing ratio of the Target Group is approximately 78.97%, 82.47%, 66.78% and 68.59% respectively.

Interest Rate and Exchange Rate Exposure

The Target Group closely monitors its exposure to interest rates and foreign currency exchange rates and strictly controls its use of financial instruments. Neither the corporate level nor JVs has employed any financial derivative instruments to hedge their exposure to interest rates or foreign currency exchange rates.

Treasury Policies

The Target Group continues to adopt proactive but prudent treasury policies in its financial and funding management and closely monitors its liquidity, financial resources and the exchange rate movements, with a view to minimising its funding costs and enhance return on its financial assets. As at 31 December 2018, 2019, 2020 and 31 July 2021, 1.54%, 1.19%, 91.93% and 80.51% of the bank balances and cash were denominated in RMB, 98.45%, 98.81%, 8.07% and 19.48% were denominated in HK Dollar and the remaining 0.0%, 0.0%, 0.0% and 0.1% were denominated in US Dollar and Japan Yen.

Contingent Liabilities

During the year ended 30 June 2008, a subsidiary of the Target Company recovered the registered capital of HK$702 million (equivalent to RMB471 million) previously injected to the GS JV. According to the Law of the PRC on Sino-foreign Equity Joint Venture Enterprise, in relation to the early repayment of registered capital to the foreign joint venture partner by the GS JV before the expiry of the operation period, the subsidiary of the Target Company, as the foreign joint venture partner, was required to undertake the financial obligations of the GS JV to the extent of HK$702 million (the "**Financial Obligations**") when the GS JV failed to meet its financial obligations during the joint venture operation period. In March 2019, the Law of the PRC on Foreign Investment (the "**Foreign Investment Law**") was promulgated by the National People's Congress of the PRC. The Foreign Investment Law came into effect on 1 January 2020, according to which, the Law of the PRC on Sino-foreign Equity Joint Venture Enterprise previously applicable to the GS JV, was repealed on the same day, and the Financial Obligations were terminated accordingly.

Except for the above, the Target Group had no other material contingent liability as at 31 July 2021.

Charges on Assets

The Target Group did not have any charges on assets as at 31 July 2021.

Significant Investments Held

As at 31 July 2021, the Target Group did not have any significant investment.

Major Customers and Suppliers

There are no major customers and suppliers in view of the nature of the Target Group's business.

Material Acquisition or Disposal

As set out in the announcements of Bay Area Development dated 29 November 2019 and 27 December 2019 respectively. Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment entered into the JV Agreement and JV Articles, pursuant to which, Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment agreed to jointly establish the Xintang JV to participate in the bidding for the land use rights of the Project Land and, after successful Bidding, engage in the subsequent development of residential project on the Project Land.

After the successful Bidding, the land use rights of the Project Land is held by the Xintang JV which owned as to 62.5% (in aggregate) by the GPCG (through Guangdong Highway Construction, Lealu Investment and Leaxin Investment) and 37.5% by the Target Group (through Shenwan Infrastructure). Xintang JV won the bid for the land use rights of the Project Land for a land premium of RMB4,124 million and had entered into the grant contract for the state-owned construction land use rights of the Project Land with the Guangzhou Municipal Planning and Natural Resources Bureau on 25 December 2019.

As set out in the announcements of Bay Area Development dated 12 June 2020, 19 July 2020 and 10 September 2020 and the circular of the Target Company dated 20 October 2020 respectively, the Target Group (through Shenwan Infrastructure) and GPCG (through Guangdong Highway Construction) disposed of an aggregate of 60% equity interest in the Xintang JV (representing 22.5% equity interest held by Shenwan Infrastructure and 37.5% equity interest held by Guangdong Highway Construction) together with their respective rights in the corresponding proportion of the shareholders' loans to Xintang JV (including the outstanding accrued interests thereof) through public tender ("**Disposal**").

On 10 September 2020, Shenwan Infrastructure and Guangdong Highway Construction (as transferor) and Shenzhen Run Investment (as transferee) entered into a transaction contract in respect of the Disposal. On the same day, Shenwan Infrastructure, Lealu Investment, Leaxin Investment and Shenzhen Run Investment entered into the New JV Agreement and Amended JV Articles. The Target Group (through Shenwan Infrastructure), GPCG (through Lealu Investment and Leaxin Investment) and Shenzhen Run Investment holds 15%, 25% (in aggregate) and 60% of its equity respectively.

On 17 September 2020, the consideration received by Shenwan Infrastructure from the Disposal was approximately RMB1,090 million, including (i) the consideration for the disposal of its 22.5% equity interest in Xintang JV of approximately RMB558 million; and (ii) its 22.5% shareholder's loans (together with the outstanding accrued interests thereof) as at 31 December 2019, its Post-Valuation Date Interests and Post-Valuation Date Shareholders' Loans and Interests in aggregate of approximately RMB532 million. The Disposal realised the pre-tax gain on Disposal of approximately RMB545 million and the post-tax profit from Disposal of approximately RMB409 million for the Target Group.

Except for the above, the Target Company's subsidiaries and associated companies did not make material acquisitions or disposals as at 31 July 2021.

Employees and Remuneration Policies

The Target Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognize their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Target Group's business performance. It also provides medical insurance coverage to all staff members and personal accident insurance to senior staff members.

As at 31 December 2018, 2019, 2020 and 31 July 2021, the Target Group (excluding joint venture) had 30, 36, 39 and 41 employees. The total remuneration paid to employees were RMB12.51 million, RMB23.46 million, RMB22.12 million and RMB14.59 million respectively.

Future Plans for Material Investments or Capital Assets

As at the Latest Practicable Date, save for material acquisition and disposal disclosed above, the Target Company did not have any future plan for material investments or addition of capital assets for the year ending 31 December 2021.

Segmentation Information

During the reporting period, the main revenue of business segments of the Target Group was derived from the investment income generated by the two toll expressway projects in the PRC (namely, GS Expressway and GZ West Expressway) and the Xintang Residential during the reporting period. The franchise rights of GS Expressway and Phase I, Phase II, and Phase III of GZ West Expressway will expire in June 2027, September 2033, June 2035, and January 2038, respectively. For the detailed results and data during the reporting period, please refer to "Share of results of joint ventures" set out above.

The following is the text of a report set out on pages III-1 to III-3, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHENZHEN INVESTMENT INTERNATIONAL CAPITAL HOLDINGS INFRASTRUCTURE CO., LTD.

TO THE DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages III-4 to III-70, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020 and 31 July 2021, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2020 and the seven months ended 31 July 2021 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages III-4 to III-70 forms an integral part of this report, which has been prepared for inclusion in the circular issued by Shenzhen International Holdings Limited (the "**Company**") dated 24 November 2021 (the "**Circular**") in connection with major transaction and connected transaction in relation to the acquisition of the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2018, 2019 and 2020 and 31 July 2021 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprise, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seven months ended 31 July 2020 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out on in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 November 2021

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Target Group for the Relevant Periods ("**Underlying Financial Statements**"), after taking into account the classification and presentation requirements of Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The Underlying Financial Statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China (the "**PRC**") and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Seven months ended 31 July	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income, other gains and losses	*6*	(4,507)	3,895	78,697	35,060	68,836
Gain on partial disposal of a joint venture	*13*	–	–	136,027	–	–
General and administrative expenses		(46,799)	(37,773)	(37,495)	(22,613)	(23,851)
Finance costs		(309,038)	(351,565)	(309,393)	(207,629)	(142,619)
Share of results of joint ventures	*7*	273,194	399,338	20,833	(139,194)	234,861
(Loss) profit before tax		(87,150)	13,895	(111,331)	(334,376)	137,227
Income tax expense	*8*	(28,057)	(42,646)	(171,004)	(10,944)	(57,750)
(Loss) profit for the year/period	*9*	(115,207)	(28,751)	(282,335)	(345,320)	79,477
Other comprehensive income						
Item that will not be reclassified to profit or loss:						
Fair value (loss) gain on investment in equity instrument at fair value through other comprehensive income, net of tax		747	10,350	7,560	4,800	(10,350)
Exchange (loss) gain arising on translations to presentation currency		(956,785)	(203,264)	521,383	(69,641)	85,910
Total comprehensive (expense) income for the year/period		(1,071,245)	(221,665)	246,608	(410,161)	155,037
(Loss) profit for the year/period attributable to:						
Owners of the Company		(164,274)	(120,891)	(277,677)	(293,089)	18,348
Non-controlling interests		49,067	92,140	(4,658)	(52,231)	61,129
		(115,207)	(28,751)	(282,335)	(345,320)	79,477
Total comprehensive (expense) income attributable to:						
Owners of the Company		(1,120,082)	(316,122)	231,003	(357,997)	92,824
Non-controlling interests		48,837	94,457	15,605	(52,164)	62,213
		(1,071,245)	(221,665)	246,608	(410,161)	155,037

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Target Group

	NOTES	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 July 2021 RMB'000
ASSETS					
Non-current Assets					
Interests in joint ventures	*13*	10,834,217	10,593,960	9,725,754	9,840,070
Equity instrument at fair value through other comprehensive income	*14*	11,100	22,600	31,000	19,500
Property and equipment	*15*	1,291	1,546	2,111	1,782
Goodwill	*16*	202,893	202,893	202,893	202,893
Amount due from a joint venture	*17*	–	311,224	322,784	40,793
		11,049,501	11,132,223	10,284,542	10,105,038
Current Assets					
Deposits and prepayments		–	820	545	455
Interest and other receivables		678	68	293	300
Amount due from a joint venture	*17*	–	–	27,050	309,580
Structured deposit	*18*	–	–	801,503	396,495
Time deposit with original maturity over three months	*19*	–	–	240,000	–
Bank balances and cash	*19*	263,430	245,722	582,179	1,451,038
		264,108	246,610	1,651,570	2,157,868
Total Assets		11,313,609	11,378,833	11,936,112	12,262,906
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	*20*	323	323	323	323
Share premium and reserves		(778,424)	(1,069,399)	1,068,083	975,651
Equity attributable to owners of the Target Company		(778,101)	(1,069,076)	1,068,406	975,974
Non-controlling interests		3,157,001	3,063,468	2,896,436	2,875,564
Total Equity		2,378,900	1,994,392	3,964,842	3,851,538
Non-current Liabilities					
Bank borrowings	*23*	1,543,168	2171,646	2,035,374	1,722,429
Shareholder's loans	*22*	4,716,918	4,822,432	1,943,585	1,920,029
Deferred tax liabilities	*21*	69,888	80,668	76,025	120,659
		6,329,974	7,074,746	4,054,984	3,763,117
Current Liabilities					
Other payables Payables and accruals	*22*	17,970	15,848	11,315	91,041
Shareholder's loans	*22*	–	–	2,587,069	2,555,714
Bank borrowings	*23*	2,586,765	2,293,847	1,084,887	1,903,690
Dividends payable		–	–	86,446	97,423
Tax payables		–	–	146,569	410
		2,604,735	2,309,695	3,916,286	4,648,251
Total Liabilities		8,934,709	9,384,441	7,971,270	8,411,368
Total Equity and Liabilities		11,313,609	11,378,833	11,936,112	12,262,906

STATEMENTS OF FINANCIAL POSITION

The Target Company

	NOTES	As at 31 December 2018	As at 31 December 2019	As at 31 December 2020	As at 31 July 2021
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Asset					
Investments in subsidiaries		9,312,593	9,520,909	8,944,851	8,836,441
		9,312,593	9,520,909	8,944,851	8,836,441
Current Assets					
Dividend receivables		–	–	219,584	–
Bank balances and cash		123,329	195,937	62,223	275,267
		123,329	195,937	281,807	275,267
Total Assets		9,435,922	9,716,846	9,226,658	9,111,708
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	*20*	323	323	323	323
Share premium and reserves	*33*	582,118	706,530	2,652,709	2,506,843
		582,441	706,853	2,653,032	2,507,166
Non-current Liabilities					
Bank borrowings		1,543,168	2,171,646	1,281,373	646,532
Shareholder's loans	*22*	4,716,918	4,822,432	1,943,585	1,920,029
		6,260,086	6,994,078	3,224,958	2,566,561
Current Liabilities					
Other payables		6,630	3,195	1,059	479,260
Dividends payable		–	–	–	97,423
Bank borrowings		2,586,765	2,012,720	760,540	1,305,584
Shareholder's loans	*22*	–	–	2,587,069	2,555,714
		2,593,395	2,015,915	3,348,668	4,037,981
Total Liabilities		8,853,481	9,009,993	6,573,626	6,604,542
Total Equity and Liabilities		9,435,922	9,716,846	9,226,658	9,111,708

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company						
	Share capital *RMB'000*	**Share premium** *RMB'000* *(Note 2)*	**Other reserves** *RMB'000* *(Note 1)*	**Accumulated losses** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
As at 1 January 2018	–	–	–	–	–	–	–
(Loss) profit for the year	–	–	–	(164,274)	(164,274)	49,067	(115,207)
Other comprehensive expense	–	–	(955,808)	–	(955,808)	(230)	(956,038)
Total comprehensive income (expense) for the year	–	–	(955,808)	(164,274)	(1,120,082)	48,837	(1,071,245)
Owners' contributions in capital	323	205,030	–	–	205,353	–	205,353
Non-controlling interests arising on business combinations *(note 28)*	–	–	–	–	–	3,967,100	3,967,100
Acquisition of additional interest in a non-wholly subsidiary *(note 29)*	–	–	(96,750)	–	(96,750)	(2,832,901)	(2,929,651)
Placement of shares of a subsidiary to non-controlling shareholders *(note 29)*	–	–	233,378	–	233,378	2,253,853	2,487,231
Dividends paid/payables to non-controlling interests by a subsidiary	–	–	–	–	–	(279,888)	(279,888)
As at 31 December 2018	323	205,030	(819,180)	(164,274)	(778,101)	3,157,001	2,378,900
(Loss) profit for the year	–	–	–	(120,891)	(120,891)	92,140	(28,751)
Other comprehensive (expense) income	–	–	(195,231)	–	(195,231)	2,317	(192,914)
Total comprehensive (expense) income for the year	–	–	(195,231)	(120,891)	(316,122)	94,457	(221,665)
Owners' contributions in capital	–	231,521	–	–	231,521	–	231,521
Dividends paid/payables to non-controlling Interests by a subsidiary	–	–	–	–	–	(187,990)	(187,990)
Dividends recognised as distribution during the year *(note 10)*	–	–	–	(206,374)	(206,374)	–	(206,374)
As at 31 December 2019	323	436,551	(1,014,411)	(491,539)	(1,069,076)	3,063,468	1,994,392
Loss for the year	–	–	–	(277,677)	(277,677)	(4,658)	(282,335)
Other comprehensive income	–	–	508,680	–	508,680	20,263	528,943
Total comprehensive income (expense) for the year	–	–	508,680	(277,677)	231,003	15,605	246,608
Owners' contributions in capital	–	2,112,700	–	–	2,112,700	–	2,112,700
Dividends paid/payables to non-controlling Interests by a subsidiary	–	–	–	–	–	(182,637)	(182,637)
Dividends recognised as distribution during the year *(note 10)*	–	–	–	(206,221)	(206,221)	–	(206,221)
As at 31 December 2020	323	2,549,251	(505,731)	(975,437)	1,068,406	2,896,436	3,964,842
Profit for the period	–	–	–	18,348	18,348	61,129	79,477
Other comprehensive income	–	–	74,476	–	74,476	1,084	75,560
Total comprehensive income for the year	–	–	74,476	18,348	92,824	62,213	155,037
Owners' contributions in capital	–	33,037	–	–	33,037	–	33,037
Dividends paid/payables to non-controlling Interests by a subsidiary	–	–	–	–	–	(83,085)	(83,085)
Dividends recognised as distribution during the period *(note 10)*	–	–	–	(218,293)	(218,293)	–	(218,293)
As at 31 July 2021	323	2,582,288	(431,255)	(1,175,382)	975,974	2,875,564	3,851,538

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company						
	Share capital	Share premium	Other reserves	Accumulated losses	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000* *(Note 2)*	*RMB'000* *(Note 1)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	323	436,551	(1,014,411)	(491,539)	(1,069,076)	3,063,468	1,994,392
Loss for the period	–	–	–	(293,089)	(293,089)	(52,231)	(345,320)
Other comprehensive (expense) income	–	–	(64,908)	–	(64,908)	67	(64,841)
Total comprehensive expense for the period	–	–	(64,908)	(293,089)	(357,997)	(52,164)	(410,161)
Owners' contributions in capital	–	177,412	–	–	177,412	–	177,412
Dividends recognised as distribution during the period *(note 10)*	–	–	–	(206,221)	(206,221)	–	(206,221)
As at 31 July 2020 (unaudited)	323	613,963	(1,079,319)	(990,849)	(1,455,882)	3,011,304	1,555,422

Note 1: The other reserves of the Target Group comprise of (i) translation reserve; (ii) accumulated changes in fair value of investment in equity instrument measured at FVTOCI; and (iii) the effects of changes in the Target Group's ownership interests in its subsidiary without losing control. Details of change in shareholding in subsidiaries without losing control during the year ended 31 December 2018 are disclosed in note 29.

Note 2: Included in the share premium of the Target Group are imputed interest related to interest free shareholder's loan contributed to the Target Company for the interest free period from 27 September 2018 to 31 December 2020, amounting to RMB52,045,000, RMB201,603,000 and RMB189,710,000 for the year ended 31December 2018, 2019 and 2020 respectively. From 1 January 2021 onwards, a 2.85% annualised interest rate is charged on the shareholders loan. Difference between market interest rate and contract interest rate of RMB33,037,000 was accounted for shareholders contribution and credited as share premium for the seven months ended 31 July 2021.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December			Seven months ended 31 July	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (unaudited)	2021 RMB'000
OPERATING ACTIVITIES						
(Loss) profit before tax		(87,150)	13,895	(111,331)	(334,376)	137,227
Adjustments for:						
Dividend income from equity instrument at fair value through other comprehensive income	6	(600)	(3,120)	(1,100)	–	(604)
Interest income		(11,628)	(6,309)	(59,617)	(34,936)	(59,173)
Gain on disposal of property and equipment	6	–	(144)	–	–	–
Net exchange losses (gains)	6	16,950	5,892	(13,378)	497	(6,264)
Investment income from structured deposit	6	–	–	(1,503)	–	(1,495)
Interest expenses		309,038	351,565	309,393	207,629	142,619
Gain on partial disposal of a joint venture		–	–	(136,027)	–	–
Depreciation of property and equipment	15	173	361	574	141	403
Share of results of joint ventures	7	(273,194)	(399,338)	(20,833)	139,194	(234,861)
Operating cash flows before movements in working capital		(46,411)	(37,198)	(33,822)	(21,851)	(22,148)
Decrease (increase) in interest and other receivables, deposits and prepayments		867	1,005	105	963	36
Increase in payables and accruals		(1,686)	(1,367)	(2,747)	3,327	(275)
Cash used in operating activities		(47,230)	(37,560)	(36,464)	(17,561)	(22,387)
Income tax paid		–	–	(3,468)	–	(13,295)
NET CASH USED IN OPERATING ACTIVITIES		(47,230)	(37,560)	(39,932)	(17,561)	(35,682)
INVESTING ACTIVITIES						
Purchase of property and equipment		(1,464)	(616)	(1,139)	(812)	(74)
Dividends received, net of withholding tax		749,834	613,449	494,707	–	538,730
Interest received		12,098	3,170	8,025	354	19,547
Consideration paid in respect of business combination	28	(7,505,385)	–	–	–	–
Placement of structured deposit		–	–	(800,000)	–	(695,000)
Release of structured deposit		–	–	–	–	1,100,000
Placement of time deposit with original maturity over three months		–	–	(240,000)	–	–
Release of time deposit with original maturity over three months		–	–	–	–	240,000
Advance to a joint venture		–	(309,300)	(558,750)	(531,750)	(526,000)
Repayment from a joint venture		–	–	–	–	142,000
Expenses arising from partial disposal of a joint venture		–	–	(12,717)	–	–
Proceeds on partial disposal of a joint venture		–	–	1,090,432	–	–
Capital injection to a joint venture			(3,750)	–	–	–
Proceeds on disposal of property and equipment		–	144	–	–	–
Income tax paid related to partial disposal of a joint venture		–	–	–	–	(136,027)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(6,744,917)	303,097	(19,442)	(532,208)	683,176
FINANCING ACTIVITIES						
New bank and other borrowings raised		19,309,947	1,248,941	3,190,168	2,780,321	1,608,427
Bank and other borrowings repaid		(11,384,963)	(1,003,803)	(4,209,144)	(1,999,146)	(1,066,828)
Acquisition of partial interest of a subsidiary	29	(2,953,265)	–	–	–	–
Placement of shares of a subsidiary to non-controlling shareholders	29	2,487,231	–	–	–	–
Capital injection		153,308	29,918	1,922,990	–	–
Interest paid		(251,583)	(154,995)	(114,029)	(42,285)	(29,608)
Dividends paid to owners of the Target Company		–	(206,374)	(206,221)	(102,813)	(207,316)
Dividends paid to non-controlling interests of a subsidiary		(292,861)	(194,594)	(95,930)	–	(82,001)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		7,067,814	(280,907)	487,834	636,077	222,674
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		275,667	(15,370)	428,460	86,308	870,168
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		–	263,430	245,722	245,722	582,179
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(12,237)	(2,338)	(92,003)	(75,240)	(1,309)
CASH AND CASH EQUIVALENTS CARRIED FORWARD		263,430	245,722	582,179	256,790	1,451,038

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. (the "**Target Company**") is incorporated in the British Virgin Islands with limited liability on 18 December 2017. The parent company of the Target Company is Shenzhen Investment Holdings (SIH) International Capital Holdings Co., Ltd. which is a limited company incorporated in Hong Kong, the ultimate holding parent company is Shenzhen Investment Holdings Co., Ltd., and the ultimate actual controller is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government.

The Target Company is an investment holding company. The Target Company and its subsidiaries (collectively referred to as "**the Target Group**") focus on initiation, promotion, development and operation of toll expressways and bridges as well as land development and utilisation along with the Guangzhou-Shenzhen Superhighway ("**GS Superhighway**") in the PRC through its joint ventures established in the PRC. Details of the principal activities of the principal subsidiaries and the joint ventures are set out in notes 26 and 13 respectively.

The Target Company's functional currency is Hong Kong dollar. The major subsidiaries and joint ventures of the Target Company have RMB as their functional currencies according to their primary economic environment. Accordingly, the Target Company adopts RMB as its presentation currency.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with Hong Kong Accounting Standards ("**HKASs**"), HKFRSs, amendments to HKFRSs and interpretations issued by the HKICPA which are effective for the Target Group's accounting period beginning on 1 January 2021 throughout the Relevant Periods. The accounting policies are set out in Note 3 below.

New and amendments to HKFRSs in issue but not yet effective

The Target Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective as at the date of this report:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 April 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective for annual periods beginning on or after a date to be determined

The directors of the Target Company anticipates that the application of the above new and amendments to HKFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

3. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of the Historical Financial Information

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

In preparing the Historical Financial Information, the directors of the Target Company have given careful consideration to the future liquidity of the Target Group in light of the fact that as at 31 July 2021, the Target Group has net current liabilities of RMB2,490,383,000. As the Target Company's ultimate holding parent company, Shenzhen Investment Holdings Co., Ltd. has agreed to provide all necessary financial support to the Target Company during the period when it has continued to be the Target Company's shareholder, until completion of the acquisition of the Target Group by Shenzhen Expressway Company Limited ("**Shenzhen Expressway**"), a fellow subsidiary of the Group. Thereafter, Shenzhen Expressway will continuously provide all necessary financial support to the Target Group in the future no less than 12 months so as to maintain the Target Group's ability to continue as a going concern, the Historical Financial Information have been prepared on a going concern basis.

The Historical Financial Information have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash- generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Target Group disposes of an operation within the cash-generating unit (or a cash- generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Target Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Target Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Target Group. When the Target Group's share of losses of joint venture exceeds the Target Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the joint venture), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Target Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" ("**HKAS 36**") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Target Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Target Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of HKFRS 9 "Financial Instruments" ("**HKFRS 9**"), the Target Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Target Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Target Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon partial disposal of the relevant joint venture.

The Target Group has incurred additional development expenditure for the construction and development of the toll expressways operated by the joint ventures, which were not accounted for by those entities. Such cost are included in additional cost of investments in joint ventures and are amortised over the joint venture period on the same basis as that adopted by the relevant joint ventures in respect of amortisation of its project cost, commencing from the date of operation of the project undertaken. On disposal of a joint venture, the attributable amount of the unamortised additional cost of investments is included in the determination of the profit or loss on disposal.

When the Target Group reduces its ownership interest in a joint venture but the Target Group continues to use the equity method, the Target Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Target Group, profits and losses resulting from the transactions with the joint venture are recognised in the Target Group's Historical Financial Information only to the extent of interests in the joint venture that are not related to the Target Group.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Revenue from contracts with customers

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Target Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to leases of car parks and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, other gains and losses".

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of other reserves.

On the disposal of a foreign operation (that is, a disposal of the Target Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Target Company are reclassified to profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other reserves; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Target Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income and other expenses line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, other gains and losses" line item.

Impairment of financial assets

The Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including interest and other receivables, amount due from a joint venture, time deposit with original maturity over three months and bank balances and cash) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Target Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss.

On derecognition of an investment in equity instrument which the Target Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the other reserves is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including payables, bank loans and dividend payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment on property and equipment

At the end of the reporting period, the Target Group reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment (if any).

The recoverable amount of property and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Target Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment is recognised immediately in profit or loss.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Classification of Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS JV"), Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("GZ West JV") and Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司) ("Xintang JV") as joint ventures

All GS JV, GZ West JV and Xintang JV are limited liability companies whose legal form confers separation between the parties to the joint arrangement and the Target Company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, GS JV, GZ West JV and Xintang JV are classified as joint ventures of the Target Group. Details are set out in note 13.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Interests in joint ventures/share of results of joint ventures

(i) Amortisation of concession intangible assets of the joint ventures

Amortisation of concession intangible assets of the joint ventures of the Target Group is calculated based on units-of-usage basis, i.e. the ratio of actual traffic volume of the underlying toll expressways for a particular period over the total expected traffic volume of the underlying toll expressways over the remaining concession periods of the service concession agreements. The total expected traffic volume over the remaining concession period was estimated by the management with reference to a report prepared by a third party traffic consultant in a prior year taken into consideration of various factors such as the annual growth rate of the traffic volume, the actual traffic volume in the recent periods, the change of the transportation network of the region and government policies relating to the toll expressway operation in the PRC. As part of the established policy of the Target Group, the management has reviewed the total expected traffic volume at the end of the reporting periods. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between the total expected traffic volume and the actual results.

The share of results of joint ventures for the seven months ended 31 July 2021 and the years ended 31 December 2020, 2019 and 2018 amounted to profit of RMB234,861,000, loss of RMB20,833,000, profit of RMB399,338,000 and profit of RMB273,194,000 respectively. Included in the share of results of joint ventures was an amount of RMB463,602,000, RMB625,596,000, RMB624,304,000 and RMB326,003,000 respectively for the seven months ended 31 July 2021 and the years ended 31 December 2020, 2019 and 2018, which represented the share of amortisation of concession intangible assets of the joint ventures of the Target Group. The management considers that the amortisation is calculated by reference to the best estimates of the total expected traffic volumes of the underlying toll expressways and they should not be materially different from the actual traffic volumes in future.

(ii) Resurfacing obligations of the joint ventures

The joint ventures of the Target Group have contractual obligations under the contractual service arrangements to maintain the toll expressways to a specified level of serviceability over the respective concession periods. These obligations to maintain or restore the toll expressways, except for upgrade services, are to be recognised and measured as resurfacing obligations. Resurfacing obligations had been made at the present value of expenditures expected to be incurred by the joint ventures to settle the obligations.

As at 31 July 2021, 31 December 2020, 2019 and 2018, the interests in joint ventures amounted to RMB9,840,070,000, RMB9,725,754,000, RMB10,593,960,000 and RMB10,834,217,000 respectively. Included in the interests in joint ventures was an amount of RMB268,588,000, RMB256,694,000, RMB236,207,000 and RMB220,243,000 respectively as at 31 July 2021, 31 December 2020, 2019, 2018, which represented the share of provision for the resurfacing obligations of the joint ventures of the Target Group.

The amount expected to be required to settle the obligations at the end of the reporting period is determined based on the number of major resurfacing works to be undertaken over the concession periods under the service concession agreements and the expected costs to be incurred for each event. The costs are then discounted to the present value based on a pre-tax discount rate.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the management, which were based on the resurfacing plans of the Target Group, historical costs incurred for similar activities and the latest quotations from the service provider.

If the expected expenditures, resurfacing plans and discount rate were different from the management's current estimates, the change in resurfacing obligations is required to be accounted for prospectively.

The management are of the view that the discount rate currently used in the current estimate should reflect the time value of money and the risks specific to the obligations.

5. SEGMENT INFORMATION

The Target Group's reportable and operating segments are determined based on information reported to the chief operating decision maker ("**CODM**") for the purpose of resource allocation and performance assessment.

Information reported to the CODM, included segment revenue, the Target Group's share of joint ventures' earnings before interest, tax, depreciation and amortisation before net exchange gain/loss ("**EBITDA**"), the Target Group's share of joint ventures' depreciation and amortisation including amortisation of additional cost of investments in joint ventures ("**depreciation and amortisation**"), the Target Group's share of joint ventures' interest and tax before tax on exchange gain/loss and including withholding tax on earnings distributed by joint ventures ("**interest and tax**"), and segment results. The CODM is more specifically focused on individual toll expressways projects and land development and utilisation project jointly operated and managed by the Target Group and the relevant joint venture partners during the year/period. Accordingly, the Target Group's reportable and operating segments under HKFRS 8 "Operating Segments" are therefore as follows:

– GS Superhighway

– Guangzhou-Zhuhai West Superhighway ("**GZ West Superhighway**")

– Xintang Interchange

Information regarding the above segments is reported below.

Segment revenue and results

	Year ended 31 December 2018					Year ended 31 December 2019					Year ended 31 December 2020				
	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Toll expressway projects															
GS Superhighway	1,111,056	884,632	(523,621)	(207,579)	153,432	1,408,888	1,248,307	(718,900)	(315,899)	213,508	1,040,756	859,495	(697,981)	(188,433)	(26,919)
GZ West Superhighway	544,799	472,883	(204,876)	(164,905)	103,102	735,380	626,703	(272,367)	(192,748)	161,588	531,899	418,468	(269,451)	(140,305)	8,712
	1,655,855	1,357,515	(728,497)	(372,484)	256,534	2,144,268	1,875,010	(991,267)	(508,647)	375,096	1,572,655	1,277,963	(967,432)	(328,738)	(18,207)
Land development and utilisation project															
Xintang Interchange	–	–	–	–	–	–	38	–	(1,924)	(1,886)	–	(554)	–	(41,482)	(42,036)
Total	1,655,855	1,357,515	(728,497)	(372,484)	256,534	2,144,268	1,875,048	(991,267)	(510,571)	375,210	1,572,655	1,277,409	(967,432)	(370,220)	(60,243)
Corporate interest income from bank deposits					11,628					4,385					10,080
Corporate investment income from structured deposit					–					–					1,503
Corporate interest income from loans made by the Target Group to a joint venture					–					1,924					49,537
Gain on partial disposal of a joint venture					–					–					136,027
Other income					815					3,478					4,199
Corporate general and administrative expenses and depreciation					(46,799)					(37,773)					(37,495)
Corporate finance costs					(309,038)					(351,565)					(309,393)
Corporate income tax expense					(113)					(776)					(149,683)
Net exchange (loss) gain (net of related income tax) *(Note)*					(28,234)					(21,634)					73,133
Loss for the year					(115,027)					(28,751)					(282,335)
(Profit) loss for the year attributable to non-controlling interests					(49,067)					(92,140)					4,658
Loss for the year attributable to owners of the Company					(164,274)					(120,891)					(277,677)

Note: Net exchange (loss) gain (net of related income tax) is composed of the Target Group's share of the exchange gain (net of related income tax) of a joint venture of RMB59,755,000 for 2020, net exchange loss (net of related income tax) of RMB15,742,000 for 2019 and net exchange loss (net of related income tax) of RMB11,284,000 for 2018. The net exchange gain of the Target Group is RMB13,378,000 for 2020, net exchange loss of RMB5,892,000 for 2019 and net exchange loss of RMB16,950,000 for 2018.

	Seven months ended 31 July 2020 (unaudited)					Seven months ended 31 July 2021				
	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Toll expressway projects										
GS Superhighway	431,984	350,584	(378,074)	(71,688)	(99,178)	731,995	701,306	(420,419)	(153,602)	127,285
GZ West Superhighway	218,586	175,649	(145,652)	(79,386)	(49,389)	378,700	342,586	(147,686)	(97,240)	97,660
	650,570	526,233	(523,726)	(151,074)	(148,567)	1,110,695	1,043,892	(568,015)	(250,842)	224,945
Land development and utilisation project										
Xintang Interchange	–	65	–	(23,764)	(23,699)	–	(2,876)	(37)	(19,650)	(22,563)
Total	650,570	526,298	(523,726)	(174,838)	(172,266)	1,110,695	1,041,016	(568,142)	(270,492)	202,382
Corporate interest income from bank deposits					1,237					17,997
Corporate interest income from loans made by the Target Group to a joint venture					33,699					41,176
Other income					621					1,904
Corporate general and administrative expenses and depreciation					(22,613)					(23,851)
Corporate finance costs					(207,629)					(142,619)
Corporate income tax expense					(8,323)					(33,409)
Net exchange (loss) gain (net of related income tax) *(Note)*					29,954					15,897
(Loss) profit for the period					(345,320)					79,477
(Profit) loss for the period attributable to non-controlling interests					(52,231)					(61,129)
(Loss) profit for the period attributable to owners of the Target Company					(293,089)					18,348

Note: Net exchange (loss) gain (net of related income tax) is composed of the Target Group's share of the exchange gain (net of related income tax) of a joint venture of RMB9,633,000 (2020: net exchange gain (net of related income tax) of RMB30,451,000) and the net exchange gain of the Target Group of RMB6,264,000 (2020: net exchange loss of RMB497,000).

The segment revenue represents the Target Group's share of joint ventures' toll revenue received and receivable (net of value-added tax) from the operations of toll expressways in the PRC based on the profit-sharing ratios specified in the relevant joint venture agreements. All of the segment revenue reported above is earned from external customers.

The segment results represent the (i) Target Group's share of joint ventures' results from the operations of toll expressways and land development and utilisation in the PRC before net exchange gain/loss (net of related income tax) respectively based on the profit-sharing ratios and shareholding percentage specified in the relevant joint venture agreements, (ii) net of the withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures; and (iii) amortisation of additional cost of investments in joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The total segment results can be reconciled to the share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Total segment results	256,534	373,210	(60,243)	(172,266)	202,382
Add:					
Net exchange (loss) gain (net of related income tax)	(11,284)	(15,742)	59,755	30,451	9,633
Withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures	27,944	41,870	21,321	2,621	22,846
Share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income	273,194	399,338	20,833	(139,194)	234,861

Geographical information

The operations of the Target Group's joint ventures are located in the PRC. All of the joint ventures' revenue from external customers was generated from the services provided in the PRC. Other than interests in joint ventures, amount due from a joint venture and equity instrument at FVTOCI, and certain property and equipment amounting to RMB1,467,000, RMB1,782,000, RMB1,546,000 and RMB1,291,000 respectively as at 31 July 2021, 31 December 2020, 2019 and 2018 that are located in the PRC, all other non-current assets are located in Hong Kong.

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the Historical Financial Information as they are not regularly provided to CODM for the purpose of resource allocation and performance assessment.

6. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest income from:					
Bank deposits	11,628	4,385	10,080	1,237	17,997
Amount due from a joint venture	–	1,924	49,537	33,699	41,176
Investment income from structured deposit	–	–	1,503	–	1,495
Government grants *(Note)*	–	–	1,027	–	–
Dividend income from holding investment at FVTOCI	600	3,120	1,100	–	604
Exchange (losses) gains	(16,950)	(5,892)	13,378	(497)	6,264
Gain on disposal of property and equipment	–	144	–	–	–
Others	215	214	2,072	621	1,300
	(4,507)	3,895	78,697	35,060	68,836

Note: During the year ended 31 December 2020, the Target Group recognised government grants of RMB1,027,000 in respect of COVID-19-related subsidies, of which RMB1,027,000 relates to Employment Support Scheme provided by the Hong Kong SAR Government.

7. SHARE OF RESULTS OF JOINT VENTURES

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital Target contributions made by the Group and amortisation of additional cost of investments in joint ventures and fair value gain on concession intangible asset *(note 13)*	552,886	792,359	388,039	58,981	447,960
Amortisation of additional cost of investments in joint ventures	(69,842)	(91,806)	(92,949)	(49,852)	(54,055)
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Target Group	(37,430)	(52,499)	(55,784)	(31,835)	(33,829)
Imputed interest income recognised by the Target Group on interest-free registered capital contributions made by the Target Group	37,430	52,499	55,784	31,835	33,829
Amortisation of additional fair value gain on concession intangible asset	(209,850)	(301,215)	(274,257)	(148,323)	(159,044)
	273,194	399,338	20,833	(139,194)	234,861

8. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
The tax charge (credit) comprises:					
PRC Enterprise Income Tax ("**EIT**")	40,167	33,016	176,487	8,323	11,966
Deferred tax *(Note 21)*	(12,110)	9,630	(5,483)	2,621	45,784
	28,057	42,646	171,004	10,944	57,750

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong for each of the reporting period.

The EIT charge of the Target Group for each of the years ended 31 December 2020, 2019 and 2018 and the seven months ended 31 July 2021 and 2020 (unaudited) included an amount of RMB26,340,000, RMB32,704,000, RMB40,054,000, RMB4,500,000 and nil representing the 5% withholding tax imposed on dividends declared during the year/period by joint ventures of the Target Group of which the corresponding amount had already been provided for deferred tax in prior years in respect of undistributed earnings of a joint venture.

The income tax expense (credit) for the year/period can be reconciled to the (loss) profit before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss) profit before tax	(87,150)	13,895	(111,331)	(334,376)	137,227
Tax at normal PRC income tax rate of 25%	(21,788)	3,474	(27,833)	(83,594)	34,307
Effect of different tax rates on income tax expense	(90)	(503)	(469)	(172)	(611)
Tax effect of income not taxable for tax purposes	(1,835)	(611)	(5,532)	(177)	(3,212)
Tax effect of expenses not deductible for tax purposes	92,125	98,251	188,725	57,467	40,197
Tax effect of share of results of joint ventures	(68,299)	(99,835)	(5,208)	34,799	(58,715)
Withholding tax on earnings distributed by joint ventures	27,944	41,870	21,321	2,621	22,846
Withholding tax on earnings distributed by a subsidiary	–	–	–	–	22,938
Income tax expense	28,057	42,646	171,004	10,944	57,750

9. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss) profit for the year/ period has been arrived at after charging:					
Auditor's remuneration	1,512	1,542	1,668	–	–
Staff costs	11,814	23,594	25,567	13,623	15,700
Depreciation of property and equipment	173	361	574	141	403
Finance costs *(Note)*	309,038	351,565	309,393	207,629	142,619
Short-term lease expense	–	1,648	1,791	1,081	1,445

Note: The amount represents the bank charges, bank loan interest and shareholder's loan interest for each of the reporting period.

10. DIVIDENDS

During each of the years ended 31 December 2020, 2019 and 2018 and the seven months ended 31 July 2021 and 2020 (unaudited), the Target Company declared an aggregate amount of RMB206,221,000, RMB206,374,000, nil, RMB218,293,000, and RMB206,221,000 to its shareholders. The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During each of the years ended 31 December 2020, 2019 and 2018 and the seven months ended 31 July 2021 and 2020 (unaudited), no directors' emoluments were paid to any directors of the Target Group.

(b) Employees' emoluments

The emoluments of the five highest paid employees are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries allowances and other benefits	4,190	5,666	5,523	2,864	2,900
Bonus *(Note)*	-	2,453	2,604	1,042	1,693
Retirement benefit scheme contributions	18	859	753	388	475

Note: The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Target Group and the Target Group's performance.

The emoluments of the highest paid employees were within the following band:

	Year ended 31 December			Seven months ended 31 July	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to RMB1,000,000	5	-	-	5	5
RMB1,000,001 to RMB1,500,000	-	2	2	-	-
RMB1,500,001 to RMB2,000,000	-	-	2	-	-
RMB2,000,001 to RMB2,500,000	-	3	1	-	-

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors or the chief executive of the Target Group or the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

12. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful.

13. INTERESTS IN JOINT VENTURES

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments:				
At cost				
Cost of investment in a joint venture	2,020,789	2,024,539	2,022,289	2,476,789
Additional cost of investments	2,520,218	2,520,218	2,520,218	2,520,218
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Target Group (net of dividend received)	1,401,142	1,582,767	1,473,604	1,346,519
Add: Goodwill recognised upon business combination	6,246,542	6,246,542	5,837,388	5,837,388
Less: Unrealised profit on disposal of land	–	(32,611)	(13,044)	(13,044)
Less: Share of accumulated imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Target Group	(431,396)	(483,895)	(539,679)	(573,508)
Less: Accumulated amortisation of additional cost of investments	(1,573,335)	(1,665,141)	(1,758,090)	(1,812,145)
Less: Accumulated amortisation of additional concession intangible asset	(209,850)	(511,065)	(785,322)	(944,366)
	9,974,110	9,681,354	8,757,364	8,837,851
At amortised cost				
Registered capital contribution, at nominal amount	2,449,500	2,449,500	2,449,500	2,449,500
Fair value adjustment on initial recognition	(2,020,789)	(2,020,789)	(2,020,789)	(2,020,789)
Accumulated imputed interest income recognised by the Target Group	431,396	483,895	539,679	573,508
	860,107	912,606	968,390	1,002,219
	10,834,217	10,593,960	9,725,754	9,840,070

Particulars of the Target Group's joint ventures as at 31 July 2021 are as follows:

Name of company	Place of establishment and principal place of operation	Fully paid registered capital				Principal activity	Proportion of registered capital contribution				Proportion of voting rights held			
		As at 31 December			As at 31 July		As at 31 December			As at 31 July	As at 31 December			As at 31 July
		2018	2019	2020	2021		2018	2019	2020	2021	2018	2019	2020	2021
廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited	The PRC	Nil *(Note i)*	Nil *(Note i)*	Nil *(Note i)*	Nil *(Note i)*	Development, Development, operation and management of an expressway	Not applicable	Not applicable	Not applicable	Not applicable	50%	50%	50%	50%
廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited	The PRC	RMB4,899,000,000 *(Note ii)*	RMB4,899,000,000 *(Note ii)*	RMB4,899,000,000 *(Note ii)*	RMB4,899,000,000 *(Note ii)*	Development, operation and management of an expressway	50%	50%	50%	50%	50%	50%	50%	50%
廣州臻通實業發展有限公司 Guangzhou Zhentong Development Company Limited*	The PRC	N/A	RMB10,000,000 *(Note iii)*	RMB10,000,000 *(Note iii)*	RMB3,040,000,000 *(Note iii)*	Land development and utilisation	N/A	37.5%	15% *(Note iii)*	15% *(Note iii)*	N/A	37.5%	15% *(Note iii)*	15% *(Note iii)*

* For identification purpose

Both GS JV and GZ West JV are sino-foreign co-operative joint venture enterprises established to invest in toll expressways projects in the PRC.

The principal terms of the joint venture agreements entered into between the relevant subsidiaries and the corresponding joint venture partners under which the joint ventures operate are as follows:

(i) GS JV

GS JV is established to undertake the development, operation and management of the GS Superhighway, an expressway in Guangdong Province of the PRC running between Shenzhen and Guangzhou. The operation period is 30 years from the official opening date 1 July 1997. At the end of the operation period, all the immovable assets and facilities of GS JV will revert to the PRC joint venture partner without compensation.

The Target Group's entitlement to the profit of the toll operations of GS JV is 50% for the initial 10 years of operation period, 48% for the next 10 years and 45% for the last 10 years of the operation period.

The registered capital amounting to HK$702,000,000 (equivalent to RMB471,000,000) previously injected by the Group to GS JV had been repaid to the Group by GS JV during the year ended 30 June 2008.

(ii) GZ West JV

GZ West JV is established to undertake the development, operation and management of GZ West Superhighway, an expressway linking Guangzhou, Zhongshan and Zhuhai and was built in three phases.

*Phase I of the GZ West Superhighway ("**Phase I West**")*

The total investment for the Phase I West is RMB1,680,000,000, 35% of which was funded by the registered capital of GZ West JV amounting to RMB588,000,000 which had been contributed by the Target Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB294,000,000). The operation period for Phase I West is 30 years commencing from 17 September 2003.

*Phase II of the GZ West Superhighway ("**Phase II West**")*

The total investment for Phase II West is RMB6,715,000,000, 35% of which was funded by the registered capital of GZ West JV amounting to RMB2,351,000,000 which had been contributed by the Target Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB1,175,500,000). The toll collection period for Phase II West is 25 years commencing from 25 June 2010.

*Phase III of the GZ West Superhighway ("**Phase III West**")*

The total investment for the Phase III West is RMB5,600,000,000, 35% of which was funded by the registered capital of GZ West JV amounting to RMB1,960,000,000 which had been contributed by the Target Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB980,000,000). The toll collection period for Phase III West is 25 years commencing from 25 January 2013.

As at 31 July 2021, 31 December 2020, 2019 and 2018, the fully paid registered capital of GZ West JV was RMB4,899,000,000.

The Target Group is entitled to 50% of the distributable profits from operation of GZ West JV. At the end of the respective operation/toll collection periods of Phase I West, Phase II West and Phase III West, all the immovable assets and facilities of each phase will be reverted to relevant PRC governmental authority which regulates transportation without compensation. The registered capital contributions are required to be repaid to both the Target Group and the PRC joint venture partner. The repayments are required to be approved by the Board of Directors of GZ West JV.

(iii) Xintang JV

Xintang JV is established to engage in the development of residential project on the Xintang interchange.

Xintang JV is a joint venture of the Target Group. The Target Group considers Xintang JV is a joint venture the Target Group only exercises joint control with its joint venture partner through contractually arrangement and there is no single party who can exercise control over Xintang JV through its representation on the board of directors and its participation in the financial and/or operating policy decisions.

The total registered capital is RMB10,000,000, 37.5% of which was contributed by the Target Group on 5 December 2019. The Xintang JV increased its registered capital from RMB10,000,000 to RMB3,040,000,000 during the seven months ended 31 July 2021.

On 12 June 2020, the directors resolved to dispose 22.5% equity interest of Xintang JV owned by Shenwan Bay Area Infrastructure (Shenzhen) Company Limited (深灣基建(深圳)有限公司) ("**Shenwan Infrastructure**"), an indirect non-wholly owned subsidiary of the Target Company, together with the transfer of its rights in the corresponding portion of its shareholders' loans advanced to Xintang JV and the outstanding interests accrued thereon, through a public tender process in the PRC (the "**Partial Disposal**"). The Partial Disposal was completed on 10 September 2020 (the "**Completion Date**") and the Target Group holds 15% equity interest of Xintang JV after the completion of the Partial Disposal.

A gain on partial disposal of a joint venture of approximately RMB136,027,000 for the Target Group is recognised during the year ended 31 December 2020, which is based on the consideration received from the Partial Disposal of approximately RMB1,090,432,000 less corresponding portion of its shareholder's loans advanced to Xintang JV and the outstanding interests as at 17 September 2020 of approximately RMB941,688,000 less related fees of approximately RMB12,717,000.

Summarised financial information of joint ventures

Summarised financial information in respect of the Target Group's joint ventures and reconciliation of the summarised financial information to the carrying amount of the interests in the respective joint ventures recognised in the Historical Financial Information are set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

In respect of the three years ended 31 December 2018, 2019 and 2020 and seven months ended 31 July 2021:

	As at 31 December 2018	
	GS JV	**GZ West JV**
	RMB'000	*RMB'000*
Non-current assets		
Property and equipment	418,117	366,346
Concession intangible assets	15,978,332	13,290,429
Land for development	2,844,000	–
	19,240,449	13,656,775
Current assets		
Bank balances and cash		
– Cash and cash equivalents	400,345	151,943
– Time deposit with original maturity over three months	50,000	–
Others	54,339	27,781
	504,684	179,724
Non-current liabilities		
Resurfacing obligations	(397,472)	(107,648)
– Bank and other loans	(3,909,320)	(6,129,621)
Balances of interest-free registered capital contributions made by joint venture partners	–	(1,720,214)
Others	(203,958)	(291,117)
	(4,510,750)	(8,248,600)
Current liabilities		
Current financial liabilities		
– Bank loans	(359,171)	(26,500)
– Interest payable	(5,748)	(8,293)
Others	(642,097)	(303,282)
	(1,007,016)	(338,075)
Net assets of joint ventures	14,227,367	5,249,824
Proportion of the Target Group's interest	45%	50%

	As at 31 December 2018		
	GS JV *RMB'000*	**GZ West JV** *RMB'000*	**Total** *RMB'000*
Net assets shared by the Target Group	6,402,315	2,624,912	9,027,227
Interest-free registered capital contributions made by the Target Group at amortised cost	–	860,107	860,107
Net assets attributable to the Target Group	6,402,315	3,485,019	9,887,334
Carrying amount of additional cost of investment	910,671	36,212	946,883
Carrying amount of the Target Group's interest in joint ventures	7,312,986	3,521,231	10,834,217
Toll revenue (net of value-added tax)	2,469,013	1,089,599	
Construction revenue	56,837	1,273	
Total revenue	2,525,850	1,090,872	
Construction costs	(56,837)	(1,273)	
Other income and other expense	60,865	31,985	
Provision of resurfacing charges	(9,163)	(9,775)	
Toll expressway operation expenses	(324,697)	(158,376)	
General and administrative expenses	(78,063)	(36,112)	
Depreciation and amortisation charges	(1,117,629)	(407,656)	
Finance costs	(131,460)	(238,860)	
Income tax charge	(310,710)	(87,073)	
Profit for the year	558,156	183,732	
Proportion of the Target Group's interest	45%	50%	
Profit shared by the Target Group	251,170	91,866	343,036
Dividends received (net of PRC withholding tax)	749,834	–	749,834

	As at 31 December 2019		
	GS JV	**GZ West JV**	**Xintang JV**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property and equipment	565,170	366,782	–
Concession intangible assets	16,750,188	12,817,426	–
	17,315,358	13,184,208	–
Current assets			
Bank balances and cash			
– Cash and cash equivalents	433,605	94,197	10,060
– Time deposit with original maturity over three months	50,000	–	–
Properties under land development project	–	–	1,137,600
Others	98,173	42,290	854,480
	581,778	136,487	2,002,140
Non-current liabilities			
Resurfacing obligations	(416,701)	(122,269)	–
– Bank and other loans	(3,236,989)	(5,253,621)	–
Balances of interest-free registered capital contributions made by joint venture partners	–	(1,825,211)	–
Balances with joint venture partners	–	–	(829,932)
Others	(169,978)	(309,380)	–
	(3,823,668)	(7,510,481)	(829,932)
Current liabilities			
Current financial liabilities			
– Bank loans	(718,356)	(28,500)	–
– Interest payable	(4,914)	(7,115)	–
Others	(715,384)	(285,083)	(29,637)
	(1,438,654)	(320,698)	(29,637)
Net assets of joint ventures	12,634,814	5,489,516	1,142,571
Proportion of the Target Group's interest	45%	50%	37.5%

	As at 31 December 2019			
	GS JV	GZ West JV	Xintang JV	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets shared by the Target Group	5,685,666	2,744,758	428,464	8,858,888
Elimination of unrealised profit on disposal of land *(Note)*	(32,611)	–	–	(32,611)
Interest-free registered capital contributions made by the Target Group at amortised cost	–	912,606	–	912,606
Net assets attributable to the Target Group	5,653,055	3,657,364	428,464	9,738,883
Carrying amount of additional cost of investment	819,638	35,439	–	855,077
Carrying amount of the Target Group's interest in joint ventures	6,472,693	3,692,803	428,464	10,593,960
Toll revenue (net of value-added tax)	3,130,862	1,470,760	–	
Construction revenue	198,655	7,255	–	
Total revenue	3,329,517	1,478,015	–	
Construction costs	(198,655)	(7,255)	–	
Other income and other expense	107,218	44,877	146	
Provision of resurfacing charges	(19,230)	(14,621)	–	
Toll expressway operation expenses	(387,716)	(125,281)	–	
General and administrative expenses	(103,760)	(57,106)	(44)	
Depreciation and amortisation charges	(1,395,263)	(543,190)	–	
Finance costs	(178,540)	(254,670)	(5,132)	
Income tax charge	(440,939)	(110,857)	–	
Profit (loss) for the year	712,632	409,921	(5,030)	
Proportion of the Target Group's interest	45%	50%	37.5%	
Profit (loss) shared by the Target Group	320,685	240,956	(1,886)	523,755
Elimination of unrealised profit on disposal of land *(Note)*	(32,611)	–	–	(32,611)
	288,074	240,956	(1,886)	491,144
Dividends received (net of PRC withholding tax)	613,449	–	–	613,449

	As at 31 December 2020		
	GS JV *RMB'000*	**GZ West JV** *RMB'000*	**Xintang JV** *RMB'000*
Non-current assets			
Property and equipment	501,494	360,173	53
Concession intangible assets	15,414,225	12,382,685	–
Deferred tax assets	–	–	65,769
	15,915,719	12,742,858	65,822
Current assets			
– Cash and cash equivalents	990,006	185,506	34,144
Properties under land development project	–	–	5,480,805
Others	90,574	42,965	110,489
	1,080,580	228,471	5,625,438
Non-current liabilities			
Resurfacing obligations	(453,555)	(130,074)	–
– Bank and other loans	(2,967,969)	(4,917,121)	–
Balances of interest-free registered capital contributions made by joint venture partners	–	(1,936,779)	–
Balances with joint venture partners	–	–	(2,419,765)
Deferred income related to government subsidy	(330,463)	(16,134)	–
Others	(139,839)	(339,533)	(3,979)
	(3,891,826)	(7,339,641)	(2,423,744)
Current liabilities			
Current financial liabilities			
– Bank loans	(688,209)	(84,000)	–
– Interest payable	(3,149)	(6,328)	–
Balances with joint venture partners	–	–	(180,273)
Consideration payable related to land development project	–	–	(2,062,000)
Others	(648,299)	(370,819)	(75,083)
	(1,339,657)	(461,147)	(2,317,356)
Net assets of joint ventures	11,764,816	5,170,541	950,160
Proportion of the Target Group's interest	45%	50%	15%

	As at 31 December 2020			
	GS JV	GZ West JV	Xintang JV	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets shared by the Target Group	5,294,167	2,585,270	142,524	8,021,961
Other adjustment	–	–	(14,306)	(14,306)
Elimination of unrealised profit on disposal of land *(Note)*	(13,044)	–	–	(13,044)
Effect of change in profit sharing ratio of a joint venture over the operation period in prior year	625	–	–	625
Interest-free registered capital contributions made by the Group at amortised cost	–	968,390	–	968,390
Net assets attributable to the Target Group	5,281,748	3,553,660	128,218	8,963,626
Carrying amount of additional cost of investment	727,454	34,674	–	762,128
Carrying amount of the Group's interest in joint ventures	6,009,202	3,588,334	128,218	9,725,754
Toll revenue (net of value-added tax)	2,312,792	1,063,798	–	
Construction revenue	10,968	7,255	–	
Total revenue	2,323,760	1,071,053	–	
Construction costs	(10,968)	(7,255)	–	
Other income and other expense	288,533	57,158	5,999	
Provision of resurfacing charges	(36,854)	(7,806)	–	
Toll expressway operation expenses	(438,904)	(209,615)	–	
General and administrative expenses	(96,500)	(66,598)	(9,948)	
Depreciation and amortisation charges	(1,346,217)	(537,371)	–	
Finance costs	(128,134)	(226,035)	(254,230)	
Income tax (charge) credit	(277,164)	(50,824)	65,769	
Profit (loss) for the year	277,552	22,707	(192,410)	
Proportion of the Target Group's interest	45%	50%	37.5%/15%	
Profit (loss) shared by the Target Group	124,899	11,353	(42,036)	94,216
Elimination of unrealised profit on disposal of land *(Note)*	19,566	–	–	19,566
	144,465	11,353	(42,036)	113,782
Dividends received (net of PRC witholding tax)	385,403	109,304	–	494,707

	As at 31 July 2021		
	GS JV RMB'000	GZ West JV RMB'000	Xintang JV RMB'000
Non-current assets			
Property and equipment	439,719	339,838	442
Concession intangible assets	14,643,947	12,102,997	–
Other	4,315	–	1,162
Deferred tax assets	–	–	115,878
	15,087,981	12,442,835	117,482
Current assets			
– Cash and cash equivalents	627,534	267,300	440,273
Properties under land development project	–	–	6,111,831
Others	211,787	32,092	149,061
	839,321	299,392	6,701,165
Non-current liabilities			
Resurfacing obligations	(478,140)	(130,074)	–
– Bank and other loans	(2,606,015)	(4,675,151)	–
Balances of interest-free registered capital contributions made by joint venture partners	–	(2,004,438)	–
Balances with joint venture partners	–	–	(246,403)
Deferred income related to government subsidy	(326,722)	(14,435)	–
Others	(114,540)	(337,916)	–
	(3,525,417)	(7,162,014)	(246,403)
Current liabilities			
Current financial liabilities			
– Bank loans	(683,780)	(84,000)	–
– Interest payable	(9,094)	(20,964)	–
Balances of interest-free registered capital contributions made by joint venture partners	–	–	(2,089,411)
Others	(635,109)	(307,013)	(653,096)
	(1,327,983)	(411,977)	(2,742,507)
Net assets of joint ventures	11,073,902	5,168,235	3,829,737
Proportion of the Target Group's interest	45%	50%	15%

	As at 31 July 2021			
	GS JV	**GZ West JV**	**Xintang JV**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets shared by the Target Group	4,983,526	2,584,118	574,461	8,141,835
Elimination of unrealised profit on disposal of land *(Note)*	(13,044)	–	–	(13,044)
Effect of change in profit sharing ratio of a joint venture over the operation period in prior year	987	–	–	987
Interest-free registered capital contributions made by the Group at amortised cost	–	1,002,219	–	1,002,219
Net assets attributable to the Target Group	4,971,199	3,586,337	574,461	9,131,997
Carrying amount of additional cost of investment	673,889	34,185	–	708,073
Carrying amount of the Group's interest in joint ventures	5,645,088	3,620,522	574,461	9,840,070
Toll revenue (net of value-added tax)	1,626,656	757,401	–	
Construction revenue	4,524	–	–	
Total revenue	1,631,230	757,401	–	
Construction costs	(4,575)	–	–	
Other income and other expense	187,384	34,450	554	
Provision of resurfacing charges	(24,584)	–	–	
Toll expressway operation expenses	(165,250)	(77,758)	(1,726)	
General and administrative expenses	(41,632)	(28,922)	(18,001)	
Depreciation and amortisation charges	(814,139)	(295,372)	(248)	
Finance costs	(54,282)	(115,703)	(181,110)	
Income tax (charge) credit	(251,235)	(67,762)	50,109	
Profit for the period	462,917	206,334	(150,422)	
Proportion of the Target Group's interest	45%	50%	15%	
Profit (loss) shared by the Target Group	208,312	103,167	(22,563)	288,916
Dividends received (net of PRC witholding tax)	538,730	–	–	538,730

Note: GS JV disposed of certain land with a carrying amount of RMB3,990,000 to the local government at a total consideration of RMB179,022,000 in November 2019. Subsequently, Xintang JV won the bid for the land use rights with the local government to acquire part of the aforesaid disposed land at a total consideration of RMB4,124,000,000 in December 2019. As at 31 December 2019, a sale and purchase agreement was entered into by Xintang JV and the local government while the land is handed over in 2020. GS JV is regarded as disposed of certain land with a carrying amount of RMB2,643,000 to Xintang JV. An unrealised profit on disposal of such land amounting to RMB32,611,000 is eliminated in the Historical Financial Information of the Target Group during the year ended 31 December 2019. During the year ended 31 December 2020, upon completion of the Partial Disposal of Xintang JV, unrealised profit amounting to RMB19,567,000 is released.

14. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Target Group holds the interest in unlisted limited company established in the PRC ("**the investment**"), which directors have elected to designate the investment in equity instrument as at FVTOCI as they believe that the investment is not held for trading and not expected to be sold in the foreseeable future.

15. PROPERTY AND EQUIPMENT

	Motor vehicles *RMB'000*	**Furniture, fixtures and equipment** *RMB'000*	**Total** *RMB'000*
COST			
As at 1 January 2018	–	–	–
Additions	1,273	191	1,464
Disposal	–	(15)	(15)
As at 31 December 2018	1,273	176	1,449
Additions	–	616	616
Disposal	(337)	(19)	(356)
As at 31 December 2019	936	773	1,709
Additions	757	382	1,139
As at 31 December 2020	1,693	1,155	2,848
Additions	–	74	74
As at 31 July 2021	1,693	1,229	2,922

	Motor vehicles	Furniture, fixtures and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
DEPRECIATION			
As at 1 January 2018	–	–	–
Charge for the year	127	46	173
Eliminated on disposal	–	(15)	(15)
As at 31 December 2018	127	31	158
Charge for the year	255	106	361
Eliminated on disposal	(337)	(19)	(356)
As at 31 December 2019	45	118	163
Charge for the year	355	219	574
As at 31 December 2020	400	337	737
Charge for the period	237	166	403
As at 31 July 2021	637	503	1,140
CARRYING AMOUNTS			
As at 31 December 2018	1,146	145	1,291
As at 31 December 2019	891	655	1,546
As at 31 December 2020	1,293	818	2,111
As at 31 July 2021	1,056	726	1,782

The above items of property and equipment are depreciated over their estimated useful lives of 3 to 5 years from the date on which they became available for their intended use using the straight-line method.

16. GOODWILL

On 29 December 2017, the Target Company, the Target Company's ultimate holding parent company Shenzhen Investment Holdings Co., Ltd., Hopewell Holdings Limited and Anber Investments Limited entered into an equity purchase and sales agreement, agreeing that Anber Investments Limited shall sell its 66.69% of shares in Shenzhen Investment Holdings Bay Area Development Company Limited (previously named Hopewell Highway Infrastructure Limited, "SIHBA") to the Target Company. Accordingly, the Target Company acquired 66.69% shares of SIHBA through business combination not involving enterprises under common control on 4 April 2018 at a consideration of approximately RMB7,904,635,000 and generated goodwill of RMB202,893,000. Details of the business combination are set out in note 28.

For the purpose of impairment testing, the carrying amounts of goodwill have been allocated to the group of cash-generating units of interests in GS JV and GZ West JV (the "JV CGUs").

The recoverable amounts of the JV CGU have been determined based on a value in use calculation which uses cash flow projections estimated by the Target Group's management. As at 31 July 2021, 31 December 2020, 2019 and 2018, the Target Group's management predicts the future cash flow based on the detailed predictive period from each balance sheet date to expiration of concession rights of GS JV and GZ West JV. Expected future cash flow during the detailed predictive period is determined based on factors such as commercial plans prepared by the management, industrial development trends and inflation rate. As at 31 July 2021, 31 December 2020, 2019 and 2018, the Target Group discounted the expected future cash flow using 7.40% as the discount rates. Other key assumptions also include estimate future selling price per unit area of developing properties, growth rate of traffic flow and gross profit rate. The Target Group's management considers that any reasonable change in above assumptions will not cause total carrying amount of the JV CGUs to exceed its recoverable amount.

As at 31 July 2021, 31 December 2020, 2019 and 2018, the Target Group has assessed the recoverable amount of the goodwill of SIHBA and no impairment loss provided.

17. AMOUNT DUE FROM A JOINT VENTURE

As at 31 July 2021, 31 December 2020 and 2019, the amount due from a joint venture represented an amount due from Xintang JV of approximately RMB40,793,000, RMB322,784,000 and RMB311,224,000 (31 December 2018: nil) respectively which is unsecured, interest bearing at 8% per annum and repayable in the years from 2022 to 2023. These amounts will not be recovered within the next twelve months from the reporting date and are classified as non-current assets accordingly for the purpose of presentation in the consolidated statement of financial position.

As at 31 July 2021 and 31 December 2020, amounts of RMB309,580,000 and RMB27,050,000 (31 December 2019 and 2018: nil) are unsecured, interest bearing at 6% per annum and repayable in 2021 and 2022 respectively. These amounts will be recovered within the next twelve months from the reporting date and are classified as current assets accordingly for the purpose of presentation in the consolidated statement of financial position.

The Xintang JV increased its registered capital from RMB10,000,000 to RMB3,040,000,000 through a debt-for-equity swap based on the existing shareholder's loans. The registered capital contributed by the Group (through Shenwan Bay Area Infrastructure (Shenzhen) Company Limited (深灣基建(深圳)有限公司), a non-wholly owned subsidiary of the Group) increased from RMB1,500,000 to RMB456,000,000 based on its shareholding percentage.

Details of impairment assessment are set out in Note 25.

18. STRUCTURED DEPOSIT

At 31 July 2021, the Target Group's structured deposit represents financial products issued by the bank, with maturity ranging from 2 to 3 months on 23 August 2021 and 17 August 2021 respectively and returns ranging from 3.90% to 4.00% per annum. At 31 December 2020, the Target Group's structured deposit represents financial products issued by the bank, with maturity of 30 days on 13 January 2021 and returns at 3.81% per annum.

The investments in financial products are classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The Directors consider the fair value of the financial products approximate to the carrying amount as at 31 December 2020 and 31 July 2021 because of the short maturities.

19. TARGET TIME DEPOSIT WITH ORIGINAL MATURITY OVER THREE MONTHS/BANK BALANCES AND CASH

At 31 December 2020, time deposit with original maturity over three months carry interest at prevailing market rate at 3.95% (31 July 2021, 31 December 2019 and 2018: nil) per annum.

As at 31 July 2021, 31 December 2020, 2019 and 2018, bank balances and cash comprise cash held by the Target Group and deposits with banks bank balances which a maturity of three months or less which carry interest at market rates ranging from 0.01% to 2.9%, 0.01% to 2.9%, 0.01% to 4.57% and 0.01% to 4.39% per annum.

Analysis of the time deposit with original maturity over three months and bank balances and cash of the Target Group by currency:

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	4,050	2,916	755,816	1,168,276
HKD	259,360	242,802	66,354	282,762
United States dollars ("**USD**")	4	4	9	–
JPY	16	–	–	–
	263,430	245,722	822,179	1,451,038

Details of impairment assessment are set out in Note 25.

20. SHARE CAPITAL

	Number of shares	**Nominal amount**
		US$'000
Ordinary shares of US$0.1 each		
Authorised:		
As at 1 January 2018, 31 December 2018, 2019, 2020 and 31 July 2021	50,000	50

	Number of shares	**Nominal amount**	**Equivalent to**
		US$'000	*RMB'000*
Issued and fully paid:			
As at 1 January 2018, 31 December 2018, 2019, 2020 and 31 July 2021	50,000	50	323

21. DEFERRED TAX LIABILITIES

The movement of deferred tax liabilities is as follows:

	Fair value change on investment in equity instrument at FVTOCI	Tax on undistributed earnings of the joint ventures	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	959	80,956	–	81,915
Charge to profit or loss *(note 8)*	–	27,944	–	27,944
Charge to other comprehensive income	83	–	–	83
Release to profit or loss upon payment of withholding tax *(note 8)*	–	(40,054)	–	(40,054)
As at 31 December 2018	1,042	68,846	–	69,888
Charge to profit or loss *(note 8)*	–	41,870	464	42,334
Charge to other comprehensive income	1,150	–	–	1,150
Release to profit or loss upon payment of withholding tax *(note 8)*	–	(32,704)	–	(32,704)
As at 31 December 2019	2,192	78,012	464	80,668
Charge (credit) to profit or loss *(note 8)*	–	21,321	(464)	20,857
Charge to other comprehensive income	840	–	–	840
Release to profit or loss upon payment of withholding tax *(note 8)*	–	(26,340)	–	(26,340)
As at 31 December 2020	3,032	72,993	–	76,025
Charge to profit or loss *(note 8)*	–	50,284	–	50,284
Charge to other comprehensive income	(1,150)	–	–	(1,150)
Release to profit or loss upon payment of withholding tax *(note 8)*	–	(4,500)	–	(4,500)
As at 31 July 2021	1,882	118,777	–	120,659

22. OTHER PAYABLES AND ACCRUALS/SHAREHOLDER'S LOANS

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued interests	3,950	3,195	1,409	79,677
Employee benefits payable	7,890	8,697	4,408	5,161
Other payable	6,130	3,956	5,498	6,176
	17,970	15,848	11,315	91,014

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shareholder's loans	4,716,918	4,822,432	4,530,654	4,475,743
Less: Amounts due for settlement within one year (shown under current liabilities)	–	–	(2,587,069)	(2,555,714)
Amounts due for settlement after one year	4,716,918	4,822,432	1,943,585	1,920,029

The amount of shareholder's loans represented two loans borrowed by the Target Company from its parent company. Pursuant to the transaction agreements, Shenzhen Expressway has agreed to settle the amount as part of the consideration. The amounts are interest free from 27 September 2018 to 31 December 2020 and bear an interest at 2.85% per annum from 1 January 2021 onwards. As at 31 July 2021, the amount is unsecured, interest bearing at 2.85% per annum and repayable in the years from 2021 to 2023.

23. BANK BORROWINGS

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured *(Note)*	4,129,933	4,465,493	3,120,261	3,626,119
The bank loans comprise:				
Variable rate loans	4,129,933	4,465,493	3,120,261	3,626,119

Note: As at 31 July 2021, 31 December 2020, 2019 and 2018, the loans are guaranteed by the Target Company.

Included in bank loans are following amounts denominated in currencies other than functional currency of the group entities which it relates:

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HKD	4,129,933	4,465,493	3,120,261	3,626,119

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The borrowings are repayable as follows:				
On demand or within one year	2,586,765	2,293,847	1,084,887	1,903,690
In the second to fifth years inclusive	1,543,168	2,171,646	2,035,374	1,722,429
	4,129,933	4,465,493	3,120,261	3,626,119
Less: Amounts due for settlement within one year (shown under current liabilities)	(2,586,765)	(2,293,847)	(1,084,887)	(1,903,690)
Amounts due for settlement after one year	1,543,168	2,171,646	2,035,374	1,722,429

As at 31 July 2021, 31 December 2020, 2019 and 2018, variable rate HKD denominated bank loans carried interests ranging from Hong Kong Interbank Offered Rate ("**HIBOR**") plus 1% to HIBOR plus 1.057% per annum, HIBOR plus 0.98% to HIBOR plus 1% per annum, HIBOR plus 1.05% to HIBOR plus 1.2% per annum, and HIBOR plus 1.51% to HIBOR plus 1.7%.

24. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged from that of the prior years.

The capital structure of the Target Group consists of equity attributable to owners of the Target Company, comprising share capital, share premium, retained profits and other reserves.

The directors review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Target Group will balance its overall capital structure through the issue of new debt or the repayment of existing debt.

The directors monitor the utilisation of bank loans and ensures full compliance with loan covenants during the year/period.

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December			As at 31 July
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost	264,108	557,014	1,172,306	1,801,711
Equity instrument at FVTOCI	11,100	22,600	31,000	19,500
Structured deposit at FVTPL	–	–	801,503	396,495
	275,208	579,614	2,004,809	2,217,706
Financial liabilities				
Financial liabilities at amortised cost	8,856,931	9,295,076	7,657,822	8,187,715

(b) Financial risk management objectives and policies

The directors have overall responsibility for the establishment and oversight of the Target Group's risk management framework. The Target Group's risk management policies are established to identify and analyse the risks faced by the Target Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Target Group's activities. The Target Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The directors monitor and manage the financial risks relating to the operations of the Target Group to ensure appropriate measures are implemented on a timely and effective manner.

The Target Group employs a conservative strategy regarding its risk management and does not engage in trading of any financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Target Group's exposure to market risks or the manner in which it manages and measures.

(i) Foreign currency risk

The Target Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange fluctuation arises. Certain of the financial assets and financial liabilities of the Target Group are denominated in RMB which is currency other than their respective functional currencies of the respective group entities. The financial assets and financial liabilities denominated in USD and JPY are insignificant. The Target Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Target Group at the end of the reporting period are as follows:

	Assets				Liabilities			
	As at 31 December			As at	As at 31 December			As at
	2018	2019	2020	31 July 2021	2018	2019	2020	31 July 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RMB	4,050	2,916	755,816	1,168,276	-	-	-	-
USD	4	4	9	-	4,716,918	4,822,432	4,530,654	4,475,743
JPY	16	-	-	-	-	-	-	-

The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure.

Sensitivity analysis

Since HKD is pegged to USD under the Linked Exchange Rate System, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HKD and USD. The Group mainly exposes to foreign currency risks other than USD.

The foreign currency risk of the Target Group is mainly concentrated on the fluctuation of RMB against HKD. The following sensitivity analysis includes currency risk related to RMB denominated monetary items of respective group entities.

1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rate and all other variables are held constant.

As at end of each reporting period, the Target Group (excluding the joint ventures) had monetary assets and monetary liabilities denominated in RMB that is not the functional currency of the relevant group entities (i.e. HKD). If exchange rate of RMB against HKD had been strengthen by 1%, there would be an equal and opposite impact on loss/profit before tax for the year/period attributable to owners of the Target Company:

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in loss before tax/decrease in profit before tax	152	3,367	21,782	19,346

(ii) Interest rate risk

The cash flows interest rate risk of the Target Group relates primarily to variable rate bank loans and bank balances with details as set out in notes 23 and 19 respectively and the variable rate bank loans and bank balances of its joint ventures.

The Target Group is exposed to fair value interest risk in relation to certain bank balances, with details as set out in note 19. The management continues to monitor the fair value interest rate exposure of the Target Group.

Sensitivity analysis

The sensitivity analysis includes only variable financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 100 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at end of each reporting period, the Target Group (excluding its joint ventures) are exposed to cash flow interest rate in relation to the variable rate bank loans. If interest rate had been strengthened/weakened by 100 basis points higher, there would be an equal and opposite impact on loss/profit for the year/period attributable to owners of the Target Company:

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in loss profit before tax/decrease in profit before tax	41,333	44,663	31,205	36,261

(iii) Credit risk and impairment assessment

The Target Group's credit risk is primarily attributable to its interest and other receivables, amount due from a joint venture, time deposit with original maturity over three months and bank balances.

At 31 July 2021, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

The Target Group has significant concentration of credit risk in amount due from a joint venture. The management is responsible to exercise the joint control on the relevant activities of the joint venture with a PRC joint venture partner to ensure the joint venture maintaining favourable financial position in order to reduce such credit risk.

In addition, the management and the respective joint ventures are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts, in order to minimise other credit risks. The management is also responsible for reviewing the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment are made for irrecoverable amounts. In this regard, the directors consider that the Target Group's credit risk is significantly reduced.

The credit risks of the Target Group on liquid funds are limited because the counterparties are banks with good reputation.

Other than the above, the Target Group has no other significant concentration of credit risk.

The table below details the credit risk exposures of the Target Group's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount *RMB'000*
As at 31 December 2018				
Financial assets at amortised cost				
– Bank balances	A+	N/A	12-month ECL	263,430
– Interest and other receivables	N/A	Low risk	12-month ECL	678
As at 31 December 2019				
Financial assets at amortised cost				
– Amount due from joint ventures	N/A	Low risk	12-month ECL	311,224
– Bank balances	A+	N/A	12-month ECL	245,722
– Interest and other receivables	N/A	Low risk	12-month ECL	68
As at 31 December 2020				
Financial assets at amortised cost				
– Amount due from joint ventures	N/A	Low risk	12-month ECL	349,834
– Bank balances	A+	N/A	12-month ECL	582,179
– Time deposit with original maturity over three months	AA+	N/A	12-month ECL	240,000
– Interest and other receivables	N/A	Low risk	12-month ECL	293
As at 31 July 2021				
Financial assets at amortised cost				
– Amount due from joint ventures	N/A	Low risk	12-month ECL	350,373
– Bank balances	A+	N/A	12-month ECL	1,451,038
– Interest and other receivables	N/A	Low risk	12-month ECL	300

(iv) Liquidity risk

The Target Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in bank deposits mostly denominated in HKD and RMB. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Target Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing ratio.

As at 31 July 2021, the Target Group has net current liabilities of RMB2,486,551,000. The Target Group has also taken appropriate measures as set out in note 3 to mitigate future liquidity risk.

As at 31 July 2021, 31 December 2020, 2019 and 2018, the carrying amounts of the financial liabilities represent the undiscounted cash flows that the Target Group is required to pay and are repayable on demand. Bank loans carried interests ranging from HIBOR plus 1% to HIBOR plus 1.057% per annum, HIBOR plus 0.98% to HIBOR plus 1% per annum, HIBOR plus 1.05% to HIBOR plus 1.2% per annum, and HIBOR plus 1.51% to HIBOR plus 1.7%, respectively. All other financial liabilities are non-interest bearing.

The following table details the Target Group's remaining contractual maturity for its financial liabilities based on agreed payment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating, the undiscounted amount is derived from current interest rate at the end of the reporting period.

	Weighted average effective interest rate	**Repayable on demand or less than 1 year**	**1 year to 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018					
Bank borrowings	3.56	2,586,765	1,543,168	4,436,824	4,129,933
Shareholder's loan	nil	–	4,716,918	–	4,716,918
Other payables	N/A	10,080	–	–	10,080
		2,596,845	6,260,086	4,436,824	8,856,931
As at 31 December 2019					
Bank borrowings	3.07	2,293,847	2,171,646	4,524,258	4,465,493
Shareholder's loan	nil	–	4,822,432	–	4,822,432
Other payables	N/A	7,151	–	–	7,151
		2,300,998	6,994,078	4,524,258	9,295,076

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 year to 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020					
Bank borrowings	1.83	1,084,887	2,035,374	3,398,454	3,120,261
Shareholder's loan	nil	2,587,069	1,943,585	–	4,530,654
Other payables	N/A	6,907	–	–	6,907
		3,678,863	3,978,959	3,398,454	7,657,822
As at 31 July 2021					
Bank borrowings	2.26	1,903,690	1,722,429	3,713,497	3,626,119
Shareholder's loan	2.85	2,555,714	1,920,029	4,700,762	4,475,743
Other payables	N/A	85,853	–	–	85,853
		4,545,257	3,642,458	8,414,259	8,187,715

(c) Fair value measurement of financial instruments

Fair value of the Target Group's financial assets that are measured at fair value on a recurring basis

Some of the Target Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	As at 31 December 2018 RMB'000	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 July 2021 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value (Note)
Equity instrument at FVTOCI	Unlisted equity investment: 11,100	Unlisted equity investment: 22,600	Unlisted equity investment: 31,000	Unlisted equity investment: 19,500	Level 3	Market Approach	Price-to-earnings multiples of several comparable companies	The higher the multiples, the higher the fair value
							Enterprise value-to-earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiples of several comparable companies	The higher the multiples, the higher the fair value
							Risk adjustment for a discount on lack of marketability	The higher the discount, the lower the fair value
Structured deposit	Nil	Nil	801,503	396,495	Level 3	Discounted cash flow	Discount rate	The higher the discount rate, the lower the fair value

Note: If the price-to-earnings multiples to the valuation model is 5% higher/lower, while all the other variables were held constant, the fair value of equity instrument at FVTOCI would increase/decrease by approximately RMB183,000, RMB347,000, RMB814,000 and RMB311,000 at 31 December 2018, 2019, 2020 and 31 July 2021 respectively. If the risk adjustment for a discount on lack of marketability to the valuation model is 5% higher/lower, while all the other variables were held constant, the fair value of equity instrument at FVTOCI would decrease/increase by approximately RMB310,000, RMB668,000, RMB1,482,000 and RMB792,000 at 31 December 2018, 2019, 2020 and 31 July 2021 respectively.

Information about Level 3 fair value measurements

The movements during the year/period in the balance of these Level 3 fair value measurements are as follows:

	RMB'000
As at 1 January 2018	–
Acquisition of subsidiaries	10,270
Changes in fair value recognised in other comprehensive income	830
As at 31 December 2018	11,100
Changes in fair value recognised in other comprehensive income	11,500
As at 31 December 2019	22,600
Addition	800,000
Changes in fair value recognised in profit or loss	1,503
Changes in fair value recognised in other comprehensive income	8,400
As at 31 December 2020	832,503
Addition	695,000
Changes in fair value recognised in profit or loss	1,495
Changes in fair value recognised in other comprehensive income	(11,500)
Redemptions	(1,101,503)
As at 31 July 2021	415,995

The fair values of financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised at amortised cost in the Historical Financial Information approximate to their fair values.

The fair values of financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised at amortised cost in the Historical Financial Information approximate to their fair values.

26. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains the particulars of the subsidiaries of the Target Company at 31 July 2021 which principally affect the results, assets or liabilities of the Target Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share As at 31 December 2018	2019	2020	As at 31 July 2021	Attributable equity interest held by the Target Company As at 31 December 2018	2019	2020	As at 31 July 2021	Proportion of voting power held by the Target Company As at 31 December 2018	2019	2020	As at 31 July 2021	Principal activity
SIHBA	Cayman Islands	Ordinary shares HK$308,169,000	Ordinary shares HK$308,169,000	Ordinary shares HK$308,169,000	Ordinary shares HK$308,169,000	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	Investment holding
Kingnice (BVI) Limited	British Virgin Islands	Ordinary shares US$20,000	Ordinary shares US$20,000	Ordinary shares US$20,000	Ordinary shares US$20,000	70.03%	70.03%	70.03%	70.03%	70.03%	70.03%	70.03%	70.03%	Investment holding
Hopewell China Development (Superhighway) Limited	Hong Kong	Ordinary shares HK$2 Non-voting deferred shares HK$4	Ordinary shares HK$2 Non-voting deferred shares HK$4	Ordinary shares HK$2 Non-voting deferred shares HK$4	Ordinary shares HK$2 Non-voting deferred shares HK$4	70.3% of issued ordinary shares	70.3% of issued ordinary shares	70.3% of issued ordinary shares	70.3% of issued ordinary shares	70.3%	70.3%	70.3%	70.3%	Investment in expressway project
Hopewell Guangzhou-Zhuhai Superhighway Development Limited	Hong Kong	Ordinary shares HK$2 Non-voting deferred shares HK$2	Ordinary shares HK$2 Non-voting deferred shares HK$2	Ordinary shares HK$2 Non-voting deferred shares HK$2	Ordinary shares HK$2 Non-voting deferred shares HK$2	71.83% of issued ordinary shares	71.83% of issued ordinary shares	71.83% of issued ordinary shares	71.83% of issued ordinary shares	71.83%	71.83%	71.83%	71.83%	Investment in expressway project
SIH Bay Area Finance Limited	Hong Kong	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	Financing with loans
SIH Bay Area Management Limited	Hong Kong	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	Investment holding
SIH Bay Area Services Limited	Hong Kong	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	Office service

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share				Attributable equity interest held by the Target Company				Proportion of voting power held by the Target Company				Principal activity
		As at 31 December				As at 31 December				As at 31 December				
		2018	2019	2020	As at 31 July 2021	2018	2019	2020	As at 31 July 2021	2018	2019	2020	As at 31 July 2021	
JETGOLD (BVI) LIMITED	British Virgin Islands	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	Investment holding
Wilberforce International Limited	British Virgin Islands	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	Ordinary share HK$1	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	71.83%	Investment holding
Shenwan Bay Area Infrastructure (Shenzhen) Company Limited	The PRC	N/A	Ordinary share HK$315,050,000	Ordinary share HK$858,800,000	Ordinary share HK$858,800,000	N/A	70.03%	70.03%	70.03%	70.03%	70.03%	70.03%	70.03%	Investment holding

Except SIHBA, all the above subsidiaries are indirectly held by the Target Company.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

27. CAPITAL COMMITMENTS

As at 31 July 2021, the Target Group has no outstanding capital commitment.

28. BUSINESS COMBINATIONS

As disclosed in note 16, the Target Company acquired 66.69% of the shares of SIHBA on 4 April 2018 for a total consideration of approximately HK$9,865,379,000 (equivalent to approximately RMB7,904,635,000). Upon completion of the acquisition of shares in SIHBA, SIHBA became a non-wholly owned subsidiary of the Target Company.

Assets acquired and liabilities recognised at the date of acquisition

The following table summarises the consideration paid for the acquisitions of subsidiaries, the fair value of assets acquired, liabilities assumed at the acquisition date:

	RMB'000 (unaudited)
Property, plant and equipment	77
Interest in joint ventures	11,350,422
Equity instrument at fair value through other comprehensive income	10,270
Deposits and prepayments	3,219
Cash and cash equivalents	399,250
Payables and accruals	(13,440)
Deferred tax liabilities	(80,956)
Non-controlling interest *(Note)*	(3,967,100)
Net assets acquired attributable to the Target Group	7,701,742
Goodwill arising on acquisition:	
Total consideration paid	7,904,635
Less: Net assets acquired attributable to the Target Company	(7,701,742)
	202,893
Net cash outflow in the acquisition including in the investing activities:	
Total consideration paid	7,904,635
Cash and cash equivalent acquired	(399,250)
Net cash outflow in the acquisition including in the investing activities	7,505,385

Non-controlling interests

The non-controlling interests recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

29. CHANGE IN SHAREHOLDING OF A SUBSIDIARY WITHOUT LOSING CONTROL

Acquisition of additional interest in SIHBA

Upon completion of the business combination as disclosed in note 28, the Target Company was required under Rule 26.1 of The Code on Takeovers and Mergers published by the Securities and Futures Commission of Hong Kong to make a general offer for all the issued shares of SIHBA, other than those already owned and/or agreed to be acquired by the Target Company and/or parties acting in concert with it. Accordingly, the Company acquired a total of 754,457,078 shares of SIHBA at offer price of HK$4.8 under the general offer, representing approximately 24.48% of the entire issued share capital of SIHBA during the year ended 31 December 2018.

Upon completion of the acquisition of the shares under the general offer, the Target Company's equity interest over SIHBA is increased from 66.69% to 91.17%. The change in value of the proportionate share of net assets attributable to non-controlling interests of SIHBA was approximately RMB96,750,000 and was debited to other reserve.

Placement of shares of a subsidiary to non-controlling shareholders

Following the acquisition of additional interest in SIHBA, the Target Company had sold its 19.34% shares of SIHBA to two independent non-controlling shareholders during the year ended 31 December 2018. Upon completion of the sale of the shares, the Target Company's equity interest over SIHBA is decreased from 91.17% to 71.83%. The change in value of the proportionate share of net assets attributable to non-controlling interests of SIHBA was approximately RMB233,378,000 and was credited to other reserve.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans	Shareholder's loans	Consideration receivable	Dividends payable	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	-	-	-	-	-	-
Financing cash flows	3,316,542	4,608,442	2,487,231	(292,861)	(251,583)	9,867,771
Consideration made	-	-	(2,487,231)	-	-	(2,487,231)
Dividends declared	-	-	-	279,888	-	279,888
Interest expense	-	-	-	-	309,038	309,038
Credited to share premium	-	-	-	-	(52,045)	(52,045)
Exchange realignment	813,391	108,476	-	12,973	(1,460)	933,380
As at 31 December 2018	4,129,933	4,716,918	-	-	3,950	8,850,801
Financing cash flows	245,138	-	-	(400,968)	(154,995)	(301,904)
Dividends declared	-	-	-	394,364	-	394,364
Interest expense	-	-	-	-	351,565	351,565
Credited to share premium	-	-	-	-	(201,603)	(201,603)
Exchange realignment	90,422	105,514	-	6,604	4,278	197,897
As at 31 December 2019	4,465,493	4,822,432	-	-	3,195	9,291,120
Financing cash flows	(1,018,976)	-	-	(302,151)	(114,029)	(1,415,154)
Dividends declared	-	-	-	388,858	-	388,858
Interest expense	-	-	-	-	309,393	309,393
Credited to share premium	-	-	-	-	(189,710)	(189,710)
Exchange realignment	(326,256)	(291,778)	-	(261)	(7,440)	(645,737)
As at 31 December 2020	3,120,261	4,530,654	-	86,446	1,409	7,738,770
Financing cash flows	541,599	-	-	(289,317)	(29,608)	222,674
Dividends declared	-	-	-	301,378	-	301,378
Interest expense	-	-	-	-	142,619	142,619
Credited to share premium	-	-	-	-	(33,037)	(33,037)
Exchange realignment	(35,741)	(54,911)	-	(1,084)	(1,706)	(93,442)
As at 31 July 2021	3,626,119	4,475,743	-	97,423	79,677	8,278,962
As at 1 January 2020	4,465,493	4,822,432	-	-	3,195	9,291,120
Financing cash flows	781,175	-	-	(102,813)	(42,285)	636,077
Dividends declared	-	-	-	206,221	-	206,221
Interest expense	-	-	-	-	207,629	207,629
Credited to share premium	-	-	-	-	(117,944)	(117,944)
Exchange realignment	39,662	29,608	-	4,759	(8,787)	65,242
As at 31 July 2020 (unaudited)	5,286,330	4,852,040	-	108,167	41,808	10,288,345

31. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the Historical Financial Information, during the seven months periods ended 31 July 2021 and 31 July 2020, year ended 31 December 2020, 2019 and 2018, the Target Group entitled to receive interest income from a joint venture of RMB41,176,000, RMB12,875,000, (unaudited), RMB49,537,000, RMB1,924,000 and nil respectively.

32. GUARANTEE

As at 31 July 2021, 31 December 2021, 2019 and 2018, the uncommitted banking facilities of the Target Company's subsidiary of RMB2,160,943,000, RMB5,956,394,000, RMB1,256,732,000 and RMB263,389,000 are guaranteed by the Target Company. The Target Company is able to control the utilisation of the facilities.

33. TARGET COMPANY'S RESERVES

In accordance with the Target Company's Articles of Association, dividends can only be distributed out of the retained profits and share premium of the Target Company. As at 31 July 2021, 31 December 2020, 2019 and 2018, the Target Company's reserves available for distribution to its shareholders amounting to RMB2,506,843,000, RMB2,652,709,000, RMB706,530,000 and RMB582,118,000, respectively.

	Share capital	Share premium	Translation reserve	Retained profits (accumulated loss)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	–	–	–	–	–
Profit and total comprehensive income for the year	–	–	14,326	362,762	377,088
Capital contributed by owners	323	205,030	–	–	205,353
As at 31 December 2018	323	205,030	14,326	362,762	582,441
Profit (loss) and total comprehensive income (expense) for the year	–	–	4,823	(111,932)	(107,109)
Capital contributed by owners	–	231,521	–	–	231,521
As at 31 December 2019	323	436,551	19,149	250,830	706,853
Loss and total comprehensive expense for the year	–	–	(111,930)	(54,591)	(166,521)
Capital contributed by owners	–	2,112,700	–	–	2,112,700
As at 31 December 2020	323	2,549,251	(92,781)	196,239	2,653,032
Profit (loss) and total comprehensive income (expense) for the period	–	–	9,427	(188,330)	(178,903)
Capital contributed by owners	–	33,037	–	–	33,037
As at 31 July 2021	323	2,582,288	(83,354)	7,909	2,507,166

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the major transaction and connected transaction in relation to the Acquisition by Mei Wah Industrial (Hong Kong) Limited, a non wholly-owned subsidiary of the Company, the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Consolidated Statement of Assets and Liabilities**") has been prepared by the directors in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the Acquisition on the Group's financial position as at 30 June 2021 as if the Acquisition had been completed on 30 June 2021.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities is prepared based on (i) the unaudited condensed consolidated balance sheet of the Group as at 30 June 2021 which has been extracted from the Group's interim report for the six months ended 30 June 2021 dated 27 August 2021; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 July 2021 which has been extracted from the accountants' report thereon set out in Appendix III to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken as at 30 June 2021.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities is prepared by the Directors based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has been prepared by the Directors based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2021, nor purport to predict the future financial position of the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Items	The Group As at 30.06.2021	The Target Group As at 31.07.2021	As at 31.07.2021	Pro forma Adjustment			The Enlarged Group As at 30.06.2021
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note i	*Note ii*	*Note ii*	*Note iii*	*Note iv*	*Note v*	
ASSETS							
Non-current assets							
Investment properties	592,003	–	–				592,003
Property, plant and equipment	16,515,031	1,782	2,142				16,517,173
Land use rights	3,835,951	–	–				3,835,951
Construction in progress	4,601,433	–	–				4,601,433
Intangible assets	31,595,042	–	–				31,595,042
Goodwill	290,408	202,893	243,838				534,246
Interests in associates	15,340,659	–	–				15,340,659
Interests in joint ventures	229,744	9,840,070	11,825,870				12,055,614
Other financial assets	1,233,194	19,500	23,435				1,256,629
Deferred tax assets	1,645,318	–	–				1,645,318
Other non-current assets	4,158,552	40,792	49,024				4,207,576
	80,037,335	**10,105,037**	**12,144,309**	**–**	**–**	**–**	**92,181,644**
Current assets							
Inventories and other contract costs	15,851,471	–	–				15,851,471
Contract assets	455,807	–	–				455,807
Other financial assets	575,623	396,495	476,511				1,052,134
Trade and other receivables	9,171,085	310,335	372,963				9,544,048
Restricted bank deposits	1,054,598	–	–				1,054,598
Deposits in banks with original maturities over 3 months	2,532,788	–	–				2,532,788
Cash and cash equivalents	11,212,661	1,451,038	1,743,868			(5,470,272)	7,486,257
	40,854,033	**2,157,868**	**2,593,342**			**(5,470,272)**	**37,977,103**
Total assets	**120,891,368**	**12,262,906**	**14,737,652**	**–**	**–**	**(5,470,272)**	**130,158,748**

Items	The Group As at 30.06.2021	The Target Group As at 31.07.2021	As at 31.07.2021	Pro forma Adjustment			The Enlarged Group As at 30.06.2021
	HK$'000	*RMB'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note i	*Note ii*	*Note ii*	*Note iii*	*Note iv*	*Note v*	
LIABILITIES							
Non-current liabilities							
Borrowings	18,867,318	3,642,458	4,377,533			(779,798)	22,465,053
Lease liabilities	707,786	–	–				707,786
Deferred tax liabilities	1,626,891	120,659	145,009				1,771,900
Other non-current liabilities	1,665,032	–	–				1,665,032
	22,867,027	**3,763,117**	**4,522,542**	**–**	**–**	**(779,798)**	**26,609,771**
Current liabilities							
Trade and other payables	12,960,587	108,760	130,709	2,491,741	242,081	–	15,825,118
Derivative financial instruments	150,840	–	–	97,360			248,200
Contract liabilities	6,369,799	–	–				6,369,799
Income tax payable	647,645	410	493				648,138
Borrowings	18,291,447	4,539,081	5,455,102			(4,690,474)	19,056,075
Lease liabilities	81,889	–	–				81,889
	38,502,207	**4,648,251**	**5,586,304**	**2,589,101**	**242,081**	**(4,690,474)**	**42,229,219**
Total liabilities	**61,369,234**	**8,411,368**	**10,108,846**	**2,589,101**	**242,081**	**(5,470,272)**	**68,838,990**
Net assets	**59,522,134**	**3,851,538**	**4,628,806**	**(2,589,101)**	**(242,081)**	**–**	**61,319,758**

Notes:

(i) The amounts are extracted from the published interim report of the Group for the six months ended 30 June 2021 dated 27 August 2021.

(ii) The amounts are extracted from the Accountants' Report of the Target Group as set out in Appendix III to this circular. For the purpose of preparing the unaudited pro forma financial information, translation of amounts in RMB into HK$ has been made at the exchange rate of HK$1 to RMB0.83208, the closing rate as at 30 June 2021.

(iii) The adjustment represents the acquisition of the Target Group under the Transaction Agreements. The adjustment to trade and other payables represents the sum of consideration payable of HK$2,450,035,000 and the estimated tax payable of HK$41,706,000 as set out below while the adjustment to derivative financial instruments represents the contingent payable of HK$97,360,000 under the Payment Obligation Agreement.

For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, it is assumed that the Acquisition have taken place on 30 June 2021. Since it is a business combination under the common control of SIHCL, the excess of the consideration over the pro forma book values of the identified assets and liabilities is adjusted to capital reserve as follows:

	HK$'000
Consideration *(note a)*	2,450,035
Contingent Consideration *(note b)*	139,066
Less: Pro forma value of identified net assets acquired attributable to owners of the Target Company *(note d)*	(1,172,933)
Add: Declared dividends *(note c)*	242,081
Adjustment to capital reserve	1,658,249

(a) The consideration for the Acquisition as set out in the Sale and Purchase Agreement comprises purchase price of HK$2,450,035,000. The directors of the Company estimated that the amount of legal and professional fee in relation to the Acquisition is immaterial and is not considered in preparing the Unaudited Pro Forma Consolidated Statements of Assets and Liabilities.

(b) The Contingent Considerations represent the estimated tax payable of HK$41,706,000 borne by Shenzhen Expressway Company Limited ("**Shenzhen Expressway**") related to the transactions and the contingent payable of HK$97,360,000 by Mei Wah Industrial (Hong Kong) Limited ("**the Purchaser**") and Shenzhen Expressway to SIHCL and/or Shenzhen Investment International Capital Holdings Co., Ltd. ("**the Seller**") under the Payment Obligation Agreement dated 10 August 2021.

According to the announcement of State Administration of Taxation named 國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告: "When a Chinese non-resident enterprise transfers the equity of an overseas enterprise directly or indirectly holding Chinese taxable property to a Chinese resident enterprise, it is regarded as a direct transfer of equity of a Chinese resident enterprise by the Chinese tax authorities, The amount of income from equity transfer shall be calculated in accordance with paragraph 2 of Article 19 of the Chinese enterprise income tax law." The final tax payment amount and tax base date shall be subject to the actual verification of the Chinese tax authorities at the time of declaration. The management of the Company estimates the tax payable to be HK$41,706,000 under the tax base date of 30 June 2021.

Pursuant to the Supplemental Agreements dated 13 August 2018, CMF Global Quantitative Stable Segregated Portfolio and CMF Global Quantitative Multi-Asset Segregated Portfolio Company ("**CMF Fund**"), the placee under the Previous Placing and a shareholder of Bay Area Development interested in approximately 9.45% of the total issued share capital of Bay Area Development, may during the three months prior to the fifth anniversary of 17 August 2018 ("**the Previous Placing Completion Date**") give a one-off notification to SIHCL and the Seller (or either of them) that CMF Fund intends to, on or within six months after the fifth anniversary of the Previous Placing Completion Date, dispose of all or part of the Previous Placing Shares on-market and/or off-market to independent third party(ies), and if the aggregate amount of the consideration received by the CMF Fund under the CMF Disposal(s) is less than the total investment costs of CMF Fund and its investor in relation to the all or part of the Previous Placing Shares (i.e. the original acquisition cost of the Previous Placing Shares together with other related costs and expenses but less the amount of dividends of Bay Area Development received/receivable by the CMF Fund in respect of the Previous Placing Shares), SIHCL and the Seller (or either of them) will pay to the CMF Fund the difference in cash. Shenzhen Expressway and the Purchaser will take over the contingent liability from SIHCL and/or the Seller and will settle the liability with SIHCL and/or the Seller after SIHCL and/or the Seller paying the difference on behalf of Shenzhen Expressway and the Purchaser pursuant to the Payment Obligation Agreement dated 10 August 2021.

The management of the Company estimates the contingent liability according to the option valuation and adopts the Black Scholes model. Main factors that affecting option valuation include: market price of underlying asset on the benchmark date of valuation (s), Volatility (σ), Annual dividend rate, option exercise price (L), exercise period (T) and risk-free rate of return (r). The market price of underlying asset on the benchmark date of valuation is calculated by the fair value of the underlying asset on the benchmark date deducting the present value of future dividends; the volatility adopts the historical volatility; Annual dividend rate is calculated based on dividends for a fixed period of time and the continuous annual dividend rate of 0%; the execution price of the underlying asset is determined by the investment cost deducting dividend; the option maturity date is 17 August 2023; The risk-free interest rate is the interest rate of 2-year treasury bonds. The value of the contingent liability is estimated to be HK$97,360,000 on 30 June 2021 by the management of the Company.

(c) The dividend declared by Bay Area Development in April 2021 shall be enjoyed by the Seller pursuant to the Sale and Purchase Agreement, which deducts the book value of identified net assets of the Target Group.

(d) Given it is a business combination under the common control of SIHCL, the identifiable assets and liabilities of the Target Group are recorded at the book value in the consolidated financial statements of the Target Group at the completion date of the Acquisition. It is assumed the carrying amount of the identifiable assets and liabilities of the Target Group as at 31 July 2021 is similar to that as at 30 June 2021 (date of completion for pro forma purpose).

(iv) The adjustment represents that the dividends declared by Bay Area Development, a subsidiary of the Target Group, in April 2021, within will be paid to the Seller upon completion of the Acquisition, and the amount is adjusted accordingly to the carrying amount of other payables.

(v) The adjustment represents the settlement of bank borrowings of HK$2,350,272,000 and borrowings from the Seller of USD400,000,000 (equivalent to approximately HKD3,120,000,000 translated by the rate of USD1 to HKD7.8). prior to the completion date of the transaction pursuant to the Sale and Purchase Agreement.

(vi) No adjustments have been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2021.

(vii) All pro forma adjustments are not expected to have continuing effect on the Group.

The following is the text of the independent reporting accountants' assurance report, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Unaudited Pro Forma Financial Information of the Group, prepared for the purpose of inclusion in this Circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shenzhen International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenzhen International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2021 and related notes as set out on pages IV-1 to IV-5 of the circular issued by the Company dated 24 November 2021 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-5 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. on the Group's financial position as at 30 June 2021 as if the transaction had taken place at 30 June 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2021, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the 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 Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 November 2021

Reference is made to the paragraphs headed "Consideration of the Sale Shares" and "4. VALUATION" set out in the section headed "Letter from the Board" of this circular. Pursuant to which, as the Acquisition involves the transfer of ownership of listed shares held by state owned entities, the requirements under the Measures have been primarily considered when determining the Consideration. Accordingly, (i) CMS was appointed as the financial adviser of Shenzhen Expressway in the PRC in accordance with the Measures and (ii) reference has been primarily made by the Shenzhen Expressway Board to the valuation conducted by CMS under the CMS Valuation Report when determining the Consideration.

As stated in the CMS Valuation Report:

(a) the CMS Valuation Report is for the reference of the Group only and does not constitute any advice or recommendation of CMS to any other party;

(b) the CMS Valuation Report only applies to the relevant laws, regulations, regulatory rules and requirements in the PRC which excludes Hong Kong, Macau, and Taiwan.

(c) the CMS Valuation Report does not constitute advice or recommendation to any regulatory authorities, investors and other professional intermediaries in Hong Kong; and

(d) the laws, regulations, regulatory rules and requirements in Hong Kong is not applicable to the CMS Valuation Report.

In addition, the Group has been informed by CMS by way of a letter dated 22 September 2021 that CMS may breach Section 114 of the SFO by publishing the CMS Valuation Report in full in this circular and being named as expert of the Company under this circular without being licensed by the SFC under Section 116 of the SFO for carrying on Type 6 regulated activity.

Accordingly, based on CMS' written opinions and requirements, (i) the CMS Valuation Report cannot be set out in full in this circular (and instead, the Company will set out the information of the CMS Valuation Report in Appendix V of this circular), (ii) CMS cannot be named as expert of the Company, (iii) the expert statement of CMS pursuant to Appendix 1 Part B paragraph 5 and 40 of the Listing Rules cannot be published in this circular and (iv) the CMS Valuation Report cannot be inspected pursuant to Appendix 1 Part B paragraph 43 of the Listing Rules.

The following set out the information of the valuation conducted by CMS, regarding the proposed non-public indirect acceptance through agreements of 71.83% shares of Shenzhen Investment Holdings Bay Area Development Company Limited by Shenzhen Expressway Company Limited.

"DEFINITIONS

In this report, unless otherwise stated, the following terms have the following meanings:

GENERAL DEFINITIONS

the Report, the Valuation Report	The valuation report dated 12 July 2021 regarding the Proposed Non-Public Indirect Acceptance through Agreements of 71.83% Shares of Shenzhen Investment Holdings Bay Area Development Company Limited by Shenzhen Expressway Company Limited prepared by China Merchants Securities Co., Ltd.
the Transaction	The indirect acceptance of 71.83% Shares of Shenzhen Investment Holdings Bay Area Development Company Limited through non-public acceptance 100% equity of Shenzhen Investment International Capital through agreements by Shenzhen Expressway Company Limited.
Target Shares	71.83% Shares of Shenzhen Investment Holdings Bay Area Development Company Limited.
SIHCL	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司).
Shenzhen International	Shenzhen International Holdings Limited (深圳國際控股有限公司).
Shenzhen Expressway	Shenzhen Expressway Company Limited.
Bay Area Development	Shenzhen Investment Holdings Bay Area Development Company Limited.
SIICHIC	Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (深圳投控國際資本控股基建有限公司).
SIICH	Shenzhen Investment International Capital Holdings Co., Limited (深圳投控國際資本控股有限公司)
Guangzhou-Shenzhen Expressway	Guangzhou-Shenzhen section of Beijing-Hong Kong-Macao Expressway, which is an important channel linking Guangzhou, Dongguan, Shenzhen, and Hong Kong and starts at Huangcun Interchange in Guangzhou City in the north, connects with the northern section of Guangzhou Ring Expressway, and ends at Shenzhen Huanggang Port in the south, connects with Huanggang Road in Shenzhen. The project is part of Shenhai Expressway G15 and Beijing-Hong Kong-Macao Expressway G4, with a total length of approximately 122.8 kilometers.

Guangzhou-Zhuhai West Line Expressway	Guangzhu Expressway (West Line), starting from Guangzhou Hainan in the north and ending at Zhongshan Yuehuan in the south, with a total length of approximately 97.86 kilometers.
Guangshen Expressway Joint Venture	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (廣深珠高速公路有限公司), a company registered in Guangzhou, China, and a 97.5%-owned subsidiary of Bay Area Development. Hopewell China Development (Superhighway) Limited holds 45% of its profit distribution ratio
GuangZhu West Joint Venture	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited (廣東廣珠西線高速公路有限公司), a company registered in Guangzhou, China. Bay Area Development holds 50% of its profit distribution ratio through its wholly-owned subsidiary Hopewell Guangzhou-Zhuhai Superhighway Development Limited.
Xintang Real Estate Project Company	Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司), a company registered in Guangzhou, China. Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司), a 97.5%-owned subsidiary of Bay Area Development, holds 15% of its shares, that is, Bay Area Development actually holds 14.625% (that is, 15% × 97.5%) of its equity. Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司) is currently developing real estate projects located in Xindun Village and Nan'an Village, Xintang Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC.
Obligation to Make up the Shortfall	When SIHCL acquired a controlling stake in the Bay Area Development in 2018, in order to maintain its listing status, SIHCL placed 291,207,411 shares held by it to CMF Fund (CMF Fund is an investment fund of China Taiping Life Insurance (Hong Kong) Company Limited), accounting for approximately 9.45% of the total share capital of the Bay Area Development. SIHCL entered into a shortfall make-up agreement with CMF Fund in relation to the aforementioned placement and issued relevant commitments, stipulating that it can dispose the shares of Bay Area Development to independent third parties within six months after the expiration of five years (17 August 2023), and SIHCL or SIICH will bear the obligation to make up for the shortfall (if any) between the disposal income and the investment cost (which is, the initial share price plus other related costs and expenses (SIHCL and CMF Fund agreed that other relevant costs and expenses shall not exceed 4% of the share price, and shall be calculated based on the actual expenses incurred), minus received/receivable dividends of Bay Area Development).
China Merchants Securities, Valuation Agency	China Merchants Securities Co., Ltd., the valuation agency of the transferee of the Transaction.

Note: Any discrepancies between the total number and the sum of each individual item in the Report are caused by rounding.

STATEMENT

I. China Merchants Securities was entrusted by Shenzhen Expressway to analyze 71.83% of the shares in Bay Area Development in accordance with the relevant provisions of the Measures for the Supervision and Administration of State-Owned Equity in Listed Companies (上市公司國有股權監督管理辦法) and issue this report. The information related to the Bay Area Development used in the Report is public information.

II. The Report is for the reference of the Board of Directors of Shenzhen Expressway only, and does not constitute a suggestion, recommendation or compensation to any third party. Shenzhen Expressway is a listed company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. The Report only applies to the relevant laws, regulations, regulatory rules and requirements of Mainland China (excluding Hong Kong, Macau, and Taiwan). The Report does not constitute an opinion, recommendation or compensation to any Hong Kong securities market regulatory authorities, investors and other professional intermediaries. The Report does not apply to any laws, regulations, regulatory rules and requirements of Hong Kong and Hong Kong securities markets.

III. The analysis, judgments and conclusions in the Report are restricted by the assumptions and restrictions in the Report. Users should fully consider the assumptions, restrictions and their influence on the conclusions contained in the Report.

IV. The Report does not provide any guarantee for the accuracy, completeness or appropriateness of the public information involved in the Report and the information of other parties quoted in the Report.

V. The Report does not conduct a comprehensive analysis of the business, operations, and financial status of the parties to the Transaction, nor does it express any opinions on the future development prospects of the parties to the Transaction.

VI. In the process of forming the Report, no specific investor's investment objectives, financial status, tax status, risk appetite or individual circumstances were considered. Since different investors have different investment objectives and portfolios, if specific advice is needed, investors should consult their respective stockbrokers, lawyers, accountants, tax consultants or other professional advisors on their investment portfolios in a timely manner.

VII. The Report is only for the Transaction and should not be used for any other purpose. The conclusions of the Report should be considered in conjunction with the overall content of the Report and other disclosures of the Transaction. China Merchants Securities specifically reminds readers of the Report to carefully read the relevant announcements disclosed on the Transaction and check for relevant documents.

CHAPTER I INTRODUCTION OF BACKGROUND INFORMATION

I. SCHEME OF THE TRANSACTION

(I) Overview of the Transaction

In order to promote the comprehensive reform of state-owned enterprises, integrate and optimize the layout of state-owned enterprises, support the professional development of industrial groups, solve the problem of horizontal competition between listed companies and controlling shareholders, and further improve the asset quality of listed companies, Shenzhen Expressway proposes to acquire the 100% equity interests of SIICHIC through non-public agreement. The major assets of SIICHIC represent the 71.83% equity interests of Bay Area Development directly held by it and Shenzhen Expressway will indirectly acquire the 71.83% equity interests of Bay Area Development through non-public agreement through the Transaction.

(II) Pricing of Shares of Bay Area Development

In the Transaction, the transaction price of 100% equity interests of SIICHIC is determined through negotiation between both parties, which corresponding to the value of 71.83% shares of Bay Area Development, being the major asset of SIICHIC, will be HK$4.603 per share.

II. PURPOSE OF THE TRANSACTION

The Transaction is in line with the construction needs of pilot demonstration zones in Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen, caters to the aspiration of Shenzhen State-owned Assets Supervision and Administration Commission (SASAC) to become bigger, stronger and better, and to give full play to the functions of state-owned economy. It is of great strategic significance in solving the horizontal competition between listed companies and controlling shareholders, building a specialized industrial group of Shenzhen SASAC, making full use of overseas financing platforms, speeding up the construction of Shenzhen metropolitan area, and further improving the asset quality of listed companies.

1. Conducive to fulfilling the commitment of the controlling shareholders and thoroughly solving the problem of horizontal competition

As an indirect controlling shareholder of Shenzhen Expressway, when acquiring Bay Area Development, SIHCL issued the Communication Letter on Fulfilling the Non-competition Commitment to Shenzhen Expressway, undertaking to "entrust its major assets to Shenzhen Expressway for operation and management or inject into Shenzhen Expressway when appropriate". In order to avoid horizontal competition, Shenzhen International, as a controlling shareholder, has injected its equity interests in Wuhuang Expressway and Longda Expressway into Shenzhen Expressway, which has been recognized by regulators and appreciated by the capital market. Injecting the equity interests of Bay Area Development into Shenzhen Expressway can not only fulfill the commitment of SIHCL to the capital market, but also thoroughly solve the problem of horizontal competition.

2. Conducive to adjusting and optimizing the industrial layout of state-owned capital, improving management and control capabilities and operating efficiency, and supporting specialized industrial groups to become bigger and stronger

Injection of Bay Area Development into Shenzhen Expressway can realize the focus on state-owned resources and the professional horizontal integration of similar businesses, and improve the efficiency of resource allocation and operational service capacity of Shenzhen Expressway. By strengthening the overall management of traffic flow and maintenance operation of toll roads in Shenzhen, such as Guangzhou-Shenzhen Expressway and Coastal Expressway, the internal synergy effect of Shenzhen Expressway network will be enhanced, the professional and refined management level will be improved, and the profit scale will be further boosted.

As such, Shenzhen Expressway can quickly become the core platform for investment, construction, management and maintenance of expressways/fast lanes of Shenzhen SASAC during the "14th Five-Year Plan" period, and has great advantages in obtaining Guangdong-Hong Kong-Macao Greater Bay Area expressway/fast lane projects, so as to establish a large-scale specialized industrial group for investment, construction, management and maintenance of expressways in Guangdong-Hong Kong-Macao Greater Bay Area.

3. Conducive to making full use of overseas financing platforms and improving the scale, quality and efficiency through the "listed company +" strategy

Injection of Bay Area Development into Shenzhen Expressway will promote the concentration of internal and external high-quality resources to listed companies, which is in line with Shenzhen SASAC's "listed company +" strategy. Shenzhen Expressway can combine the needs of the current dual-main business development strategy and make full use of the Bay Area Development Platform to implement overseas equity financing, asset restructuring, overseas debt financing and other capital operations, so as to enhance its capital market value, enhance the depth and breadth of capital operations, and strengthen the scale, quality and efficiency.

4. Conducive to promoting innovation-driven development in Shenzhen, optimizing the supply of road transportation infrastructure in Guangdong-Hong Kong-Macao Greater Bay Area, and accelerating the construction of Shenzhen metropolitan area

Following injection of Bay Area Development into Shenzhen Expressway, Shenzhen Expressway will actively promote the approval of government departments for the reconstruction and expansion of Guangzhou-Shenzhen Expressway, plan and construct the Shenzhen section of Guangzhou-Shenzhen Expressway in combination with the development plan of Shenzhen metropolitan area, revitalize the surrounding land resources, optimize the spatial layout and traffic organization of Shenzhen, further promote the interconnection of infrastructure in Bay Area, implement the important deployment of Shenzhen Municipal Party Committee and Municipal Government, and promote the planning of Guangzhou-Shenzhen Science and Technology Corridor.

5. Further improving the asset quality of listed company, enhancing the operation ability on a going concern basis, and improving the ROE level

Upon the completion of the Transaction, Shenzhen Expressway will acquire the profit distribution rights of the joint venture companies of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway by indirectly acquiring the controlling stake of Bay Area Development. Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway are the core highway sections in Guangdong-Hong Kong-Macao Greater Bay Area. Upon the completion of the Transaction, Shenzhen Expressway can better rely on its experience and advantages in road property operation and management to realize the synergy effect of road network, thereby more effectively improving the operating efficiency and operational capability of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway, further expanding the business scale of the listed company, improving its asset quality, enhancing its ability to operate on a going concern basis and improving its overall ROE level and earnings per share.

III. PURPOSE OF THE REPORT

The purpose of this report is to provide reference for the board of directors of Shenzhen Expressway and analyze whether the pricing of the Transaction is fair and reasonable. This report does not constitute a suggestion, recommendation or compensation to any third party.

IV. REPORTING REFERENCE DATE

The reference date of this Valuation Report is March 15, 2021 (the first announcement date of the Transaction by Bay Area Development). The market price quoted in this report is as of March 15, 2021.

V. SPECIAL RISK WARNING

In the first half of 2020, Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway were affected by the COVID-19 epidemic and the exemption of vehicle tolls according to the national policy during the period. Compared with the same period in 2019, the passenger and freight traffic volume and daily average toll income decreased significantly.

According to the national policy, the Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway have resumed normal toll collection on May 6, 2020, and with the domestic COVID-19 epidemic prevention and control entering the normalization stage, the passenger and freight traffic volume has gradually picked up. According to the public disclosure information of Bay Area Development, in the second half of 2020, the average daily traffic volume and average daily toll income of Guangzhou-Shenzhen Expressway increased by 1% and 2% respectively compared with the same period of the second half of 2019, which has achieved growth compared with the pre-epidemic level. Compared with the same period in the second half of 2019, the average daily traffic volume and average daily toll income of Guangzhou-Zhuhai West Expressway decreased by 5% and 3% respectively, which was mainly affected by traffic diversion due to transformation of Foshan First Ring Road into toll expressway and the closed renovation of Shizhou toll station. In general, in the second half of 2020, the operation of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West

Line Expressway has basically returned to normal compared with the prevalence of COVID-19 epidemic in the first half of 2020, and the sustained impact of the prolonged COVID-19 has not been considered in this valuation.

As of the reference date of valuation, the epidemic situation in China has been controlled, but the COVID-19 is still spreading all over the world. If the COVID-19 epidemic situation continues in China and cannot be effectively controlled in a short time, or the epidemic situation is repeated, Bay Area Development and its main asset management are expected to be adversely affected, and the conclusion of this report is expected to be invalid.

CHAPTER II ANALYSIS OF VALUATION CONCEPTS AND PRICING RATIONALITY

I. INTRODUCTION OF VALUATION METHOD

From the practical operation of M&A transaction, we can generally analyze the rationality of transaction price by the methods of comparable company method, comparable transaction method and discounted cash flow method.

According to the characteristics of related companies, the comparable company method selects the valuation multiples of comparable listed companies as a reference, and its core concept is to analyze the pricing of the Transaction by using the relevant indicators and valuation multiples of the secondary market.

According to the characteristics of related companies, the comparable transaction method selects the valuation multiples of market M&A transactions as a reference, and its core concept is to analyze the pricing of the Transaction by using the relevant indicators and valuation multiples of market M&A transactions.

The basic steps of discounted cash flow method are as follows: firstly, establish and use financial models to predict future net profit, cash flow and other financial information; secondly, according to the characteristics of related companies, select a reasonable discount rate (i.e., "weighted average cost of capital", WACC) to discount the free cash flow. Based on the expected return, the enterprise value can be obtained by estimating the present value of future expected return.

The advantages, disadvantages and applicability of the above three methods are as follows:

The advantage of the comparable company method is that the method is based on the efficient market hypothesis, that is, it assumes that the transaction price reflects all available information including trends, business risks, development speed, etc., and the relevant parameters are easy to obtain. Its disadvantage is that it is difficult to accurately adjust the business and financial differences of comparable companies, and it is difficult to take into account factors such as mergers and acquisitions and supervision in the industry.

The advantage of the comparable transaction method is that it directly refers to the transaction price of M&A transactions in the market. This method is based on the efficient market hypothesis, that is, it assumes that the transaction price reflects all available information including trends, business risks, development speed, etc. There are ways to obtain relevant parameters, but according to the availability of data in the market, the depth of available parameters may be limited. Its disadvantage is that it is difficult to accurately adjust the differences in business and finance of the companies that win the bid in comparable transactions.

The advantage of discounted cash flow method is that it is the most complete method in theory to examine the business from an overall perspective, is less affected by short-term market changes and non-economic factors, can combine the restructured business strategy and synergy into the model and handle most complicated situations. Its disadvantage is that there are many variables and assumptions in the financial model, valuation is mainly based on assumptions about the future and is sensitive, which may affect the accuracy of prediction, and it is difficult to obtain sufficient basis for selecting specific parameters.

This report will combine the actual situation of the Transaction, and select the appropriate method from the above three methods to investigate and analyze the rationality of the price of the Transaction.

II. VALUATION ANALYSIS OF THE MARKET VALUE OF THE UNDERLYING SHARES

(I) Analysis of Comparable Company Method

Comparable company method refers to the analysis of company value, focusing on and judging the rationality of the valuation of related companies based on the valuation of listed companies with similar business.

Considering that the scale of assets in expressway operation industry is generally large, the amount of depreciation and amortization of long-term assets in operation period is relatively high, and the capital structure of different companies is different, all the above factors will have a certain impact on the net profit level. EBITDA (profit before interest, tax, depreciation and amortization) can more fully reflect the operation performance of expressway operation period and the inflow of resources for future business operation and construction, and is less affected by the capital structure, so EV/EBITDA method can be used for valuation analysis under the comparable company method.

The main business of Bay Area Development is expressway operation business, but it is carried out through affiliated joint ventures, and related expressway operation business assets are not consolidated in the financial statements. Therefore, the valuation applies EV/EBITDA method to the expressway operating business carried out by Bay Area Development through the concession of the Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway owned by affiliated joint ventures and are based on the valuation multiples of comparable companies. On the basis of valuation of the expressway operating business carried out by Bay Area Development through the concession of two expressways owned by affiliated joint ventures, the valuation adds back the net amount of other non-operating, surplus assets and liabilities[1] of Bay Area Development and the two joint ventures owned by Bay Area Development in proportion to their equity as the valuation of 100% equity interest in Bay Area Development.

Considering that there are few H-share listed companies in the expressway operation category, and Shenzhen Expressway and Bay Area Development in the Transaction are both H-share and A-share listed companies, the valuation needs to take into account the capital market conditions of the two places, and balance the consideration of valuation level of buyer and seller markets compared to companies in the same industry. The expressway operating business carried out by Bay Area Development through the concession of two expressways, i.e.

1 Net amount of other non-operating, surplus assets and liabilities = Other non-operating assets + surplus assets – liabilities. The overall value of enterprise represents the value of operating business added back to the value of other non-operating assets and surplus assets; the equity value of enterprise represents the overall value of the enterprise minus the value of liabilities.

the Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway, owned by affiliated joint ventures is located in the PRC. Therefore, the selected comparable companies are H-share or A-share listed companies whose main business are domestic expressway operations, and income from expressway-related segment accounts for a higher proportion of its total income[2].

Based on the above criteria, the EV/EBITDA of comparable companies as of 15 March 2021 is shown as following:

No.	**Securities code**	**Securities abbreviation**	**EV/EBITDA**
1	000429.SZ	Guangdong Expressway A	7.76
2	000755.SZ	Shanxi Road and Bridge	8.05
3	000828.SZ	Dongguan Holdings	7.12
4	001965.SZ	China Merchants Highway	15.86
5	600020.SH	Zhongyuan Expressway	8.68
6	600033.SH	Fujian Express	4.08
7	600350.SH	Shandong Hi-speed	16.15
8	601518.SH	Jilin Expressway	6.61
9	0576.HK	Zhejiang Shanghai-Hangzhou-Ningbo	10.59
10	0177.HK	Jiangsu Ninghu Expressway	8.72
11	0548.HK	Shenzhen Expressway	6.81
12	0995.HK	Anhui Wantong Expressway	3.41
13	1052.HK	Yuexiu Transport Infrastructure	10.18
14	1576.HK	Qilu Expressway	9.06
15	1785.HK	Chengdu Expressway	5.81
Max value			16.15
Minimum value			3.41
Average of A-share after excluding extreme values			8.31
Median of A-share after excluding extreme values			7.76
Average of H-share after excluding extreme values			8.53
Median of H-share after excluding extreme values			8.89
Average of H-share and A-share after excluding extreme values			8.41
Median of H-share and A-share after excluding extreme values			8.05

Note 1: Source: Wind Information;

Note 2: The EV of comparable companies represents the value as of 15 March 2021;

Note 3: In view of the fact that the business operation of the expressway operation industry in 2020 was negatively impacted by the COVID-19 epidemic, the business operations in 2020 cannot reasonably reflect the operational performances and capabilities. Therefore, the EBITDA of comparable companies was the average amount data in 2018 and 2019.

[2] Considering that the number of A-share expressway operating listed companies is significantly higher than that of H-share expressway operating listed companies, in order to balance the number between H-share listed companies and A-share listed companies among selected comparable companies, for H-share listed companies, the proportion of income from expressway related business to total income for recent years shall reach above 50%; for A-share listed companies, the proportion of income from expressway related business to total income for recent years shall reach above 75%.

According to the above table, based on the consideration of prudence, after excluding extreme values, the average and median data of H-share and A-share comparable companies are selected as the EV/EBITDA reference range of comparable companies. As of 15 March 2021, the EV/EBITDA reference range of comparable companies is 8.05 times to 8.41 times. As the operation of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway in 2020 was negatively impacted by the COVID-19 epidemic, which cannot reasonably reflect the operational performances and capabilities, the total average EBITDA of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway joint ventures owned by Bay Area Development in proportion to their equity in 2018 and 2019[3] is adopted as the EBITDA of the expressway operating business carried out by Bay Area Development through the concession of two expressways owned by affiliated joint ventures, which is calculated as RMB1,871,692,100.

Based on the above-mentioned EV/EBITDA reference range, the valuation range of the expressway operating business carried out by Bay Area Development through the concession of two expressways owned by affiliated joint ventures is RMB15,070,336,700 to RMB15,740,962,500. As of 31 December 2020, the net amount of other non-operating and surplus assets and liabilities of Bay Area Development and two joint ventures holds by Bay Area Development in proportion to its equity amounted to RMB-4,916,719,100[4]. According to the aforementioned analysis, valuation of 100% equity of Bay Area Development = valuation of the expressway operating business carried out by Bay Area Development through the concession of two expressways owned by its affiliated joint ventures + net amount of other non-operating and surplus assets and liabilities of Bay Area Development and the two joint ventures owned by Bay Area Development in proportion to their equity. The valuation of 100% equity in Bay Area Development ranged from RMB10,156,617,600 to RMB108,24,243,500. Based on the central parity rate of RMB to Hong Kong dollar on the valuation reference date and the total number of shares of Bay Area Development as of the valuation reference date, the valuation of the price per share of Bay Area Development ranged from HK$3.93 per share to HK$4.19 per share.

3 The financial data of two joint ventures in 2018 and 2019 is based on the financial data disclosed by Bay Area Development in their annual and semi-annual reports, of which the financial data in 2018 has not been audited.

4 The financial data of Bay Area Development and two joint ventures is based on the financial data disclosed by Bay Area Development in its annual report. Since Bay Area development does not directly carry out the expressway operation business, the assets in the consolidated statement (except for the equity of two expressway joint venture companies) are calculated as non-operating and surplus assets this time; the assets of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Line Expressway joint ventures (except for property and equipment, intangible assets of operating rights), mainly cash and other current assets, are calculated as non-operating and surplus assets this time. All corresponding liabilities items that are not distinguished as operational or non-operational, are regarded as deductions in the net calculation, which is treated relatively soundly. Except for the "joint venture equity" item, other assets and liabilities are calculated as the amount of corresponding items of Bay Area development + the amount of corresponding items of Guangzhou-Shenzhen Expressway joint venture x percentage of equity interests in Guangzhou-Shenzhen Expressway joint venture held by Bay Area Development + the amount of corresponding items of Guangzhou-Zhuhai West Line Expressway joint venture x percentage of equity interests in Guangzhou- Zhuhai Expressway joint venture held by Bay Area Development. For the amount of "joint venture equity" item, Bay Area Development joint venture mainly includes two expressway joint ventures and Xintang Real Estate Project Company. As the assets and liabilities of two expressway joint ventures have been calculated based on the equity ratio, the "joint venture equity" item only lists the value of 14.625% equity in Xintang Real Estate Project Company beneficially held by Bay Area Development as of the valuation reference date. Given that Bay Area Development sold 22.5% equity in Xintang Real Estate Project Company on 10 September 2020, which is close to the valuation reference date, based on the 22.5% equity transaction price of RMB557,898,665, the value of 14.625% equity in Xintang Real Estate Project Company held by Bay Area Development is calculated as a pro rata basis.

In view of the fact that the Transaction is the acquisition of controlling rights, and the valuation multiples of comparable companies do not fully reflect the value of the controlling stake, the controlling premium adjustments are made for the above-mentioned price per share of Bay Area Development. Taking into account the market valuation research and practice, the valuation conducts controlling premium analysis with reference to the privatization cases by way of offer or scheme of arrangement completed since 2020 in the Hong Kong stock market and suspended trading before the first announcement of the privatization price for inside information control, and the transfer cases of the controlling stake of A-share and H-share listed companies disclosed and completed since 2019 with the equity transfer ratio of more than 29%.

There are a total of 23 privatization cases completed since 2020 in the Hong Kong stock market and suspended trading before the first announcement of the privatization price for inside information control, among which, there are 8 cases of general offer and 15 cases of agreement arrangement. The premium of the privatization price over the average prices in one trading day, 30 trading days, 60 trading days and 90 trading days preceding suspension are as follows[5]:

Type of transaction	Item	Premium over the average price in one trading day preceding suspension	Premium over the average price in 30 trading days preceding suspension	Premium over the average price in 60 trading days preceding suspension	Premium over the average price in 90 trading days preceding suspension
General offer	First quartile	28%	40%	41%	45%
	Third quartile	72%	71%	77%	83%
	Average	53%	57%	61%	67%
Agreement arrangement	First quartile	19%	32%	36%	37%
	Third quartile	74%	74%	67%	54%
	Average	50%	54%	52%	48%

Note: Source: Wind Information

There are a total of 21 transfer cases of the controlling stake of A-share and H-share listed companies disclosed and completed since 2019 with the equity transfer ratio of more than 29%. The premium of the transfer price over the average prices in one trading day, 30 trading days, 60 trading days and 90 trading days preceding the first announcement are as follows[6]:

5 As JOYCE BOUTIQUE (0647.HK) did not enter into a valid transaction on one trading day before the suspension to record the average transaction price, the average price of the most recent trading day with valid transactions on that day is adopted.

6 As certain cases did not enter into a valid transaction on one trading day before the first announcement to record the average transaction price, the average price of the most recent trading day with valid transactions on that day is adopted.

Item	Premium over the average price in one trading day preceding the first announcement	Premium over the average price in 30 trading days preceding the first announcement	Premium over the average price in 60 trading days preceding the first announcement	Premium over the average price in 90 trading days preceding the first announcement
First quartile	11%	20%	22%	20%
Third quartile	41%	37%	36%	41%
Average	26%	29%	30%	32%

Note: Source: Wind Information

Based on the above analysis, considering the two types of market cases, the controlling premium rate ranges from 11% to 50%. Taking into account that the main assets of Bay Area Development are non-controlling joint venture interests in expressway assets, and the proportion of shares in which the control of Bay Area Development is transferred indirectly in the Transaction is relatively high, the controlling premium rate in the valuation is determined as 15% based on the principle of prudence. After considering the controlling premium rate, the valuation of the price per share of Bay Area Development ranges from HK$4.52/share to HK$4.82/share, namely, under the analysis using the comparable company approach, the valuation of the price per share of Bay Area Development ranges from HK$4.52/share to HK$4.82/share.

(II) Analysis by Comparable Transaction Method

The comparable transaction method focuses on the valuation of target of market M&A transactions with similar businesses and judges the reasonableness of the valuation of relevant companies based on such valuation.

Considering that there are few M&A transactions of listed companies in the expressway operation category, especially the M&A transactions of H-share listed companies in the expressway operation category, and Shenzhen Expressway and Bay Area Development in the Transaction are both H-share and A-share listed companies, the valuation needs to take into account the capital market conditions of the two places, and balance the consideration of valuation level of buyer and seller markets compared to companies in the same industry. The selection criteria for the comparable transaction in the valuation are:

(1) M&A transactions announced by A-share or H-share listed companies in the expressway operation category since 2019;

(2) The main business of target company is the expressway operation business in mainland China, and the target company has achieved profitability in the year before the transaction announcement;

(3) Listed companies obtain the controlling stake of target company through M&A transactions.

As it is difficult to obtain the assets and liabilities, income and operation of the acquisition targets in comparable transactions and accurately calculate EV/EBITDA, taking into account that EV/EBITDA can reflect the asset resources and the operating performance of asset resources of enterprises at the same time, as well as that the asset resources of expressways and the operating performance of asset resources are important influencing factors of its value, the P/E ratio and P/B ratio are used as alternative valuation indicators to conduct valuation analysis by comparable transaction method. The P/E ratios of comparable transaction targets are shown in the following table:

Listed company	**Acquisition target**	**Year of announcement**	**Net profit attributable to the parent company in the year before the announcement** *(RMB'0,000)*	**Price for the 100% equity of the target company** *(RMB'0,000)*	**P/E ratio**
Guangdong Expressway	21% equity interests in Guanghui Expressway[7]	2020	100,265.17	1,187,404.56	11.84
Shanxi Luqiao	100% equity interests in Pingyun Expressway	2020	20,532.07	280,536.66	13.66
Shandong Expressway	100% equity interests in Luzhou Southeast Expressway	2019	1,438.96 8,184.56	184,000.00 184,000.00	127.87 22.48
Shenzhen Expressway	89.93% equity interests in Longda Expressway	2020	7,217.58	52,300.00	7.25
Qilu Expressway	100% tolling right and related assets and liabilities of Deshang Expressway and South China Expressway	2020	7,930.70	229,000.00	28.88

Note: Source: Related announcements of listed companies

In the above case of Shandong Expressway, the target company is in the early stage of operation, and has just turned from loss to profits in 2018. There are big differences between the net profit in 2018 of RMB14,389,600 and the average estimated net profit of RMB81,845,600 during the relatively stable operation period from 2019 to 2023, and the P/E ratio of 127.87 times calculated correspondingly deviates from the valuation level of other comparable transactions significantly. Therefore, by excluding such obviously deviating P/E

7 Guangdong Expressway held 30% equity interests in Guanghui Expressway before the transaction. Through the acquisition of 21% equity interests in Guanghui Expressway, Guangdong Expressway will hold a total of 51% equity interests in Guanghui Expressway, achieving the controlling stake of Guanghui Expressway.

ratios, and calculating the P/E ratio of this case based on the average estimated net profit from 2019 to 2023, the P/E ratios of the targets of comparable transactions are shown in the following table[8]:

Listed company	Acquisition target	Year of announcement	Net profit attributable to the parent company in the year before the announcement *(RMB'0,000)*	Price for the 100% equity of the target company *(RMB'0,000)*	P/B ratio
Guangdong Expressway	21% equity interests in Guanghui Expressway	2020	100,265.17	1,187,404.56	11.84
Shanxi Road and Bridge	100% equity interests in Pingyun Expressway	2020	20,532.07	280,536.66	13.66
Shandong Hi-speed	100% equity interests in Luzhou Southeast Expressway	2019	8,184.56	184,000.00	22.48
Shenzhen Expressway	89.93% equity interests in Longda Expressway	2020	7,217.58	52,300.00	7.25
Qilu Expressway	100% tolling right and related assets and liabilities of Deshang Expressway and South China Expressway	2020	7,930.70	229,000.00	28.88
Average					16.82
Median					13.66

Note: Source: Related announcements of listed companies

The P/B ratios of the target companies of comparable transactions are shown in the following table:

Listed company	Acquisition target	Year of announcement	Net profit attributable to the parent company in the year before the announcement *(RMB'0,000)*	Price for the 100% equity of the target company *(RMB'0,000)*	P/B ratio
Guangdong Expressway	21% equity interests in Guanghui Expressway	2020	356,484.84	1,187,404.56	3.33

8 After excluding the significantly deviating P/E ratios, since the number of comparable transactions is small, and the level of P/E ratios of comparable transactions are relatively discrete, and do not reflect a significant concentration or relatively continuous distribution, it is inappropriate to further delete the comparable transaction sample based on the consideration of prudence, and therefore no further removal of the maximum and minimum values when calculating the average and median.

Listed company	Acquisition target	Year of announcement	Net profit attributable to the parent company in the year before the announcement *(RMB'0,000)*	Price for the 100% equity of the target company *(RMB'0,000)*	P/B ratio
Shanxi Road and Bridge	100% equity interests in Pingyun Expressway	2020	173,527.84	280,536.66	1.62
Shandong Hi-speed	100% equity interests in Luzhou Southeast Expressway	2019	74,766.91	184,000.00	2.46
Shenzhen Expressway	89.93% equity interests in Longda Expressway	2020	8,578.98	52,300.00	6.10
Qilu Expressway	100% tolling right and related assets and liabilities of Deshang Expressway and South China Expressway	2020	129,852.37	229,000.00	1.76

Note: Source: Related announcements of listed companies

In the above case of Shandong Expressway, the target company is in the early stage of operation, and has just turned from loss to profits in 2018. Although the future estimated net profit of the target company was disclosed, the estimated net asset was not disclosed. The net asset for the most recent period before the announcement may underestimate the normal asset resources of the target company. Therefore, based on the consideration of prudence, this case shall be removed under the P/B ratio method. In addition, in the above case of Shenzhen Expressway, its P/B ratio is significantly higher than that of other transaction cases. Based on the consideration of prudence, this case shall be removed under the P/B ratio method. After the aforementioned adjustments, the P/B ratios of the target companies of comparable transactions are shown in the following table:

Listed company	Acquisition target	Year of announcement	Net profit attributable to the parent company in the year before the announcement *(RMB'0,000)*	Price for the 100% equity of the target company *(RMB'0,000)*	P/B ratio
Guangdong Expressway	21% equity interests in Guanghui Expressway	2020	356,484.84	1,187,404.56	3.33
Shanxi Road and Bridge	100% equity interests in Pingyun Expressway	2020	173,527.84	280,536.66	1.62

Listed company	Acquisition target	Year of announcement	Net profit attributable to the parent company in the year before the announcement *(RMB'0,000)*	Price for the 100% equity of the target company *(RMB'0,000)*	P/B ratio
Qilu Expressway	100% tolling right and related assets and liabilities of Deshang Expressway and South China Expressway	2020	129,852.37	229,000.00	1.76
Average					2.24
Median					1.76

Note: Source: Related announcements of listed companies

Based on the consideration of prudence, the average and median are selected as the reference ranges of PE ratio and PB ratio of comparable transactions. The reference PE ratio of the above comparable transactions ranged from 13.66 times to 16.82 times, and the reference PB ratio of the comparable transactions ranged from 1.76 times to 2.24 times. Since the Transaction is the acquisition of controlling stake of a listed company, and the subject matter of the comparable transaction is the controlling stake of a non-listed company, in general, listed companies have liquidity premium as compared to non-listed companies. Thus, the reference ranges of PE ratio and PB ratio of the above comparable transactions are adjusted by liquidity premium. Together with the research and practice of market valuation, the liquidity premium is analyzed with reference to the premium of secondary market price over the IPO issue price in a certain period after IPO in the Hong Kong stock market.

A total of 85 IPO cases which are listed in the Hong Kong stock market one year before the valuation benchmark date (i.e. since 16 March 2020) and trading for 90 trading days before the valuation benchmark date are selected for analysis. The premium of the closing price on the first day of IPO, the closing price on the 30th trading day, the closing price on the 60th trading day and the closing price on the 90th trading day over the issue price is as follows:

Type	Average premium of the closing price on the first day of listing over issue price	Average premium of the closing price on the 30th trading day over issue price	Average premium of the closing price on the 60th trading day over issue price	Average premium of the closing price on the 90th trading day over issue price	Average
Premium ratio	27.28%	32.55%	21.18%	13.79%	23.70%

Note: Source: Wind Information

Within a certain period after IPO, the average premium of the secondary market price over the IPO issue price ranged from 13.79% to 32.55%. Based on the consideration of prudence, the average of 23.70% of those average premiums at the above four point-in-times is applied as the reference of liquidity premium ratio of the valuation.

After taking into consideration of the liquidity premium ratio, the reference PE ratio of comparable transactions range from 16.90 to 20.81 times, and the reference PB ratio of comparable transactions ranged from 2.18 to 2.77 times. Taking into account that the operation performance of Bay Area Development was significantly affected by the epidemic in 2020, and the return from disposal of 22.5% equity interests in Xintang Real Estate Project Company in 2020 was relatively higher, the net profit of Bay Area Development attributable to the parent company in 2020 may not fully reflect the normal profit level of Bay Area Development, thus the PE ratio valuation analysis is carried out on basis of the average net profit of Bay Area Development attributable to the parent company[9] of RMB606,515,000 in 2018 and 2019; also, although the operation performance of Bay Area Development was affected by the above special factors in 2020, from the perspective of asset resources, the net assets attributable to the parent company at the end of 2020 could relatively better reflect the existing asset resources owned by Bay Area Development. Therefore, the PB ratio valuation analysis is conducted on basis of the net assets of Bay Area Development attributable to the parent company at the end of 2020 of RMB4,978,116,000.

The valuation price per share of Bay Area Development which is calculated based on the above reference range of PE ratio of comparable transactions after taking into account the liquidity premium ratio, ranges from HK$3.97 per share to HK$4.89 per share, and the valuation price per share of Bay Area Development which is calculated based on the above reference range of PB ratio of comparable transactions after taking into account the liquidity premium ratio, ranges from HK$4.21 per share to HK$5.34 per share. Combined with the valuation and analysis of comparable transactions from perspectives of asset resources and operation performance of asset resources, based on the consideration of prudence and taking the intersection between valuation range of PE ratio and PB ratio as the valuation range under the comparable transaction approach, which means, upon the analysis under the comparable transaction approach, the valuation of market price per share of Bay Area Development ranges from HK$4.21 per share to HK$4.89 per share.

(III) Analysis under Discounted Cash Flow Method

The discounted cash flow method is a valuation method based on future forecast. Bay Area Development is a company whose shares are listed in Hong Kong. Prior to the completion of the Transaction, subject to the listing regulation and commercial confidentiality, Bay Area Development could not provide us the future profit and cash flow forecast prepared and recognized by Bay Area Development.

Due to the lack of reliable and sufficient financial forecast data prepared and recognized by Bay Area Development, the valuation on Bay Area Development is not under the discounted cash flow method.

9 The financial data of Bay Area Development in 2018 and 2019 is derived from those disclosed in its annual report and interim report, particularly, the financial data of 2018 was unaudited.

III. VALUATION ANALYSIS AND RESULTS OF MARKET VALUE OF THE UNDERLYING SHARES

In summary, under the comparable company method, the valuation of market price per share of Bay Area Development ranges from HK$4.52 per share to HK$4.82 per share, while under the comparable transaction method, the valuation of market price per share of Bay Area Development ranges from HK$4.21 per share to HK$4.89 per share. The market valuation range under the comparable company method falls into that under the comparable transaction method, and taking into consideration that:

1. In viewing that Bay Area Development is a listed company, the comparability of valuations of listed companies in the same industry is relatively high;

2. The valuation of comparable transactions is formed under specific transaction conditions, and the number of comparable transactions is relatively small. The operation stages of the objects of comparable transactions are not completely consistent, and the valuation results are relatively vulnerable to the special circumstances of individual transactions; the valuation of comparable companies is formed under the open and continuous secondary market transactions, and the number of selected comparable companies is relatively large and relatively stable, and the comparable companies are basically in the stable operation stage;

3. Under the comparable transaction method, subject to the availability of data, both of the PE ratio and PB ratio are applied as valuation indicators. Even though taking into account asset resources and operation performance, according to the characteristics of expressway operation industry, EBITDA could reflect the operation performance of expressway during the operation period and the inflow of resources that could be utilized for future business operation and construction in a more direct and full manner, and EV/EBITDA can simultaneously reflect the asset resources and operation performance of asset resources of enterprises;

Therefore, considering the characteristics and valuation range of these two valuation methods, namely the comparable company method and the comparable transaction method, and taking the valuation results of the comparable company method, the valuation of the market price per share of Bay Area Development ranges from HK$4.52 per share to HK$4.82 per share. The valuation range is the valuation of the market value of shares of Bay Area Development taking into no consideration of the impact of special business agreement, strategic value, synergy value and other factors in specific transaction situation.

CHAPTER III ASSUMPTIONS

I. GENERAL VALUATION ASSUMPTIONS

(I) Assumption of Open Market

Assumption of open market: it is assumed that for assets traded in the market or intended to be traded in the market, both parties to the asset trade are on equal terms with each other and each has the opportunity and time to obtain sufficient market information to make reasoned judgments as to the function, usage and trading price of the asset. The assumption of open market is based on that the asset could be publicly traded in the market.

(II) Continuing Operations Assumption

The continuing operations assumption presumes that under the premise of continuing and normal operations of the enterprise, it will continue its operations, without termination or massive deduction of its business in the foreseeable future.

For this valuation, Bay Area Development is a listed company with independent operation capability. Without definite opposite evidence and assuming that it could, through appropriate operation and investment as well as asset allocation, maintain its capability of continuing as a going concern with no significant differences as compared to those listed companies in the peer industry, continue as a going concern, without termination or massive deduction of its business.

II. SPECIAL VALUATION ASSUMPTIONS

1. It assumes that the external economic environment remains unchanged, and the country's current macroeconomic situation does not change significantly on the reporting reference date.

2. There are no major changes in the social and economic environment in which the enterprise is located, and in the taxes and tax rates, industry supervisions and other policies implemented.

3. The management of relevant companies will perform its duties in the future operating period and continue to maintain the current operation management model for continuous operation.

4. No other force majeure or unforeseen factors will have a significant adverse impact on the enterprise.

5. For the Report, in the valuation analysis of the type of market price, the impact of the Transaction involving H-share and A-share listed companies has been taken into account to a certain extent.

6. Assuming that the relevant basic information, financial information and public information are true, accurate and complete, and there is no significant difference between the assets and liabilities of Bay Area Development as of 31 December 2020 with the assets and liabilities as of the valuation reference date.

7. The relevant financial information of Bay Area Development used in the valuation is the publicly disclosed information of Bay Area Development, which was calculated in accordance with international accounting standards. For the comparable companies selected in the valuation and the target companies in the comparable transactions, due to the differences in the types of listing and registration places, certain of them use Chinese Accounting Standards or Hong Kong Accounting Standards for accounting. The relevant accounting standards have similar requirements for revenue and cost recognition and measurement. Therefore, it is assumed that the differences in the above accounting standards have no significant impact on the calculation of valuation indicators such as EV/EBITDA and price-to-earnings ratio and the valuation conclusions. Therefore, it is assumed that the differences in the above accounting standards have no significant impact on the calculation of valuation indicators such as EV/EBITDA and PE ratio and the valuation conclusions.

8. In the first half of 2020, the expressway operation business of Bay Area Development was significantly impacted by the COVID-19 epidemic. According to the operation information of Guangzhou-Shenzhen Expressway and Guangzhu West Expressway in the second half of 2020 publicly disclosed Bay Area Development, since the second half of 2020, the business operation of Bay Area Development has basically returned to normal. As of the valuation reference date, the situation of COVID-19 epidemic is not expected to have a long-term negative impact on the business operation and valuation of Bay Area Development. Correspondingly, in the valuation, the impact on the business operation and valuation of Bay Area Development that may cause by future recurrence or aggravation of the COVID-19 epidemic has not been considered.

In case of any changes of the above conditions, the analysis in this report will lapse in general. We do not assume any legal liabilities for the lapse of the results of the Report due to the change of these conditions.

III. OTHER MATTERS

(I) Entitlement of Dividend

In the Transaction, the buyer and the vendor agreed that Bay Area Development had declared dividend of approximately HK$0.109 in equivalent per share in April 2021 (the dividend will be actually distributed on 27 July). After SIICHIC receives the dividend, Shenzhen Investment International Capital, the vendor of the Transaction shall be entitled the dividend.

(II) Tax Payment

In the Transaction, the buyer and the vendor agreed that all taxes and fees arising from the completion of the Transaction shall be borne by the buyer. The core assets of Bay Area Development are the equity interests in the joint venture of Guangzhou-Shenzhen Expressway and the joint venture of Guangzhou-Zhuhai West Line Expressway, both the domestic entities. The Transaction constitutes the indirect transfer of the shares of Bay Area Development and the equity interests in corresponding domestic entities, which may be deemed as the direct transfer of the equity interests in the PRC resident enterprises and the vendor shall pay income tax on the value-added portion of the domestic equity.

(III) Undertake the Obligation to Make up the Shortfall

In the Transaction, Shenzhen Expressway proposes to undertake the Obligation to Make up the Shortfall (please refer to relevant documents of the Transaction for details), namely, whether CMF Fund will dispose the shares of Bay Area Development within six months after 17 August 2023, the number of shares of Bay Area Development to be disposed, and the difference between the market price of shares of Bay Area Development and the then investment cost of CMF Fund upon dividend adjustment, whether CMF Fund proposes that the obligation of making up the difference is uncertain, and after Shenzhen Expressway controls Bay Area Development through the Transaction, the mature operation and management experience of Shenzhen Expressway and the synergy of road industry is conducive to the improvement of the value of Bay Area Development.

In the Transaction, the buyer has taken into consideration of the impact of the above dividend entitlement, tax payment and undertaking the obligation of making up the difference in the pricing of the Transaction. Based on the estimation of potential expenditure impact caused by tax payment and undertaking the Obligation to Make up the Shortfall provided by Shenzhen Expressway, the amortized price of 2,213,449,666 shares of Bay Area Development, representing 71.83% of shares of Bay Area Development, was HK$0.063 per share in equivalent.

CHAPTER IV CONCLUSION

I. CONCLUSION

Based on the foregoing analysis, this report mainly adopts the comparable company method and the comparable transaction method to conduct valuation analysis on the market value of 71.83% shares of Bay Area Development. When determining the transaction price of 100% equity interests of SIICHIC in the Transaction, corresponding to 71.83% shares of Bay Area Development, the core assets of SIICHIC being HK$4.603 per share. Taking into consideration of the impact of dividend entitlement, tax payment and undertaking the obligation of making up the difference, the price per share of 71.83% shares of Bay Area Development falls within the valuation of market value range of the price per share of Bay Area Development in the valuation.

II. UTILIZATION RESTRICTIONS

This report can only be used for the purpose stated in this report. Meanwhile, this report is to discuss and certify whether the transaction price of 71.83% shares of Bay Area Development in the Transaction is reasonable for the purpose stated in the Report, and taking no consideration the impact of changes in national macroeconomic policies and natural forces and other force majeure on asset prices. In the event that when there is any change in the foregoing conditions and the assumptions of continuing as a going concern followed by this report, the conclusions will generally be lapse. We do not assume any legal responsibility for the lapse of the result of the Report arising from the change of these conditions.

The conditional precedent of this report is that this economic behavior conforms to the relevant provisions of national laws and regulations, and has been approved by relevant authorities.

All or part of this report shall not be extracted, quoted or disclosed to the public media without our consent and review of relevant contents; provided that all or part of contents of this report are extracted, quoted or disclosed to the public media without our consent and review, we shall not assume any liabilities, unless otherwise provided by laws and regulations of Mainland China (excluding Hong Kong, Macao and Taiwan).

Our opinions in the Report are based on the market condition, economic trend, financial condition and other information collected as of 15 March 2021. Events and circumstances occurring after the above date are not considered in this report. Investors should be aware of relevant announcements or events issued after the reference date. For the purpose of this report, this report does not take into account the trading activities and stock price performance of related companies in the future.

This report is valid for 12 months from the reference date of the Report."

This above information is derived from the CMS Valuation Report.

Shareholders and potential investors of the Company are advised to exercise caution when considering the information of the CMS Valuation Report set out in this circular. If you are in any doubt as to any aspect of the information of the CMS Valuation Report set out in this circular, you should consult your professional advisers.

The following is the text of a report received from Pengxin Appraisal, for the purpose of incorporation in this circular.

PENGXINZIPINGBAOZI [2021] No. S131

Asset Appraisal Report For All Shareholders' Equity in Shenzhen Investment Holdings International Capital Holdings Infrastructure Co., Ltd. Involved in the Transfer of All Equity in Shenzhen Investment Holdings International Capital Holdings Infrastructure Co., Ltd. by Non-Disclosure Agreement & Indirect Transfer of 71.83% Equity in Shenzhen Investment Holdings Bay Area Development Co., Ltd. to Shenzhen Expressway Co., Ltd.

SHENZHEN EXPRESSWAY CO., LTD.,

Shenzhen Pengxin Appraisal Ltd. (the "Company"), upon the acceptance of the entrustment of your company, followed the principles of independence, objectivity and fairness according to relevant laws, regulations and asset appraisal standards, adopted the asset-based method in accordance with certain appraisal procedures, and made the appraisal of the market value of all shareholders' equity in Shenzhen Investment Holdings International Capital Holdings Infrastructure Co., Ltd. involved in the transfer of all of its equity by non-disclosure agreement and the indirect transfer of 71.83% equity in Shenzhen Investment Holdings Bay Area Development Co., Ltd. to Shenzhen Expressway Co., Ltd. as of December 31, 2020. The circumstances involved in, and the results of, the assets appraisal are reported as follows:

I. Overview of the Entrusting Party

Name of Entrusting Party: Shenzhen Expressway Co., Ltd. (hereinafter referred to as "Shenzhen Expressway" or the "Entrusting Party")

Registered Address: Fumin Toll Station, Fucheng Community, Longhua District, Shenzhen

Legal Representative: Hu Wei; Registered Capital: RMB2,180,770,326

Economic Nature: Limited liability company (listed) (Stock Code: 600548.SH)

Operating Period: December 30, 1996 to non-fixed term

Business Scope: Investment, construction management and operation management of expressways and roads; Import and export business (with qualification certificate).

II. Overview of the Assessed Enterprise

(I) Basic Situation of the Enterprise

1. Registration Status

Enterprise Name: Shenzhen Investment Holdings International Capital Holdings Infrastructure Co., Ltd. (hereinafter referred to as "Shenzhen Investment Holdings Infrastructure")

2. Information of Shareholders

The capital contribution and shareholding ratio of each shareholder of "Shenzhen Investment Holdings Infrastructure" on the base date of assets appraisal are as follows:

The shareholder of "Shenzhen Investment Holdings Infrastructure" is Shenzhen Investment Holdings International Capital Holdings Co., Ltd., with a shareholding ratio of 100%. As of the base date, the paid-in capital of "Shenzhen Investment Holdings Infrastructure" is RMB322,900.

3. Long-term Investment

The long-term investment unit of Shenzhen Investment Holdings Infrastructure on the base date is Shenzhen Investment Holdings Bay Area Development Co., Ltd. (hereinafter referred to as "Bay Area Development"), with a shareholding ratio of 71.83%, and the paid-in capital of Bay Area Development is RMB270,602,500.

(II) Historical Financial Data of the Enterprise

The annual brief statement of "Shenzhen Investment Holdings Infrastructure" (consolidated caliber) is as follows (unit: RMB'0,000)

Item/Year	**2019-12-31**	**2020-12-31**
Current assets	24,660.96	165,157.02
Non-current assets	1,113,222.37	1,028,454.15
Total assets	1,137,883.33	1,193,611.17
Current liabilities	230,969.50	391,628.48
Non-current liability	707,474.61	405,498.48
Total liabilities	938,444.11	797,126.96
Total shareholders' equity	199,439.22	396,484.21
Total owner's equity attributable to parent company minority equity	-106,907.57	106,840.59
Minority stockholders' interest	306,346.79	289,643.62

Item	**2019**	**2020**
I. Operating income		
Less: Operating costs		
Management cost	3,774.48	3,601.04
Financial expenses	35,117.62	23,788.29
Asset impairment loss	–	–
Plus: Other income	35.79	309.84
Investment income	40,245.77	15,796.04
Income from change of fair value		150.31
II. Operating profit	1,389.46	-11,133.14
III. Total profit	1,389.46	-11,133.14
Less: income tax expenses	4,264.59	17,100.39
IV. Net profit	-2,875.13	-28,233.53
V. Net profit attributable to the owner of the parent company	-12,089.13	-27,767.77
VI. Profit and loss of minority shareholders	9,214.00	-465.76

The annual summary statement of the parent company of "Shenzhen Investment Holdings Infrastructure" is as follows (unit: RMB'0,000)

Item/Year	**2019-12-31**	**2020-12-31**
Current assets	19,593.67	28,180.71
Non-current assets	952,090.94	894,485.08
Total assets	971,684.61	922,665.79
Current liabilities	201,591.51	334,866.82
Non-current liabilities	699,407.75	322,495.78
Total liabilities	900,999.26	657,362.60
Total shareholders' equity	70,685.35	265,303.19

Item	**2019**	**2020**
I. Operating income		
Less: Operating costs		
Management cost	45.39	23.71
Financial expenses	34,805.84	29,247.02
Asset impairment loss		
Plus: Other income		
Investment income	44,295.47	44,433.74
II. Operating profit	9,444.25	15,163.01
III. Total profit	9,444.25	15,163.01
Less: Income tax expenses		
IV. Net profit	9,444.25	15,163.01

The above financial data are extracted from the *Audit Report* issued by Deloitte Touche Tohmatsu Certified Public Accountants (Special General Partnership) Shenzhen Branch.

(III) Introduction to the Main Business of the Enterprise

Shenzhen Investment Holdings Infrastructure holds 71.83% equity in the listed company "Bay Area Development", thus indirectly holding affiliated companies Dongguan Guangzhou-Shenzhenzhu Expressway Co., Ltd. (Bay Area Development holds 45% of its equity) and Guangdong Guangzhou-Zhuhai West Line Expressway Co., Ltd. (Bay Area Development holds 50% of its shares), which are engaged in expressway operations, and the real estate developer Guangzhou Zhentong Industrial Development Co., Ltd. (Bay Area Development holds 15% of its equity).

Bay Area Development, formerly known as Hopewell Highway Infrastructure Co., Ltd., is a limited company incorporated in Cayman Islands. It has been listed on The Stock Exchange of Hong Kong Ltd. since August 6, 2003, with stock codes of 737 (HK$ counter) and 80737 (RMB counter). Shenzhen Investment Holdings Co., Ltd. is the ultimate parent company of Bay Area Development.

Major investees of "Bay Area Development" are specified as follows:

1. Dongguan Guangzhou-Shenzhenzhu Expressway Co., Ltd. (hereinafter referred to as "Guangzhou-Shenzhen Expressway")

The main business of Guangzhou-Shenzhen Expressway is the development, operation and management of Guangzhou-Shenzhen Expressway.

Guangzhou-Shenzhen Expressway is a trunk highway connecting Guangzhou, Dongguan and Shenzhen, three major cities in the east coast of Greater Bay Area, and Hong Kong, with a total length of 122.8 kilometers and a design speed of 120 kilometers per hour. The toll period is from July 1, 1997 to June 30, 2027.

2. Guangdong Guangzhou-Zhuhai West Line Expressway Co., Ltd. (hereinafter referred to as "Guangzhou-Zhuhai Expressway")

Guangzhou-Zhuhai Expressway was established to develop, operate and manage the Guangzhou-Zhuhai West Expressway, an expressway connecting Guangzhou, Zhongshan and Zhuhai. The expressway is constructed in three phases with a total investment of about RMB14 billion, with a total length of 97.9 kilometers and six lanes in both directions. The toll period of Phase I is 30 years from September 17, 2003; The toll period of Phase II is 25 years from June 25, 2010; The toll period of Phase III is 25 years from January 25, 2013.

3. *Guangzhou Zhentong Industrial Development Co., Ltd. (hereinafter referred to as "Zhentong Industrial")*

In December 2019, "Zhentong Industrial", jointly established by Bay Area Development and a subsidiary of Transportation Group, successfully won the land use right for the residential project of Xintang Interchange with a total plot area of about 200,000 square meters and a gross floor area (GFA) of about 600,000 square meters for RMB4.124 billion. In order to introduce professional real estate developers to participate in the construction of the residential project, in 2020, Bay Area Development and Transportation Group (through Guangdong Highway Construction) sold a total of 60% equity in Zhentong Industrial" (i.e. 22.5% equity held by Bay Area Development and 37.5% held by Guangdong Highway Construction) and borrowed money from corresponding shareholders to China Resources Land. The sale was completed in September 2020, and the sales income before tax deduction was about RMB545 million, and the sales profit after tax deduction was about RMB409 million. At present, Bay Area Development still holds 15% equity in Zhentong Industrial.

(IV) Relationship between the Principal and the Assessed Enterprise

The client of this project is the potential acquirer of the assessed enterprise.

III. Other Users of the Asset Appraisal Report

Other users of this appraisal report include: competent units and supervisory and administrative departments at higher levels responsible for examining, approving and filing the appraisal report and its corresponding economic behaviors in accordance with relevant regulations.

IV. Purpose of Appraisal

This appraisal evaluates all shareholders' equity in Shenzhen Investment Holdings Infrastructure as of December 31, 2020, and provides value reference for Shenzhen Expressway to take over all equity in Shenzhen Investment Holdings International Capital Holding Infrastructure Co., Ltd. by non-disclosure agreement & indirectly take over 71.83% equity in Bay Area Development.

The economic behavior corresponding to the appraisal purpose has been approved by Shenzhen Expressway Co., Ltd, with the approval document titled Minutes of the Office Meeting of the Presidents of Shenzhen Expressway Co., Ltd. ([2021] No.15).

We have not examined the objectivity and feasibility of using this report in whole or in part for purposes other than the above, so we are not responsible for any consequences caused thereof.

V. Object and Scope of Appraisal

The appraisal object is all shareholders' equity in "Shenzhen Investment Holdings Infrastructure".

The corresponding scope of appraisal is: all assets and related liabilities reported by Shenzhen Investment Holdings Infrastructure as of December 31, 2020, in which the carrying amount of total assets is RMB9,226,657,900, the carrying amount of total liabilities is RMB6,573,626,000, and the carrying amount of net assets is RMB2,653,031,900. These assets/liabilities have been audited by Deloitte Touche Tohmatsu Certified Public Accountants (Special General Partnership) Shenzhen Branch through the issuance of the Audit Report. The brief statements of assets and liabilities of "Shenzhen Investment Holdings Infrastructure" are shown in the table below (unit: RMB'0,000):

Assets	**As of December 31, 2020**	**Liabilities and Shareholders' Equity**	**As of December 31, 2020**
Total current assets	28,180.71	Total current liabilities	334,866.82
Total non-current assets	894,485.08	Total non-current liabilities	322,495.78
Total assets	922,665.79	Total liabilities	657,362.60
Total shareholders' equity			265,303.19

For details of assets and liabilities of Shenzhen Investment Holdings Infrastructure, please refer to the asset appraisal schedule.

The entrusted appraisal object and appraisal scope are consistent with those involved in economic behavior described in the appraisal purpose of this project.

(I) Off-Balance-Sheet Assets Declared by the Enterprise

In this appraisal, the enterprise declares that there are no off-balance-sheet assets.

(II) Assets Involved in the Appraisal Conclusions of Other Institutions

When evaluating all shareholders' equity and franchise rights of Guangshen Expressway and Guangzhou-Zhuhai Expressway, which are subsidiaries of material investment, using the income method, the forecast data of toll revenue in Traffic Volume and Revenue Forecast Research of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai West Expressway issued by Guangdong Transportation Planning Research Center in May 2021 is quoted.

VI. Value Type

(I) Value Types of this Appraisal and the Definitions

The type of the value of this appraisal is market value.

Market value refers to the estimated value of the appraised object's normal and fair trade on the base date of appraisal when the voluntary buyer and the voluntary seller act rationally without any coercion.

(II) The Choice of Value Types

The economic behavior corresponding to the purpose of this appraisal is the acquisition deal related to the appraisal object, and the market conditions of this deal are essentially similar to those defined by market value. Considering factors such as the appraisal object's own conditions, the value type selected in this appraisal is the market value under the premise of going concern.

VII. Base Date of Appraisal

The base date of this project is December 31, 2020.

The above base date of appraisal is consistent with the appraisal base date agreed in the Asset Appraisal Entrustment Contract entered into between the Entrusting Party and the Company.

In order to make the date of fulfilment of the economic behavior as close as possible to the base date of appraisal, and taking into account the time required for settlement, asset inventory and preparation of financial statements of the appraised enterprise, as well as the overall plan of economic behavior and other factors, the Entrusting Party sets the end of the above-mentioned accounting period as the base date of this appraisal.

VIII. Basis for Appraisal

The basis for this asset appraisal mainly includes economic behavior, laws and regulations, appraisal criterion, asset ownership, and pricing basis and other reference materials used in appraisal and estimation, detailed as follows:

(I) The Basis of Economic Behavior

Minutes of the Office Meeting of the Presidents of Shenzhen Expressway Co., Ltd. ([2021] No.15).

(II) Legal Basis

1. Asset Appraisal Law of the People's Republic of China.

2. Company Law of the People's Republic of China.

3. Securities Law of People's Republic of China.

4. Law of the People's Republic of China on State-owned Assets of Enterprises.

5. Provisional Regulations on Supervision and Administration of State-owned Assets of Enterprises.

6. Measures for the Supervision and Administration of State-owned Assets Trading of Enterprises.

7. Interim Measures for the Evaluation and Management of State-owned Assets of Enterprises.

8. Highway Law of the People's Republic of China.

9. Regulations on the Management of Toll Roads.

10. Measures for Transfer of Rights and Interests of Toll Roads.

11. Land Administration Law of the People's Republic of China.

12. Law of the People's Republic of China on Urban Real Estate Management.

13. Relevant tax laws and regulations.

14. Other relevant laws, regulations and normative documents.

(III) Professional Norms

1. Assets Appraisal Standards-Basic Standards (Cai Zi [2017] No.43).

2. Code of Professional Ethics for Assets Appraisal (Zhong Ping Xie [2017] No.30).

3. Standard of Asset Appraisal Practice -Asset Appraisal Procedure (Zhong Ping Xie [2018] No.36).

4. Standard of Asset Appraisal Practice -Asset Appraisal Report (Zhong Ping Xie [2018] No.35).

5. Standard of Assets Appraisal Practice-Entrusting Contract of Assets Appraisal (Zhong Ping Xie [2017] No.33).

6. Standard of Asset Appraisal Practice -Utilization of Experts' Work and Related Reports (Zhong Ping Xie [2017] No.35).

7. Standard of Asset Appraisal Practice -Enterprise Value (Zhong Ping Xie [2018] No.38).

8. Standard of Asset Appraisal Practice -Intangible Assets (Zhong Ping Xie [2017] No.37).

9. Standard of Asset Appraisal Practice -Real Estate (Zhong Ping Xie [2017] No.38).

10. Guidelines for Business Quality Control of Asset Appraisal Institutions (Zhong Ping Xie [2017] No.46).

11. Guiding Opinions on Value Types of Assets Appraisal (Zhong Ping Xie [2017] No.47).

12. Guiding Opinions on Legal Ownership of Assets Appraisal Objects (Zhong Ping Xie [2017] No.48).

13. Experts Guidelines for Assets Appraisal No.12-Calculation of Discount Rate in Evaluating Enterprise Value by Income Method.

14. Standard of Assets Appraisal Practice-Assets Appraisal Method (Zhong Ping Xie [2019] No.35).

15. Guidelines for the Application of Regulatory Rules-Assessment Class No.1 (CSRC).

16. Other relevant professional specification documents.

(IV) The Basis of Property Rights

1. Business licenses, business registration certificates, articles of association, industrial and commercial registration information, cooperation agreements of affiliated enterprises, etc. of the Entrusting Party and the appraised enterprise;

2. Real estate: house ownership certificate and land use right certificate;

3. Intangible assets: copies of franchise contract, approval documents for toll period, and approval documents for toll;

4. Other relevant certificates of property rights.

(V) The Basis and Reference Materials for Price Selection

1. List of inventory declaration and evaluation provided by "Shenzhen Investment Holdings Infrastructure".

2. Relevant information and financial accounting records and financial reports provided by the appraised enterprise.

3. Research on Traffic Volume and Revenue Forecast of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai-West Expressway issued by Guangdong Transportation Planning Research Center in May 2021 (hereinafter referred to as "Traffic Report").

4. Other relevant data collected by appraisers through field investigation and market investigation.

5. TongHuaShun Stock financial information terminal.

6. Other relevant information.

IX. Appraisal Methods

According to the Asset Appraisal Standards-Enterprise Value, when performing enterprise value appraisal, an asset appraiser should analyze the applicability of three basic asset appraisal methods, namely, asset-based method, income method and market method, and properly select one or more basic asset appraisal methods according to relevant factors such as appraisal objects, value types and data collection.

The asset-based method in enterprise value assessment is a method that reasonably appraises the value of assets and liabilities on and off the balance sheet of the appraised enterprise, and determines the value of the appraised object based on the balance sheet of the appraised enterprise on the base date of appraisal.

The income method in enterprise value assessment is a method of determining the value of the appraised object by capitalizing or discounting the expected income.

The market method in enterprise value assessment refers to the method of determining the value of the appraised object by comparing the appraised enterprise with comparable listed companies or comparable transaction cases.

(I) Applicability Analysis and Selection of Appraisal Methods

Shenzhen Investment Holdings Infrastructure is a purely holding company, and its assets essentially include 71.83% of the equity in the listed company Bay Area Development. Shenzhen Investment Holdings Infrastructure does not operate any business by itself.

The asset-based method calculates the total value of shareholders' equity by summing up the appraisal values of various essential assets constituting an enterprise and subtracting the appraisal values of liabilities, which reflect the replacement cost of the appraised enterprise on the appraisal base date, and the assets and liabilities of the appraised enterprise are easy to collect, so the asset-based method is suitable for valuation in this appraisal.

As only a purely holding company, Shenzhen Investment Holdings Infrastructure does not operate any business. It is not suitable to use the income method or the market method for valuation of such shareholding companies.

based on the appraisal purpose, appraisal object, value type, data collection and other relevant conditions, this appraisal adopts the asset-based method to evaluate all shareholders' equity in Shenzhen Investment Holdings Infrastructure.

(II) Introduction to the Asset-based Method

When Shenzhen Investment Holdings Infrastructure is evaluated by the asset-based method, 71.83% equity in the listed company Bay Area Development, which is the only significant long-term asset investment, is determined by multiplying the corresponding valuation results by the shareholding ratio. Specifically, first all the equity in "Bay Area Development" attributable to shareholders of the parent company is evaluated, multiplied by the shareholding ratio, and then the controlling stake and liquidity premium factors are considered to ultimately determine the appraisal value of this long-term investment.

Appraisal method of Bay Area Development: As a shareholding company, Bay Area Development has no real operation and its main assets are long-term investments, so it is appraised using the asset-based method, too.

The following appraisal methods are adopted for the long-term investment by Bay Area Development in Guangzhou-Shenzhen Expressway, Guangzhou-Zhuhai Expressway and Zhentong Industrial respectively:

For Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai Expressway: asset-based method and income method are used. The assets of these two companies are clear and can be valued by asset-based method; At the same time, the main business of these two companies is highway toll collection, maintenance, road property right management and resource development. The main income comes from the toll of the highways under their jurisdiction, and the annual income in the future is relatively stable. Under certain assumptions, it can reasonably predict the future operating conditions of enterprises, so the income method is also suitable to appraise these two companies.

Zhentong Industrial is a real estate project development company, and its main asset is Xintang residential development project. As Bay Area Development only holds 15% equity in Zhentong Industrial, the equity value is estimated according to the recent public trading price of Zhentong Industrial equity in the process.

(III) Introduction of Income Method

1. Evaluation model of Guangshen Expressway and Guangzhou-Zhuhai Expressway with equity income method

On the scale of income: the discounted free cash flow to equity (FCFE) method is used to evaluate all shareholders' equity in the appraised enterprise according to its asset status and business operation status.

The basic idea is to estimate the FCFE created by considering the operating assets/ resources and their corresponding interest-bearing liabilities as a whole (hereinafter referred to as the net operating assets), and calculate the value of the net operating assets by discounting at an appropriate discount rate, plus the value of the non-operating assets and surplus assets of the enterprise, so as to obtain the value of all shareholders' equity in the appraised enterprise on the base date of appraisal.

The basic model of appraisal is: $V = P + \sum Ci$

In which: V: the value of all equity held by shareholders in the appraised enterprise

P: the value of the net operating assets of the appraised enterprise

$\sum Ci$: the value of non-operating assets and surplus assets of the appraised enterprise

In the above expression: $P = \sum FCFE_t(1 + r)^{-t}$

In which: FCFEt: free cash flow to equity created by net operating assets in the next t years

r: discount rate;

t: the future sustainable operation period of the appraised enterprise

The formula of FCFE created by net operating assets is:

FCFE = net profit after tax + depreciation and amortization – capital expenditure – increase of net working capital + loan – repayment + closing recovery of working capital + closing recovery of fixed assets

Income period: it is determined according to the toll period approved by the government.

Discount rate: In this appraisal, according to the calculation caliber of net cash flow (FCFE), the discount rate is determined by capital asset pricing model (CAPM).

2. *Income method-based appraisal model for the equity in reconstruction and expansion of Guangzhou-Shenzhen Expressway*

The method of discounted FCFE before tax of asset group is adopted to evaluate the equity of reconstruction and expansion. The basic idea is to calculate the franchise value by estimating the free cash flow of firm before tax (FCFFBT) created by the asset group and selecting the appropriate discount rate. The basic formula is:

$$P = \sum_{t=1}^{n} FCFFBT_t(1 + r)^{-t}$$

In which: FCFFBTt: the free cash flow of firm before tax created by the asset group in the next t years

r: the corresponding discount rate before tax;

t: the future sustainable operation period of the asset group

In this appraisal, the free cash flow to equity before tax (FCFFBT) created by the asset group is defined as:

FCFFBT = EBITDA – capital expenditure – working capital supplement + closing recovery of working capital + closing recovery of fixed assets

In which: EBITDA = earnings before interest and tax + depreciation and amortization = net profit + income tax + interest expense + depreciation and amortization

Income period: it is determined according to the estimated government-approved toll period.

Discount rate: it is determined by pre-tax weighted average cost model according to cash flow caliber. The formula is $WACCBT = R_e * * [E/(D + E)]/(1-T) + R_d * * D/(D + E)$.

X. Assumptions of Appraisal

The establishment of the appraisal conclusion in this asset appraisal report depends on the following appraisal assumptions, including appraisal benchmark assumptions and appraisal condition assumptions:

(I) Benchmark Assumptions

1. Benchmark Assumption on Trading

It is assumed that the appraised object or all appraised assets are in the process of market transaction on the base date of appraisal, and the asset appraisal professionals will make corresponding value estimation or calculation according to the market environment and the trading conditions of the appraised object or all appraised assets on the base date.

2. Benchmark Assumption on Open Market

It is assumed that the trading market of the appraised object or all appraised assets on the base date of appraisal is an open market, i.e. a trading market that meets at least the following conditions: (1) There are a sufficient number of buyers in the market and their status is equal to each other. All buyers are voluntary, rational and have sufficient professional knowledge; (2) There are enough sellers in the market and their status is equal. All sellers are voluntary, rational and have enough professional knowledge; (3) The status of all buyers and sellers in the market is also equal; (4) All trading rules in the market are clear and open; (5) All buyers and sellers in the market are fully informed and can obtain the same and sufficient transaction information; (6) All transactions in the market are conducted freely in sufficient time, rather than under compulsory or unrestricted conditions.

3. Benchmark Assumption on Going Concern/Continuing Use

It is assumed that the economic entity corresponding to the appraisal object continues to operate according to its existing business objectives on the basis of its management team, financial structure, business model and market environment on the base date of appraisal; It is assumed that all assets/liabilities corresponding to the appraisal object will continue to be used according to the current purpose, using mode, scale, frequency and environment.

(II) Assumptions of Appraisal Conditions

1. Assumption on External Conditions of the Appraisal

It is assumed that there are no significant changes in the current national laws, regulations and policies and the national macroeconomic situation, and there are no significant changes in the political, economic and social environment in the region where the parties to this deal are located; It is assume that there is no significant change in interest rate, exchange rate, tax benchmark and tax rate, policy-based collection fee and financing conditions; It is assumed that there are no other force majeure factors and unforeseeable factors that have a significant adverse impact on the enterprise.

2. Assumptions on the Information Necessary for the Appraisal Provided by the Client and/or Relevant Parties

It is assumed that the information necessary for the appraisal provided by the client and/or relevant parties is true, complete, legal and valid. Although the client and/or relevant parties have promised to our company that the information provided is true, complete, legal and valid, and our appraisers have conducted spot checks and verifications in the way of observation, inquiry, written review, field investigation, query and review, etc., and explained the relevant information in this Asset Appraisal Report, it does not mean that we guarantee its accuracy.

3. Assumptions on Information Obtained from Sources Other Than the Client and Related Parties

It is assumed that the information obtained from sources other than the client and related parties in this appraisal can reasonably reflect the corresponding market transaction logic, or market transaction conditions, or market operation conditions, or market development trends, etc. We have truthfully disclosed the price-related standards and parameters cited in this Asset Appraisal Report.

4. Assumptions on the Legal Ownership of the Appraisal Object and its Related Important Assets

Unless otherwise stated, described and considered in this Asset Appraisal Report, the acquisition, use and holding of the appraised object and all appraised assets are assumed to comply with the provisions of national laws, regulations and normative documents – that is, their legal ownership is clear.

This appraisal is to estimate the value of the appraised object and express professional opinions, and to confirm or express opinions on the legal ownership of the appraised object and all the appraised assets is beyond the practice scope of asset appraisal professionals. We do not provide any guarantee for the legal ownership of the appraised object and all appraised assets.

5. *Other Assumptions*

(1) Unless otherwise stated in this Asset Appraisal Report, the following conditions are assumed to be in normal condition:

① All invisible assets, assets that cannot be easily observed, or certain part of assets such as building foundations and pipe networks buried underground, facilities and equipment placed near high-voltage electricity, assets that are not suitable for unpacking, and assets that are still operating in different places when we conduct on-site inspection, are assumed to be normal;

② The internal structure, performance, quality and function of all physical assets are assumed to be normal;

③ All the assets to be evaluated are assumed to be recorded, kept and stored by meeting the requirements of laws or professional specifications, so they are in a safe, economical and reliable environment, and the possible risk factors do not fall within the scope of this appraisal.

Although the appraisal procedure we adopted already includes the on-site investigation of the appraised assets, this kind of investigation is limited to the observation of the visible part of the appraised assets, as well as the spot check and limited understanding of relevant management, use and maintenance records. We do not have the ability to know the internal structure, material properties, safety and reliability of any entity assets, nor are we qualified to test, inspect or express opinions on these contents.

(III) Main Assumptions on the Income Method Appraisal

1. It is assumed that the expressway toll license will remain unchanged during the forecast period;

2. It is assumed that the management of the appraised enterprise is responsible and dutiful after the base date of appraisal;

3. It is assumed that the a reasonable competitive landscape will be maintained on the market for services of the appraised enterprises after the base date;

4. It is assumed that the accounting policies adopted by the evaluated enterprises after the benchmark date are consistent in all material aspects;

5. It is assumed that during the forecast period, the project construction and road network layout are essentially consistent with the previous plan, and no major adjustment will occur;

6. The appraised expressway project has been and will be effectively maintained and managed during the operation period and keep normal operation;

7. According to the expressway construction plan of Guangdong Province and the Traffic Report, the reconstruction and expansion project of Guangzhou-Shenzhen Expressway is planned to start in late 2021 and be completed and opened to traffic on June 30, 2027. It is assumed that the project can be opened to traffic as scheduled.

8. It is assumed that the franchise can be obtained as scheduled after the reconstruction and expansion project of Guangzhou-Shenzhen Expressway is completed, and the toll period lasts until June 30, 2052.

9. It is assumed that the total cost after the completion of the reconstruction and expansion project of Guangzhou-Shenzhen Expressway is not much different from the total investment of about RMB47.1 billion disclosed in the annual report of the listed company Bay Area Development, and its toll standard is not updated according to the existing toll standard.

XI. Prediction, Calculation and Selection of Important Parameters in the Appraisal Process

(I) Appraisal of Long-term Investment in Guangzhou-Shenzhen Expressway by Income Method

The main business of Guangzhou-Shenzhen Expressway is the development, operation and management of Guangzhou-Shenzhen Expressway.

The existing Guangzhou-Shenzhen Expressway has a total length of 122.8 kilometers and a design speed of 120 kilometers per hour. The toll period is from July 1, 1997 to June 30, 2027.

Equity of reconstruction and expansion of Guangzhou-Shenzhen Expressway. According to the relevant government planning, Guangzhou-Shenzhen Expressway is an important busy road section, and its expansion and reconstruction work has been mentioned many times. The feasibility study of pavement expansion of Guangzhou-Shenzhen Expressway is currently underway. According to the first draft of the project feasibility study report, Guangzhou-Shenzhen Expressway will be expanded by 118.2 kilometers, from the existing two-way six lanes to 8-12 lanes in different road sections. The preliminary estimated cost is about RMB47.1 billion, but the final construction scale and estimated cost have not yet been determined. According to the expressway construction plan of Guangdong Province and Traffic Report, the reconstruction and expansion project of Guangzhou-Shenzhen Expressway is planned to start construction in late 2021 and be completed and opened to traffic on June 30, 2027. It is assumed that the project can be started and opened to traffic as scheduled, and the toll period will last until June 30, 2052.

When the income method is used to evaluate Guangzhou-Shenzhen Expressway, the rights and interests of existing Guangzhou-Shenzhen Expressway and its reconstruction and expansion projects are appraised respectively.

1. Appraisal of the Existing Guangzhou-Shenzhen Expressway

(1) Income Forecast

For toll revenue, we quoted toll revenue data from Traffic Report. The toll income in future years is predicted as follows (unit: RMB'0,000):

Item/Year	2021	2022	2023	2024	2025	2026	2027/6/30
Toll revenue	325,122.05	333,595.96	342,695.31	353,452.71	362,887.97	372,139.42	194,919.04
Growth rate	40.6%	2.6%	2.7%	3.1%	2.7%	2.5%	-47.6%

Other income mainly includes the rental income of ancillary facilities, such as the rental income of gas stations, land and property, billboard lease, compensation income, etc., which is estimated after analyzing the historical data of the enterprise. The income of other businesses in future years is predicted as follows (unit: RMB'0,000):

Other business	2021	2022	2023	2024	2025	2026	2027/6/30
Rental income of gas station and land property	2,000.00	2,060.00	2,121.80	2,185.45	2,251.02	2,318.55	1,194.05
Billboard lease	800.00	800.00	800.00	800.00	800.00	800.00	400.00
Compensation income	500.00	500.00	500.00	500.00	500.00	500.00	–
Income of other business	**3,300.00**	**3,360.00**	**3,421.80**	**3,485.45**	**3,551.02**	**3,618.55**	**1,594.05**

(2) Forecast of out-of-pocket costs

The prediction of out-of-pocket costs and expenses is made on a historical basis, taking future operations into account.

(3) Forecast of financial expenses

When forecasting the future financial expenses, 30% of the annual free net cash flow is assumed to be used to repay the estimated future financial expenses in combination with the interest-bearing liabilities and interest rates on the base date. Specifically, the fee expenses are estimated by reference to history.

(4) Selection of income tax rate

The enterprise income tax rate is 25%. It should be noted that the franchise assets are amortized according to the traffic flow method in accounting and the straight-line method in taxation. This calculation of income tax is carried out under the tax caliber. During the valuation, we adjusted the total profit after the base date according to the tax caliber.

(5) Forecast of depreciation, amortization and capital expenditure

A. Depreciation and amortization of existing assets

It is measured and calculated according to the original book value, purchase time, accounting depreciation and amortization period and residual value rate of each asset of the company.

B. Renewal capital expenditure and corresponding depreciation and amortization of existing office fixed assets

Future renewal capital expenditure of existing assets is calculated according to the original book value and economic serviceable life of each asset of the company. After the renewal of existing assets, the calculation principle and method of the corresponding depreciation and amortization are the same as those applicable to the aforementioned "depreciation and amortization of existing assets".

C. Capital expenditure, future renewal expenditure and corresponding depreciation and amortization of incremental assets: none.

(6) Calculation and selection of discount rate

The income standard is the free cash flow of equity, so the discount rate adopts the cost of equity capital accordingly. The cost of equity capital is estimated using CAPM model. The formula is:

Expected return rate of equity $R_e = R_f + \beta^* * (R_m - R_f) + \varepsilon$

Where: Rf: market risk-free interest rate; Rm – Rf: market risk premium;

β: Risk coefficient; ε: enterprise-specific risk return rate;

① Market risk-free interest rate Rf

According to the yield curve (maturity) of Chinese national debt retrieved from China Bond Information Network (https://www.chinabond.com.cn/) of China Clearing Corporation, on the base date, the yield to maturity (annualized) of the national debt with a 7-year repayment period is 3.1699%, so this is taken as the risk-free interest rate Rf.

② Market risk premium Rm-Rf

Rm-Rf is the market risk premium, which refers to the expected excess return required by investors for equity investment with the same average risk as the overall market – that is, the risk compensation exceeding the risk-free interest rate.

We use the historical risk premium data of China's securities market index to calculate and determine the market risk premium. Relevant calculation principles are as follows:

Index type: Shanghai Shenzhen CSI 300 Index (CSI 300 Index). Among the indexes in China's securities market, the CSI 300 Index has a more comprehensive market representation.

Time span and data frequency: no less than 10 years (120 months). The base period of the CSI 300 Index is December 31, 2004, and the historical starting month corresponding to the return rate with an investment period of no less than 10 years (120 months) is December 2014 (the first sample data). Data frequency is monthly.

Average method: Firstly, the return rate Rm of each year meeting the time span is calculated by geometric average, and then the market risk premium of each year can be calculated accordingly; The final market risk premium is determined by arithmetic mean.

According to the above method, the market risk premium Rm-Rf on the base date is 7.10%.

③ β value

Risk coefficient β: It is obtained by adjusting the average equity β coefficient of peer listed companies – that is, inquiring the β_L value of peer listed companies with leverage and adjusting them to the β_u value of non-leverage, on which basis the β_U of the appraised enterprise is obtained employing the average value method, and finally its β_L by considering the capital structure applicable to the evaluated enterprise. The calculation formula is as follows:

$\beta_U = \beta_L/[1 + D/E \times (1 - T)]$

β_U stands for β coefficient for no financial leverage, β_L stands for the β coefficient including financial leverage, T for income tax rate, D for creditor's rights value, and E for equity value.

Determination of D/E: The interest-bearing debt D of the future years is calculated according to the loan repayment plan; for E (for the purpose of this project, it is the value of all shareholders' equity excluding surplus) in the future years, it is calculated according to the predicted value of free cash flow to equity in each year and the discount rate calculated in each year in the report to get the appraised value of all shareholders' equity excluding surplus in each year as the E of each year.

Determination of β_U: Select the listed A-share companies in the expressway industry on the Shanghai and Shenzhen exchanges, and check the value βL of these companies through the TongHuaShun iFinD system (starting date of deal: December 31, 2017; deadline for deal: December 31, 2020; Calculation period: weeks; Rate of return calculation method: ordinary rate of return; Target index: CSI 300 Index), and then convert it into value β_u according to the income tax rate and capital structure of comparable listed companies, and take the industry average as the β_u value of the appraised firm. See the table below for specific data:

Stock Code	**Stock Abbreviation**	β_L	**D/E**	**The income tax rate disclosed in the latest annual report**	β_u
000429.SZ	Guangdong Expressway A	0.4384	0.59	25.00%	0.3047
001965.SZ	China Merchants Expressway	0.6851	0.69	25.00%	0.4524
600012.SH	Anhui Expressway	0.9341	0.32	25.00%	0.7549
600020.SH	Zhongyuan Expressway	0.8114	3.98	25.00%	0.2036
600033.SH	Fujian Expressway	0.5597	0.35	25.00%	0.4431
600269.SH	Ganyue Expressway	0.6589	1.52	25.00%	0.308
600350.SH	Shandong Expressway	0.7727	1.44	25.00%	0.3719
600377.SH	Jiangsu Expressway	0.3667	0.36	25.00%	0.2886
600548.SH	Shenzhen Expressway	0.5917	1.02	25.00%	0.3356
601107.SH	Chengyu Expressway	0.6696	2.19	15.00%	0.2342
601518.SH	Jilin Expressway	0.7918	0.68	25.00%	0.5242
Average β_u					0.384

Data source: TongHuaShun iFinD

④ Enterprise-specific risk adjustment coefficient

Considering the specific risks of the appraised enterprise compared with the reference companies in terms of business scale, regional economic development and liquidity, the adjusted value of the specific risks of this project is determined to be 2.0%.

⑤ Determination of expected return rate of equity

Substituting the above parameters into the formula for calculating the expected return rate of equity, we can get:

Item/Year	2021	2022	2023	2024	2025	2026	2027/6/30
Value of all shareholders' equity excluding surplus	800,667.48	706,562.57	598,420.71	473,877.77	332,188.11	152,127.47	0.00
Value of interest-bearing liabilities	300,923.01	233,983.62	164,883.56	93,143.18	19,055.53	–	–
The overall value of the enterprise without surplus	1,101,590.49	940,546.19	763,304.27	567,020.95	351,243.65	152,127.47	0.00
Equity ratio	0.7268	0.7512	0.7840	0.8357	0.9457	1.0000	1.0000
Proportion of interest-bearing liabilities	0.2732	0.2488	0.2160	0.1643	0.0543	–	–
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.4922	0.4794	0.4634	0.4406	0.4005	0.3840	0.3840
Risk-free return rate	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%	3.17%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CAPM	8.66%	8.57%	8.46%	8.30%	8.01%	7.90%	7.90%

(7) Valuation results of all shareholders' equity in Guangzhou-Shenzhen Expressway (excluding the equity in reconstruction and expansion projects)

Discounting the predicted cash flow of enterprise equity in each period on schedule, the valuation results of all shareholders' equity in Guangzhou-Shenzhen Expressway (excluding the equity in reconstruction and expansion projects) are as follows (unit: RMB'0,000):

Item	2021	2022	2023	2024	2025	2026	2027/6/30
I. Operating income	328,422.05	336,955.96	346,117.11	356,938.16	366,438.99	375,757.97	196,513.10
Less: Operating costs	129,796.71	132,175.35	134,859.75	137,695.37	139,753.61	188,223.42	76,851.07
Business tax and surplus	1,766.98	1,812.89	1,862.18	1,920.40	1,971.52	2,021.65	1,057.28
Management cost	8,882.76	9,054.23	9,269.39	9,574.45	9,740.82	9,961.12	7,311.92
Financial expenses	14,824.71	12,236.92	9,559.34	6,795.34	3,925.73	962.22	100.00
II. Operating profit	173,150.88	181,676.56	190,566.45	200,952.60	211,047.31	174,589.54	111,192.82
Less: Income tax expenses	45,338.37	48,030.02	50,838.86	54,096.15	57,194.35	48,684.54	23,444.94
III. Net profit	127,812.51	133,646.54	139,727.59	146,856.45	153,852.96	125,905.00	87,747.88
Plus: depreciation and amortization	89,140.04	90,334.96	91,839.08	93,542.86	94,287.89	93,054.46	56,302.54
Less: capital expenditure	305.09	448.07	820.32	780.53	695.05	414.91	11.47
Less: additional amount of working capital	997.93	402.15	412.81	484.19	486.98	889.84	-6,426.80
Plus: borrowing	–	–	–	–	–	–	–
Less: repayment	64,694.86	66,939.39	69,100.06	71,740.38	74,087.65	19,055.53	–
Plus: Recovery of matured assets	–	–	–	–	–	–	4,579.79
IV. Cash flow of enterprise equity	150,954.66	156,191.90	161,233.48	167,394.22	172,871.18	198,599.18	155,045.55
V. Discount rate	8.66%	8.57%	8.46%	8.30%	8.01%	7.90%	7.90%
Years from base date (interim discount)	0.5000	1.5000	2.5000	3.5000	4.5000	5.5000	6.2500
Discount factor	0.9593	0.8832	0.8139	0.7509	0.6943	0.6432	0.6075
VI. Discounted value of each year	144,811.17	137,945.56	131,222.53	125,703.91	120,027.58	127,730.15	94,193.37
VII. Net operating equity in enterprises							881,634.27
VIII. Excess and non-operating assets							6,205.62
IX. Value of all shareholders' equity							887,839.89

2. *Evaluation of equity in the reconstruction and expansion project of Guangzhou-Shenzhen Expressway*

(1) Income forecast

The income of the reconstruction and expansion project of Guangzhou-Shenzhen Expressway includes toll income and rental income of service area, billboards, etc. For toll income, we refer to the toll income data in Traffic Report, and predict other business income with reference to the existing situation of Guangzhou-Shenzhen Expressway. The estimated future operating income is as follows (unit: RMB'0,000):

Item/Year	July to December, 2027	2028	2029	2030	2031	2032	2033
Toll income	198,278.72	405,807.29	421,213.49	437,204.57	450,320.71	463,830.33	477,745.24
Rate of growth		104.7%	3.8%	3.8%	3.0%	3.0%	3.0%
Rental services such as service areas and billboards	1,000.00	2,000.00	2,060.00	2,121.80	2,185.45	2,251.02	2,318.55
Total operating income	199,278.72	407,807.29	423,273.49	439,326.37	452,506.16	466,081.35	480,063.79

Item/Year	2034	2035	2036	2037	2038	2039	2040
Toll income	492,077.60	506,839.92	516,976.72	527,316.26	537,862.58	548,619.83	559,592.23
Rate of growth	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Rental services such as service areas and billboards	2,388.10	2,459.75	2,533.54	2,609.55	2,687.83	2,768.47	2,851.52
Total operating income	494,465.70	509,299.67	519,510.26	529,925.80	540,550.41	551,388.30	562,443.75

Item/Year	2041	2042	2043	2044	2045	2046	2047
Toll income	565,188.15	570,840.03	576,548.43	582,313.92	588,137.06	594,018.43	599,958.61
Rate of growth	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Rental services such as service areas and billboards	2,937.07	3,025.18	3,115.93	3,209.41	3,305.70	3,404.87	3,507.01
Total operating income	568,125.22	573,865.21	579,664.37	585,523.33	591,442.75	597,423.29	603,465.62

Item/Year	2048	2049	2050	2051	2052/6/30
Toll income	606,600.66	613,316.25	620,106.18	626,971.28	314,249.81
Rate of growth	1.1%	1.1%	1.1%	1.1%	-49.9%
Rental services such as service areas and billboards	3,612.22	3,720.59	3,832.21	3,947.17	2,032.79
Total operating income	610,212.89	617,036.84	623,938.39	630,918.45	316,282.61

(2) Forecast of out-of-pocket costs

Forecast is made with reference to the historical out-of-pocket cost of the existing Guangzhou-Shenzhen Expressway.

(3) Forecast of financial expenses

When forecasting the future financial expenses, it is calculated according to the estimated total investment of the reconstruction and expansion project of Guangzhou-Shenzhen Expressway, the financing plan, the repayment of 40% of the net free cash flow, and the interest rate of the existing Guangzhou-Shenzhen Expressway project.

(4) Selection of income tax rate

The income tax rate is 25%.

(5) Forecast of depreciation and amortization

The opening time and accounting policies are estimated according to the total investment of the project.

(6) Calculation and selection of discount rate

According to the cash flow forecast of the asset group of the reconstruction and expansion project, the discount rate is WACCBT. The calculation formula is as follows:

$$WACCBT = R_e \ X \ [E/(D + E)]/(1 - T) + R_d \ X \ D/(D + E)$$

1) Capital structure D and E

Interest-bearing debt D in future years is estimated based on the total investment forecasts, financing plan and repayment plan of the project; for D + E of each year in the future (for the purpose of this project, it is the asset group value of the reconstruction and expansion project), it is calculated according to the pre-tax cash flow forecast value of each year to get the valuation of the reconstruction and expansion asset group of each year as D + E of each year;

2) Cost of equity capital Re

Expected return rate of equity $R_e = R_f + \beta \ X \ (R_m - R_f) + \varepsilon$

Risk-free interest rate of the market Rf: According to the income years of the project and the yield to maturity of long-term Chinese government bonds issued by China Government Securities Depository Trust & Clearing Co., Ltd., the risk-free interest rate Rf is determined to be 3.69%.

Market risk premium Rm-Rf and βu: It is evaluated with reference to the existing Guangzhou-Shenzhen Expressway project.

Determination of specific risks: The benchmark value of the existing Guangzhou-Shenzhen Expressway project is 2%. In addition, considering:

a) Potential development and utilization of land by Guangzhou-Shenzhen Expressway: Bay Area Development entered into a cooperation memorandum and framework agreement with Guangdong Highway Construction (a partner of Guangzhou-Shenzhen Joint Venture) on the cooperation principle of land development and utilization along Guangzhou-Shenzhen Expressway in October 2019, so as to jointly strive for the opportunity of comprehensive development and value release of existing land along Guangzhou-Shenzhen Expressway. At present, Xintang project has been launched and made great profits, while there are still many plots to be comprehensively developed and utilized during the expansion along the line.

b) Government subsidy funds that may exist during the construction process: It is assessed with reference to the government subsidies of several expressways newly built and/or under construction around Shenzhen (such as Waihuan Expressway and Shenzhen Bao'an International Airport Expressway, etc.); At present, the government has subsidized RMB300 million for this project to be recorded in deferred revenue. When construction starts in the future, there is also the possibility that the government subsidizes certain funds.

Considering the influence of the above factors, the special risk adjustment value is -1%.

In addition, when the after-tax discount rate is converted into the pre-tax discount rate formula, the adjustment factor caused by nonlinear relationship is -1% (which is calculated based on the fact that the results calculated before and after tax are essentially consistent).

To sum up, the adjusted value of the specific risk of this project is ultimately determined to be 0% (2%-1%-1%).

Substituting the above parameters into WACCBT calculation formula, we can get:

Item/Year	July to December, 2027	2028	2029	2030	2031	2032	2033
Value of concession assets	5,055,558.72	5,068,394.63	5,068,301.30	5,053,653.60	5,025,824.78	4,983,394.50	4,924,745.96
Value of interest-bearing liabilities	3,013,738.37	2,929,671.48	2,839,575.72	2,743,179.46	2,641,224.75	2,533,543.44	2,419,917.19
Value of net operating equity value	2,041,820.35	2,138,723.15	2,228,725.58	2,310,474.14	2,384,600.02	2,449,851.06	2,504,828.78
Equity ratio	0.40	0.42	0.44	0.46	0.47	0.49	0.51
Proportion of interest-bearing liabilities	0.60	0.58	0.56	0.54	0.53	0.51	0.49
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.8091	0.7785	0.7509	0.7259	0.7030	0.6818	0.6622
Risk-free return rate	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CAPM	9.43%	9.22%	9.02%	8.84%	8.68%	8.53%	8.39%
Debt cost	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
WACCBT	7.47%	7.50%	7.53%	7.56%	7.59%	7.63%	7.66%

Item/Year	2034	2035	2036	2037	2038	2039	2040
Value of concession assets	4,848,654.38	4,753,247.38	4,643,259.87	4,513,792.58	4,365,706.47	4,197,262.59	4,006,607.86
Value of interest-bearing liabilities	2,300,259.72	2,174,341.16	2,044,231.92	1,908,418.75	1,767,745.77	1,622,067.03	1,471,256.56
Value of net operating equity value	2,548,394.66	2,578,906.21	2,599,027.95	2,605,373.83	2,597,960.70	2,575,195.56	2,535,351.30
Equity ratio	0.53	0.54	0.56	0.58	0.60	0.61	0.63
Proportion of interest-bearing liabilities	0.47	0.46	0.44	0.42	0.40	0.39	0.37
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.6440	0.6268	0.6105	0.5950	0.5800	0.5654	0.5511
Risk-free return rate	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CAPM	8.26%	8.14%	8.02%	7.91%	7.81%	7.70%	7.60%
Debt cost	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
WACCBT	7.69%	7.72%	7.75%	7.78%	7.81%	7.85%	7.88%

Item/Year	2041	2042	2043	2044	2045	2046	2047
Value of concession assets	3,796,901.77	3,568,687.87	3,316,231.68	3,039,576.21	2,738,748.65	2,407,563.33	2,045,580.96
Value of interest-bearing liabilities	1,316,884.92	1,159,714.41	998,073.54	832,702.35	664,316.48	491,262.22	314,285.49
Value of net operating equity value	2,480,016.85	2,408,973.46	2,318,158.14	2,206,873.87	2,074,432.17	1,916,301.11	1,731,295.47
Equity ratio	0.65	0.68	0.70	0.73	0.76	0.80	0.85
Proportion of interest-bearing liabilities	0.35	0.32	0.30	0.27	0.24	0.20	0.15
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.5369	0.5226	0.5080	0.4927	0.4762	0.4578	0.4363
Risk-free return rate	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CAPM	7.50%	7.40%	7.30%	7.19%	7.07%	6.94%	6.79%
Debt cost	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
WACCBT	7.92%	7.96%	8.00%	8.05%	8.11%	8.18%	8.27%

Item/Year	2048	2049	2050	2051	2052/6/30
Value of concession assets	1,649,687.32	1,216,126.50	738,936.52	214,246.68	0.00
Value of interest-bearing liabilities	133,125.81	–	–	–	–
Value of net operating equity value	1,516,561.50	1,216,126.50	738,936.52	214,246.68	0.00
Equity ratio	0.92	1.00	1.00	1.00	1.00
Proportion of interest-bearing liabilities	0.08	–	–	–	–
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.4093	0.3840	0.3840	0.3840	0.3840
Risk-free return rate	3.69%	3.69%	3.69%	3.69%	3.69%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	0.00%	0.00%	0.00%	0.00%	0.00%
CAPM	6.60%	6.42%	6.42%	6.42%	6.42%
Debt cost	4.00%	4.00%	4.00%	4.00%	4.00%
Income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%
WACCBT	8.41%	8.56%	8.56%	8.56%	8.56%

(7) Valuation results of equity in reconstruction and expansion of Guangzhou-Shenzhen Expressway

Discounting the predicted free cash flow before tax in each period on schedule, the valuation results of the reconstruction and expansion rights of Guangzhou-Shenzhen Expressway are as follows (unit: RMB'0,000):

Item	July to December, 2027	2028	2029	2030	2031	2032	2033
I. Operating income	199,278.72	407,807.29	423,273.49	439,326.37	452,506.16	466,081.35	480,063.79
Less: Operating costs	93,448.93	196,628.30	202,570.91	208,690.97	213,396.18	218,201.82	223,109.68
Management cost	285.00	570.00	570.00	570.00	570.00	380.00	190.00
II. EBIT	105,544.79	210,608.99	220,132.57	230,065.40	238,539.98	247,499.53	256,764.11
Plus: depreciation and amortization	69,820.48	142,884.85	148,287.74	153,895.74	158,495.51	163,043.28	167,733.17
III. EBITDA	175,365.27	353,493.84	368,420.31	383,961.14	397,035.50	410,542.81	424,497.28
Less: capital expenditure	–	–	–	–	–	–	–
Less: additional amount of working capital	–	262.21	257.62	266.86	218.36	227.90	234.31
Plus: Recovery of matured assets	–	–	–	–	–	–	–
IV. Free cash flow before tax	175,365.27	353,231.62	368,162.69	383,694.28	396,817.14	410,314.91	424,262.97
V. Discount rate	7.47%	7.50%	7.53%	7.56%	7.59%	7.63%	7.66%
Years from base date (interim discount)	0.25	1.00	2.00	3.00	4.00	5.00	6.00
Discount factor	0.98	0.93	0.87	0.80	0.75	0.70	0.65
VI. Discounted value of each year	172,237.15	328,643.95	318,595.33	308,736.86	296,803.40	285,196.39	273,958.08

Item	2034	2035	2036	2037	2038	2039	2040
I. Operating income	494,465.70	509,299.67	519,510.26	529,925.80	540,550.41	551,388.30	562,443.75
Less: Operating costs	228,616.04	234,257.92	237,774.47	241,870.47	246,578.35	251,380.48	256,278.71
Management cost	190.00	190.00	380.00	475.00	380.00	380.00	380.00
II. EBIT	265,659.66	274,851.75	281,355.79	287,580.34	293,592.06	299,627.83	305,785.04
Plus: depreciation and amortization	172,759.47	177,936.55	181,681.49	185,402.51	189,006.07	192,778.59	196,626.56
III. EBITDA	438,419.13	452,788.30	463,037.28	472,982.85	482,598.13	492,406.41	502,411.60
Less: capital expenditure	–	–	2,000.00	–	–	–	–
Less: additional amount of working capital	263.03	271.19	194.99	227.89	265.10	270.22	277.15
Plus: Recovery of matured assets	–	–	–	–	–	–	–
IV. Free cash flow before tax	438,156.10	452,517.11	460,842.29	472,754.96	482,333.03	492,136.19	502,134.45
V. Discount rate	7.69%	7.72%	7.75%	7.78%	7.81%	7.85%	7.88%
Years from base date (interim discount)	7	8	9	10	11	12	13
Discount factor	0.5997	0.5568	0.5168	0.4796	0.4449	0.4126	0.3825
VI. Discounted value of each year	262,769.38	251,972.21	238,185.77	226,734.56	214,593.51	203,052.79	192,069.73

Item	2041	2042	2043	2044	2045	2046	2047
I. Operating income	568,125.22	573,865.21	579,664.37	585,523.33	591,442.75	597,423.29	603,465.62
Less: Operating costs	258,780.92	261,308.31	263,861.14	266,439.67	269,044.17	271,674.89	274,332.11
Management cost	190.00	95.00	190.00	190.00	380.00	570.00	570.00
II. EBIT	309,154.30	312,461.90	315,613.23	318,893.66	322,018.59	325,178.41	328,563.52
Plus: depreciation and amortization	198,399.02	200,286.11	202,383.03	204,404.96	206,637.10	208,889.68	210,972.87
III. EBITDA	507,553.32	512,748.02	517,996.25	523,298.61	528,655.69	534,068.08	539,536.39
Less: capital expenditure	–	2,000.00	–	–	2,000.00	–	–
Less: additional amount of working capital	197.96	199.72	199.35	205.01	205.29	208.35	215.81
Plus: Recovery of matured assets	–	–	–	–	–	–	–
IV. Free cash flow before tax	507,355.37	510,548.30	517,796.91	523,093.61	526,450.40	533,859.73	539,320.58
V. Discount rate	7.92%	7.96%	8.00%	8.05%	8.11%	8.18%	8.27%
Years from base date (interim discount)	14	15	16	17	18	19	20
Discount factor	0.3545	0.3284	0.3041	0.2815	0.2605	0.2409	0.2225
VI. Discounted value of each year	179,854.18	167,671.43	157,480.55	147,266.70	137,127.84	128,582.43	120,022.13

Item	2048	2049	2050	2051	2052/6/30
I. Operating income	610,212.89	617,036.84	623,938.39	630,918.45	316,282.61
Less: Operating costs	277,302.44	280,305.84	283,342.68	286,413.35	218,252.89
Management cost	570.00	570.00	380.00	190.00	595.00
II. EBIT	332,340.45	336,161.00	340,215.70	344,315.10	97,434.72
Plus: depreciation and amortization	213,302.21	215,657.34	217,848.54	220,066.10	110,801.04
III. EBITDA	545,642.66	551,818.34	558,064.24	564,381.20	208,235.76
Less: capital expenditure	–	–	–	–	–
Including: updated capital expenditure	–	–	–	–	–
Less: additional amount of working capital	229.79	233.90	205.52	115.61	-1,384.28
Plus: Recovery of matured assets	–	–	–	–	9,068.87
IV. Free cash flow before tax	545,412.87	551,584.43	557,858.72	564,265.59	218,688.91
V. Discount rate	8.41%	8.56%	8.56%	8.56%	8.56%
Years from base date (interim discount)	21.00	22.00	23.00	24.00	24.75
Discount factor	0.2054	0.1894	0.1744	0.1607	0.1511
VI. Discounted value of each year	112,033.34	104,442.84	97,306.15	90,666.95	33,041.08
VII. Asset group value of reconstruction and expansion project	5,049,044.72				
Less: total investment of reconstruction and expansion project	4,709,000.00				
Plus: government subsidies received as of the base date	30,000.00				
VIII. Value-added amount of the expansion project on the opening day	370,044.72				
Estimated number of years from the base date to the opening date	6.50	Discount rate (LPR over five years)	4.65%	Discount factor	0.7443
IX. Appraised value of equity in the reconstruction and expansion project	275,400.00				

Note: the value-added amount of the reconstruction and expansion project on the opening date is reduced to the discounted value on the base date by LPR for more than five years

3. *Appraisal results of long-term investment in Guangzhou-Shenzhen Expressway*

The appraisal value of all shareholders' equity in Guangzhou-Shenzhen Expressway (including the equity in reconstruction and expansion projects) assessed by income method on December 31, 2020 is RMB11,632,398,900 (RMB8,878,398,900 + RMB2,754,000,000).

Then, the estimated value of the 45% equity in Guangzhou-Shenzhen Expressway held by Bay Area Development is:

= RMB11,632,398,900 * 45% = RMB5,234,579,500

(II) Appraisal of Long-term Investment in Guangzhu Expressway by Income Method

1. *Forecast of income*

In the appraisal, we quoted the toll income data in the Traffic Report for toll income; The income from other businesses is predicted with reference to historical data analysis, and the estimated future operating income is as follows (unit: RMB'0,000):

Item/Year	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Toll income	166,174.69	183,359.38	194,968.52	199,074.01	182,355.22	189,723.37
Growth rate	56.2%	10.3%	6.3%	2.1%	-8.4%	4.0%
Rental and agency income	4,660.27	4,893.29	5,137.95	5,394.85	5,664.59	5,947.82
Other income	500.00	500.00	500.00	500.00	500.00	500.00
Total operating income	171,334.96	188,752.67	200,606.47	204,968.86	188,519.81	196,171.19

Item/Year	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Toll income	197,428.45	205,616.90	214,012.43	222,750.76	229,510.12	236,492.13
Growth rate	4.1%	4.1%	4.1%	4.1%	3.0%	3.0%
Rental and agency income	6,245.21	6,557.47	6,885.35	7,229.61	7,591.09	7,970.65
Other income	500.00	500.00	500.00	500.00	500.00	500.00
Total operating income	204,173.66	212,674.37	221,397.78	230,480.38	237,601.21	244,962.78

Item/Year	**2033**	**2034**	**2035**	**2036**	**2037**	**As of January 24, 2038**
Toll income	253,394.10	224,047.48	147,335.85	73,967.37	75,827.64	5,304.82
Growth rate	7.1%	-11.6%	-34.2%	-49.8%	2.5%	-93.0%
Rental and agency income	8,369.18	8,787.64	9,227.02	9,688.37	10,172.79	702.34
Other income	500.00	500.00	500.00	500.00	500.00	100.00
Total operating income	262,263.28	233,335.12	157,062.87	84,155.74	86,500.43	6,107.16

2. *Forecast of out-of-pocket costs, financial expenses, income tax, depreciation and amortization*

The forecasting principle is the same as that of Guangzhou-Shenzhen Expressway.

3. *Calculation and selection of discount rate*

The risk-free rate of return is 3.69% according to the income period of Guangzhou-Zhuhai Expressway, the market risk premium and enterprise-specific risk adjustment coefficient are the same as those applicable to Guangzhou-Shenzhen Expressway, and the calculation principle of β coefficient is the same as that of Guangzhou-Shenzhen Expressway.

The calculation result of CAPM of Guangzhou-Zhuhai Expressway is as follows:

Item/Year	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Value of all shareholders' equity excluding surplus	766,168.21	786,935.26	828,759.24	872,868.68	886,850.71	879,018.22
Value of interest-bearing liabilities	495,012.14	428,531.00	331,231.00	226,501.00	164,326.00	114,326.00
Overall value of the enterprise without surplus	1,261,180.- 35	1,215,466.- 26	1,159,990.- 24	1,099,369.- 68	1,051,176.- 70	993,344.21
Equity ratio	0.61	0.65	0.71	0.79	0.84	0.88
Proportion of interest-bearing liabilities	0.39	0.35	0.29	0.21	0.16	0.12
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.5701	0.5408	0.4991	0.4587	0.4374	0.4215
Risk-free return rate	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CAPM	9.74%	9.53%	9.23%	8.95%	8.80%	8.68%

Item/Year	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Value of all shareholders' equity excluding surplus	862,442.29	889,714.11	842,202.04	742,165.56	630,060.62	502,918.45
Value of interest-bearing liabilities	64,326.00	–	–	–	–	–
Overall value of the enterprise without surplus	926,768.29	889,714.11	842,202.04	742,165.56	630,060.62	502,918.45
Equity ratio	0.93	1.00	1.00	1.00	1.00	1.00
Proportion of interest-bearing liabilities	0.07	–	–	–	–	–
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.4055	0.3840	0.3840	0.3840	0.3840	0.3840
Risk-free return rate	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CAPM	8.57%	8.42%	8.42%	8.42%	8.42%	8.42%

Item/Year	2033	2034	2035	2036	2037	As of January 24, 2038
Value of all shareholders' equity excluding surplus	352,028.78	208,320.79	106,764.29	51,853.03	8,822.90	0.00
Value of interest-bearing liabilities	–	–	–	–	–	–
Overall value of the enterprise without surplus	352,028.78	208,320.79	106,764.29	51,853.03	8,822.90	0.00
Equity ratio	1.00	1.00	1.00	1.00	1.00	1.00
Proportion of interest-bearing liabilities	–	–	–	–	–	–
Industry average βu	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
β value with financial leverage	0.3840	0.3840	0.3840	0.3840	0.3840	0.3840
Risk-free return rate	3.69%	3.69%	3.69%	3.69%	3.69%	3.69%
Risk premium	7.10%	7.10%	7.10%	7.10%	7.10%	7.10%
Specific risk adjustment	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CAPM	8.42%	8.42%	8.42%	8.42%	8.42%	8.42%

4. *Valuation results of all shareholders' equity in Guangzhou-Zhuhai Expressway*

Discounting the predicted cash flow of enterprise equity in each period on schedule, the valuation results of all shareholders' equity in Guangzhou-Zhuhai Expressway are as follows (unit: RMB'0,000):

Item	2021	2022	2023	2024	2025	2026
I. Operating income	171,334.96	188,752.67	200,606.47	204,968.86	188,519.81	196,171.19
Less: Operating costs	84,686.15	92,333.85	97,721.43	99,301.39	90,364.39	92,196.19
Business tax and surplus	977.60	1,076.98	1,144.61	1,169.50	1,075.65	1,119.30
Management cost	4,888.96	5,123.89	5,307.73	5,389.78	5,712.47	6,114.51
Financial expenses	20,404.49	20,200.49	17,541.24	13,649.24	9,460.04	6,973.04
II. Operating profit	60,377.77	70,017.46	78,891.46	85,458.95	81,907.27	89,768.15
Less: Income tax expenses	16,903.67	19,506.06	21,836.62	23,510.60	22,525.72	24,632.85
III. Net profit	43,474.10	50,511.40	57,054.83	61,948.34	59,381.55	65,135.30
Plus: depreciation and amortization	61,115.11	66,725.16	70,695.38	71,840.96	65,650.53	66,898.40
Less: capital expenditure	735.42	209.05	473.12	36.43	3,111.85	275.40
Less: additional amount of working capital	1,862.94	622.99	470.44	243.07	-452.53	385.37
Plus: Recovery of matured assets	–	–	–	–	–	–
Plus: borrowing	–	–	–	–	–	–
Less: repayment	5,100.00	66,481.14	97,300.00	104,730.00	62,175.00	50,000.00
IV. Cash flow of enterprise equity	96,890.85	49,923.38	29,506.65	28,779.81	60,197.76	81,372.94
V. Discount rate	9.74%	9.53%	9.23%	8.95%	8.80%	8.68%
Years from base date (interim discount)	0.50	1.50	2.50	3.50	4.50	5.50
Discount factor	0.95	0.87	0.80	0.73	0.67	0.62
VI. Discounted value of each year	92,492.22	43,469.29	23,488.42	21,000.81	40,347.41	50,156.91

Item	2027	2028	2029	2030	2031	2032
I. Operating income	204,173.66	212,674.37	221,397.78	230,480.38	237,601.21	244,962.78
Less: Operating costs	95,562.11	147,995.02	151,734.91	105,635.49	108,619.89	111,696.50
Business tax and surplus	1,164.96	1,213.47	1,263.24	1,315.06	1,355.69	1,397.70
Management cost	6,115.09	6,202.96	6,305.78	6,301.59	6,188.14	6,297.09
Financial expenses	4,973.04	2,973.04	400.00	400.00	400.00	400.00
II. Operating profit	96,358.46	54,289.88	61,693.84	116,828.24	121,037.49	125,171.49
Less: Income tax expenses	26,324.31	15,892.60	17,819.23	31,652.57	32,710.39	33,804.20
III. Net profit	70,034.16	38,397.28	43,874.61	85,175.67	88,327.10	91,367.29
Plus: depreciation and amortization	69,242.46	71,961.05	74,761.17	77,582.49	79,646.26	82,004.64
Less: capital expenditure	751.06	234.97	731.15	277.38	70.29	80.69
Less: additional amount of working capital	328.44	2,277.02	357.36	-1,670.51	247.29	255.26
Plus: Recovery of matured assets	–	–	–	–	–	–
Plus: borrowing	–	–	–	–	–	–
Less: repayment	50,000.00	64,326.00	–	–	–	–
IV. Cash flow of enterprise equity	88,197.12	43,520.34	117,547.27	164,151.29	167,655.79	173,035.98
V. Discount rate	8.57%	8.42%	8.42%	8.42%	8.42%	8.42%
Years from base date (interim discount)	6.50	7.50	8.50	9.50	10.50	11.50
Discount factor	0.57	0.52	0.48	0.44	0.41	0.38
VI. Discounted value of each year	50,046.42	22,762.01	56,706.90	73,042.00	68,810.06	65,505.05

Item	2033	2034	2035	2036	2037	2038
I. Operating income	262,263.28	233,335.12	157,062.87	84,155.74	86,500.43	6,107.16
Less: Operating costs	119,390.65	105,513.78	69,685.89	35,563.55	54,708.14	4,841.84
Business tax and surplus	1,496.41	1,331.35	896.16	480.17	493.55	34.85
Management cost	5,572.65	5,009.46	2,659.23	2,620.95	2,652.01	2,962.18
Financial expenses	400.00	400.00	400.00	400.00	400.00	–
II. Operating profit	135,403.57	121,080.53	83,421.58	45,091.06	28,246.73	-1,731.71
Less: Income tax expenses	36,466.96	32,362.44	22,140.39	11,878.65	7,687.15	64.58
III. Net profit	98,936.61	88,718.09	61,281.19	33,212.41	20,559.58	-1,796.29
Plus: depreciation and amortization	87,613.12	77,028.41	50,826.08	25,862.33	26,504.74	6,978.81
Less: capital expenditure	434.29	272.02	480.21	191.64	735.15	273.97
Less additional amount of working capital	549.40	-997.69	-2,746.70	-2,483.61	811.66	-3,834.41
Plus: Recovery of matured assets	–	–	–	–	–	103.73
Plus: borrowing	–	–	–	–	–	–
Less: repayment	–	–	–	–	–	–
IV. Cash flow of enterprise equity	185,566.04	166,472.16	114,373.76	61,366.70	45,517.51	8,846.70
V. Discount rate	8.42%	8.42%	8.42%	8.42%	8.42%	8.42%
Years from base date (interim discount)	12.50	13.50	14.50	15.50	16.50	17.03
Discount factor	0.35	0.32	0.30	0.27	0.25	0.24
VI. Discounted value of each year	64,795.06	53,615.46	33,976.59	16,814.78	11,503.82	2,141.55
VII. Net operating equity in enterprises						790,674.76
VIII. Excess and non-operating assets						-26,037.18
IX. Value of all shareholders' equity						764,637.58

5. *Appraisal results of long-term investment in Guangzhou-Shenzhen Expressway*

The appraisal value of all shareholders' equity in Guangzhou-Zhuhai Expressway based on the income method on December 31, 2020 is RMB7,646,375,800.

Then, the estimated value of the 50% equity in Guangzhou-Zhuhai Expressway held by Bay Area Development is:

= RMB7,646,375,800 * 50% = RMB3,823,187,900

(III) Appraisal of Long-term Investment in "Bay Area Development"

1. *Evaluation of all shareholders' equity in "Bay Area Development" attributable to the parent company*

   The main assets of "Bay Area Development" are 45% equity in "Guangzhou-Shenzhen Expressway", 50% equity in "Guangzhou-Zhuhai Expressway" and 15% equity in "Zhentong Industrial" (estimated according to the recent transaction price). According to the book values shown in the consolidated statement of the company on the base date and the valuation results of the main assets, the final estimated value of all the equity in "Bay Area Development" attributable to the parent shareholders on the base date is RMB9,629,528,900

2. *Determination of the appraised value of 71.83% equity in Bay Area Development held by Shenzhen Investment Holdings Infrastructure*

   Bay Area Development is a listed company, and 71.83% of the equity held by Shenzhen Investment Holdings Infrastructure is a controlling stake, so the controlling stake and liquidity premium should be considered when evaluating this equity investment.

   For the determination of the premium of controlling stake, which is 15%, it is comprehensively analyzed and estimated with reference to the comparison between the P/E ratio multiples of minority stake M&A cases and controlling stake M&A cases in the historical M&A market.

   The liquidity premium is determined with reference to the increase of the secondary market price compared with the IPO issue price on the first day of IPO in Hong Kong stock market in recent one-year period (i.e., from January 1, 2020 to March 31, 2021) and within one year after listing, and taking into account the circulation ratio of Bay Area Development, which is 14%.

   The appraised value of 71.83% equity in Bay Area Development held by Shenzhen Investment Holdings Infrastructure"

   = appraised value of 71.83% general equity in Bay Area Development + liquidity premium + controlling stake premium

   = RMB8,922,788,900

XII. Appraisal Conclusion

The appraisal value of all shareholders' equity in Shenzhen Investment Holdings Infrastructure on the base date of December 31, 2020 is RMB2,630,970,000. Specifically, the book value of total assets is RMB9,226,657,900, and the appraised value is RMB9,204,596,000, with an estimated appreciation of RMB-22,061,900, and an appreciation rate of -0.24%; The book value of total liabilities is RMB6,573,626,000, and the appraised value is RMB6,573,626,000, with an estimated appreciation of RMB0,000, and an appreciation rate of 0%; The book value of net assets is RMB2,653,031,900, and the appraised value is RMB2,630,970,000, with an estimated appreciation of RMB-22,061,900 and an appreciation rate of -0.83%. The specific appraisal results are shown in the table below (unit: RMB'0,000):

Item	**Book value**	**Appraised value**	**Apprecia-tion/ Depreciation in the appraisal**	**Apprecia-tion/ Depreciation rate**
Current Assets	28,180.71	28,180.71	–	–
Non-current Assets	894,485.08	892,278.89	-2,206.19	-0.25%
Total Assets	**922,665.79**	**920,459.60**	**-2,206.19**	**-0.24%**
Current Liabilities	334,866.82	334,866.82	–	–
Non-current Liabilities	322,495.78	322,495.78	–	–
Total Liabilities	**657,362.60**	**657,362.60**	–	–
Total Shareholders' Equity	**265,303.19**	**263,097.00**	**-2,206.19**	**-0.83%**

The appraisal result of all shareholders' equity in Shenzhen Investment Holdings Infrastructure on the base date of December 31, 2020 is RMB2,630,970,000 (in words: Two Billion Six Hundred Thirty Million Nine Hundred and Seventy Thousand Yuan only).

Validity period of appraisal conclusion: Generally, the validity period of appraisal conclusion is one year, from December 31st, 2020 to December 31st, 2021.

The conclusion in this Asset Appraisal Report has taken the controlling stake premium and liquidity premium of 71.83% equity in the listed company Bay Area Development into account.

XIII. Explanation of Special Matters

The conclusion specified in this Asset Appraisal Report only reflects the market value of the appraisal object determined following relevant economic principles under the appraisal purpose, value type and appraisal assumptions. We believe that the following items found in the appraisal process may affect the appraisal conclusion, but under the current circumstances, we can't estimate their influence on the appraisal result. The users of this Asset Appraisal Report are specially reminded to pay attention to the impact of these matters on economic behavior.

1. Equity of Expansion Project of Guangzhou-Shenzhen Expressway

According to the document "Guangdong Development and Reform Commission's Reply on the Project Approval of Guangzhou-Shenzhen Expressway Reconstruction and Expansion (Xintang Interchange Reconstruction) (Guangdong Development and Reform Approval [2020] No.4)", Guangzhou-Shenzhen Expressway has acquired the rights and interests of the expansion project of Guangzhou-Shenzhen Expressway. In this appraisal, we valued the expansion equity using the income method. However, there are uncertainties about whether the project can be started as scheduled, the franchise can be obtained as scheduled, the final cost of the project, the approved toll period, toll standard, etc., as well as the release of relevant land along the line in the process of Guangzhou-Shenzhen expansion, possible related government subsidies, etc., so the users of the Report should pay attention to the impact of these uncertainties on the value.

2. Citation of the report conclusions issued by other institutions

In this appraisal, the toll income of expressway companies is directly quoted from the forecast data of the Traffic Volume and Revenue Forecast Research of Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai-West Expressway (referred to as Traffic Report) issued by Guangdong Transportation Planning Research Center, a transportation consultant specially entrusted by Shenzhen Expressway for the planned acquisition of equity, in May 2021.

For the data cited in the appraisal, we bear the responsibility for improper citation.

3. Policy on compensation for the exemption of tolls during the COVID-19 prevention and control period

According to the notice issued by the Ministry of Communications on the exemption of tolls during the COVID-19 prevention and control period, the exemption period is from February 17 to May 5, 2020. Thus far, the relevant departments of Guangdong Province have not issued a clear policy to secure the toll exemption during the period of COVID-19 prevention and control. In the Traffic Report, taking into consideration the security policy documents issued by other provinces (the compensation policy for toll road projects free of charge for 79 days, which will be postponed by 79 days starting from the expiration of the original approved toll period), the estimated total toll income for this postponement assuming that this project will be implemented according to this compensation policy is provided. In this appraisal, considering that there is no clear policy document in Guangdong Province at present, the benefits of this compensation policy are not directly considered in the prediction of future benefits.

4. Property rights certification formalities have not been fulfilled for the supporting real estate of expressways

As of the appraisal report date, some real estate supporting the Guangzhou-Shenzhen Expressway and Guangzhou-Zhuhai Expressway within the appraisal scope have not yet gone through the property right certification formalities. It is, however, a common phenomenon in the domestic expressway industry that the supporting real estate of highway does not have the property right certificate, and the impact of this matter on the valuation has not been considered in this appraisal. Users of the report thus should be reminded of this.

5. The pledge of toll right has not been released

As of the appraisal report date, the receivables and road toll rights of Guangzhou-Shenzhen Expressway have been pledged to Dongguan Branch of Bank of China Co., Ltd. for pledge loans; the road toll right of Guangzhou-Zhuhai Expressway has been pledged to syndicates such as Guangdong Branch of Bank of China Ltd. and China Development Bank for pledge loan. The impact of pledge guarantee on valuation is not considered in this appraisal. Users of the report thus should be reminded of this.

XIV. Explanation of Restrictions on the Use of Asset Appraisal Report

(I) Scope of use of this asset appraisal report

1. Restrictions on the range of users of this Asset Appraisal Report: this Asset Appraisal Report should be only used by the client and users as stipulated by laws and administrative regulations; No other organization or individual may become the user of this Asset Appraisal Report.

2. Restrictions on the use or purpose of this Asset Appraisal Report: This Asset Appraisal Report can only be used for the economic behavior corresponding to the appraisal purpose stated herein in accordance with the provisions of laws and administrative regulations, and shall not be used under any other circumstances.

3. Restrictions on the validity period of the appraisal conclusion contained in this Asset Appraisal Report: The validity period of the appraisal conclusion contained in this Asset Appraisal Report shall not exceed one year from the base date of appraisal.

4. Restrictions on the extraction, citation or disclosure of this Asset Appraisal Report: Without the written consent of the Company, the contents of this Asset Appraisal Report shall not be extracted, quoted or disclosed to the public media, unless otherwise stipulated by laws, administrative regulations and the asset appraisal entrustment contract.

(II) Liability for using this Asset Appraisal Report beyond the scope of use

If the user of the Asset Appraisal Report fails to use it in accordance with the provisions of laws and administrative regulations, and within the scope of use stated above, the Company and the signed asset appraiser shall not be liable.

(III) Other restrictions on the use of this asset appraisal report

1. The user of this Asset Appraisal Report should correctly understand and use the appraisal conclusion, which is not equal to the realizable price of the appraisal object, and the appraisal conclusion should not be construed as the guarantee of the realizable price of the appraisal object.

2. The user of this Asset Appraisal Report should pay attention to the assumptions that render the appraisal conclusion tenable. Where the actual situation when using the appraisal conclusion contained in this Asset Appraisal Report is no longer consistent with the situation on the base date of appraisal or the appraisal assumptions contained herein, the appraisal conclusion will not be tenable under normal circumstances.

3. The user of this Asset Appraisal Report should pay attention to the explanation of special matters and take corresponding measures in the process of implementing the economic behavior corresponding to the appraisal purpose.

XV. Reporting Day

Wang Mingzhi and Liu Shufang, asset appraisers of the Company, formed their final professional opinions and signed the asset appraisal report on August 10, 2021 (the reporting day of the Asset Appraisal Report).

Several annexes attached hereto are part of this Asset Appraisal Report.

Shenzhen Pengxin Appraisal Ltd.

Shenzhen, China	Asset Appraiser: Wang Mingzhi
August 10, 2021	Asset Appraiser: Liu Shufang

The following is the text of a summary of the traffic study report received from The Guangdong Provincial Transport Planning & Research Center, for the purpose of incorporation in this circular.

Study on traffic volume and revenue forecast of Guangshen Expressway and Guangzhu West Expressway

Brief Report

The Guangdong Provincial Transport Planning & Research Center was commissioned by Shenzhen Expressway Co., Ltd. to conduct a study on traffic volume and toll revenue forecasting for the Guangshen Expressway and Guangzhu West Expressway.

1. PROJECT INTRODUCTION

In Guangdong Province expressway network, the Guangshen Expressway and the Guangzhu West Expressway constitute a main passageway between the east and west sides of the Pearl River Estuary which looks like a "A" shape, have effectively promoted the economic and social development along the Guangzhou-Dongguan-Shenzhen-Hong Kong and Guangzhou-Foshan-Zhongshan-Zhuhai-Macao routes, strengthened the traffic between Guangdong, Hong Kong and Macao, especially the traffic of north-south direction in the Pearl River Delta region, and achieved one-hour traffic circle, improved regional traffic conditions and investment environment, promoted the overall development of the economy. Meanwhile, The passageway will continue to support Guangdong, Hong Kong and Macao to build a world-class Bay Area and a world-class city group, promote and enhance the connectivity level of the transport infrastructure in the Great Bay Area.

The Guangshen Expressway is an important part of the Beijing-Hong Kong-Macau Expressway (G4) and Shenhai Expressway (G15) of the national expressway network. The expressway was tested open on July 18, 1994 and officially opened on July 1, 1997. According to the Guangdong Expressway Network Plan and the "14th Five-Year Plan", the Guangshen Expressway will be expanded from the current 6-lane dual carriageway to 10-lane dual carriageway, this construction is scheduled to start by the end of 2021 and the whole route will be completed and opened by the end of 2026.

The Guangzhu West Expressway is an important part of the Pearl River Delta Regional Ring expressway, and the route is divided into three phases of construction, opened on April 30, 2004, June 25, 2010 and January 25, 2013 separately. Guangzhu West expressway has no plan to expand.

2. WORK CONTENTS

Based on the general requirements of expressway traffic volume and toll revenue forecasting research, according to the specific characteristics of the two projects, the work of this study includes:

(1) Analysis of expressway traffic characteristics in Guangdong Province;

(2) The development situation and requirements of the transportation in Guangdong Province and Guangdong-Hong Kong-Macao Greater Bay Area;

(3) A study on the transportation needs of expressways traffic in Guangdong Province;

(4) A study on the distribution and assignment of expressway traffic in Guangdong Province;

(5) Forecast of toll revenue of Guangshen expressway and Guangzhu West expressway.

3. RESEARCH METHODS

Based on the dynamic monitoring data of expressway traffic volume in Guangdong Province in the past years, analyse the traffic characteristics of Guangshen Expressway and Guangzhu West Expressway, use the "Guangdong Expressway Planning Research Model" as the application platform which is developed and continuously maintained by Guangdong Provincial Transport Planning& Research Center to predict the traffic volume and toll revenue of the corresponding characteristic years of the two projects.

The study generally follows the prediction thought of "four-stage method", combines the characteristics of comprehensive traffic travel in the Guangdong province, combines the "model split" with the "traffic generation", and constructs the "four-stage method" combination model.

The use of the "four-stage method" combination model for regional integrated transport demand forecasting has the following advantages:

(1) Obtained detailed travel data in recent years, which is able to accurately analyze the total travel volume, the travel structure and the travel flow characteristics;

(2) The study of regional traffic planning and transport mode is relatively simple, that can better reflect the behavior characteristic that the traveler's travel tends to be simultaneous rather than sequential;

(3) Reduce the bias between stages due to the lack of essential linkages and focus more coherent solutions for the assignment of traffic in all modes.

4. RESEARCH CONCLUSION

4.1 The Status of Guangshen Expressway& Guangzhu West Expressway

Traffic Volume Growth: The traffic volume carried by the Guangshen Expressway increased from 103,884 VEH/D in 2010 to 117,241 VEH/D in 2020, Generally, it maintained a high-level operation trend and increased slightly. The traffic volume carried by the Guangzhu West Expressway is 69,053 VEH/D in 2020.

Flow Distribution: The proportion of the traffic volume with full travel along the Guangshen Expressway was 0.19%, the proportion of traffic volume between the regions along the route was 33.66%, the proportion of external traffic demand along the route was 53.11%, and the proportion of traffic through the area was 13.04%.

Traffic Composition: Car accounts for about 70% of the traffic composition, showing typical traffic characteristics of urban agglomeration.

4.2 The Forecast of Total Demand of Expressway Traffic in Guangdong Province

Economic Development Forecast: The empirical method and the production function method are selected to forecast Guangdong's GDP and per-capita GDP in 2035. By 2035, Guangdong's GDP will reach about RMB25.2 trillion, and its per-capita GDP will reach about RMB199,000.

Population Development Forecast: According to the idea of "resident population=household registration population+ out-of-province floating population", the forecast range of Guangdong's resident population is from 123-134 million, of which the resident population in 2030 is about 128 million and in 2035 is about 130 million.

Demand Forecasting Model: Following the continuity, accessibility and predictability of data indicators, the one-to-one regression analysis of various indicators of social economy and transportation is carried out. The regional GDP, the resident population and the transportation volume are selected as the key indicators, and the municipal domain of each economic zone is selected as the research object, the two-dimensional demand model is constructed: $Yi=X_1\times GDP + X_2\times POP+Intercept$.

Total Demand Forecast: Based on the results of the economic and population development forecast and the demand forecasting model, the total demand of passenger and cargo traffic of expressway in the province will be 4,178.8 million units/year (11.45 million units/day) in 2035. This represents an increase of 1,982.87 vehicles/year (5.43 million units/day) over the total 2,195.93 million units/year (6.01 million units/day) in 2020, representing an average annual increase of about 4.4%.

4.3 Traffic Volume Forecast

Traffic volume assignment forecast is generally based on the "four-stage" combination model of provincial traffic planning, while considering the "growth coefficient method distribution model" has clear ideas, simple calculation and good stability in the prediction of traffic distribution, the "Fratar method" as one of the growth coefficient method is selected as the research method. The prediction of traffic assignment is based on the characteristics of China's Expressway toll policy, the traffic impedance needs to consider the impact of time and tolls to take the comprehensive value, the use of a broad operating cost of random user balance method is more realistic. Among them, the degree of re-emergence of the road network is an important factor in the prediction of the traffic assignment, the 2025 planning route has been pre-researched or is under construction, the route direction and interchange settings are basically stable, it has been simulation directly based on the GaoDe map loaded by TransCAD. The 2035 planning route is still in the conceptual stage, and there are many variables in the follow-up feasibility study, especially the implementation time node of the Guangzhou-Shenzhen passageway and the Ling Dingyang passageway as the future route in the "Guangdong Province Expressway Network Plan (2020-2035)" is difficult to determined and grasped. In addition, the setting of interchange is not clear, the "high interchange connect high interchange" is temporarily be simulated in the form of full interoperability in the model. Based on the "four-stage" combination model, the traffic volume forecast results of Guangshen Expressway and Guangzhu West Expressway in special years are shown as the table 1 below.

Table1 The forecast result of traffic volume on the Guangshen Expressway (Whole Line)

Unit: VEH、PCU/D

Year	Bus Class 1	Bus Class 2	Bus Class 3	Bus Class 4	Truck Class 1	Truck Class 2	Truck Class 3	Truck Class 4	Truck Class 5	Truck Class 6	Natural Total	Standard Equivalent
2020	90623	355	339	1533	13150	5667	2664	877	393	1639	117241	133734
2021	93406	306	335	1592	11122	4677	2691	644	108	708	115589	127306
2022	95775	313	343	1653	11488	4824	2747	648	112	717	118621	130583
2023	98324	320	352	1718	11874	4982	2809	654	116	726	121876	134105
2024	101061	328	361	1787	12281	5151	2875	661	121	737	125363	137881
2025	103996	336	370	1859	12710	5331	2947	669	126	749	129093	141924
2026	106812	344	378	1888	13084	5472	2989	683	127	761	132536	145599
2027	113010	362	398	1975	13876	5788	3125	719	132	797	140183	153895
2028	116717	372	408	2020	14375	5985	3199	743	135	818	144773	158868
2029	121295	385	422	2077	14976	6220	3287	770	138	843	150414	164958
2030	126052	399	436	2135	15603	6464	3379	798	142	868	156276	171284
2031	129354	411	453	2217	16186	6740	3504	828	147	892	160732	176293
2032	132743	424	470	2301	16791	7028	3634	860	152	916	165319	181454
2033	136221	437	487	2389	17418	7328	3769	892	158	941	170041	186771
2034	139790	451	505	2480	18069	7641	3909	926	164	967	174902	192250
2035	143452	465	524	2575	18744	7967	4054	962	170	993	179906	197894
2036	146159	474	534	2624	19134	8133	4138	982	173	1014	183365	201725
2037	148916	483	544	2673	19533	8302	4225	1002	177	1035	186891	205630
2038	151726	492	554	2724	19940	8475	4313	1023	180	1057	190484	209611
2039	154589	501	565	2775	20355	8652	4402	1044	184	1079	194147	213669
2040	157505	511	576	2827	20779	8832	4494	1066	188	1101	197880	217805
2041	159145	516	582	2857	20996	8924	4541	1077	190	1113	199940	220073
2042	160802	522	588	2887	21214	9017	4588	1088	192	1124	202022	222364
2043	162476	527	594	2917	21435	9111	4636	1100	194	1136	204125	224678
2044	164167	532	600	2947	21658	9205	4684	1111	196	1148	206250	227017
2045	165876	538	606	2978	21884	9301	4733	1123	198	1160	208397	229381
2046	167603	544	613	3009	22111	9398	4782	1134	200	1172	210566	231769
2047	169348	549	619	3040	22342	9496	4832	1146	202	1184	212758	234181
2048	171223	555	626	3074	22589	9601	4886	1159	204	1197	215114	236774
2049	173118	561	633	3108	22839	9707	4940	1172	207	1211	217495	239395
2050	175035	568	640	3142	23092	9815	4994	1185	209	1224	219903	242046
2051	176973	574	647	3177	23348	9923	5050	1198	211	1237	222337	244725
2052	178932	580	654	3212	23606	10033	5106	1211	214	1251	224799	247435

Table2 The forecast result of traffic volume on the Guangzhu West Expressway (Whole Line)

Unit: VEH、PCU/D

Year	Bus Class 1	Bus Class 2	Bus Class 3	Bus Class 4	Truck Class 1	Truck Class 2	Truck Class 3	Truck Class 4	Truck Class 5	Truck Class 6	Natural Total	Standard Equivalent
2020	52303	225	160	670	9803	2908	1540	494	119	830	69053	77561
2021	56479	201	149	646	9180	2596	1663	445	76	481	71915	79108
2022	62412	224	164	699	10196	2902	1799	477	85	521	79480	87312
2023	66428	240	173	730	10912	3128	1880	495	93	546	84624	92859
2024	67666	247	175	730	11182	3229	1884	493	96	548	86250	94557
2025	62161	229	159	659	10337	3008	1707	445	91	498	79294	86868
2026	64603	239	167	687	10744	3129	1790	462	95	525	82441	90363
2027	67146	249	174	715	11167	3257	1879	481	99	554	85721	94015
2028	69806	259	182	746	11611	3392	1980	501	104	590	89171	97885
2029	72558	270	191	777	12070	3531	2080	521	109	624	92731	101862
2030	75418	282	200	810	12547	3676	2185	542	114	660	96433	106002
2031	77807	289	206	836	12911	3771	2243	557	117	677	99414	109236
2032	80274	297	212	864	13287	3869	2304	572	120	694	102493	112577
2033	91106	336	241	982	15043	4367	2603	646	136	782	116240	127631
2034	94003	345	249	1014	15483	4482	2675	663	140	802	119855	131553
2035	96996	354	257	1047	15939	4600	2749	681	144	822	123588	135604
2036	99377	363	263	1073	16362	4722	2822	699	148	844	126672	139005
2037	101816	372	269	1100	16796	4847	2896	717	152	867	129832	142491
2038	104316	381	276	1126	17241	4976	2973	736	156	890	133071	146065

4.4 Toll Revenue Forecast

According to the notice issued by the Guangdong Provincial Department of Transport, the Guangdong Development and Reform Commission and the Guangdong Provincial Finance Department on matters related to the adjustment of the expressway vehicle tolls on January 1, 2020, the classification of expressway vehicle models and toll factors in Guangdong Province are shown in Table 3.

Table3 Classification of expressway vehicle models and toll factors in Guangdong Province

Bus			**Truck**		
Class	**Model**	**Toll Factor**	**Class**	**Model**	**Toll Factor**
Class 1	≦9seats	1	Class 1	Two axle (less than 6,000mm in length and less than 4,500kg in maximum allowable weight)	1
Class 2	10seats-19seats	1.5	Class 2	Two axle (the length of the vehicle is not less than 6,000mm and the maximum allowable total weight is not less than 4,500kg	2.1
Class 3	20seats-39seats	2	Class 3	Three axle	3.16
Class 4	≥40seats	3	Class 4	Fore axle	3.75
			Class 5	Five axle	3.86
			Class 6	Six axle	4.09

Note:

1. The classification of models is carried out in accordance with the "The Classification of Vehicle Model in Toll Road" (JT/T489-2019).

2. The charging standard of special work vehicles shall be carried out by reference to the truck.

3. For trucks with more than six axles, based on the toll coefficient of class 6 vehicles, the toll coefficient shall be increased by 0.17 for each additional axle. The toll standard for class 6 vehicles shall be implemented for working vehicles with more than six axles.

4. Large buses with 40 seats or more are charged according to bus class 3.

In principle, the calculation of toll revenue follows the relevant standards and requirements of expressway tolls, and the forecasts of toll revenue for Guangshen Expressway and Guangzhu West Expressway based on the calculation formula.

$$\sum Z_i = \text{Flow}_i \times \text{Toll}_i \times \text{Length} \times 365 \div 10{,}000$$

Z_i —— *The annual toll revenue of Class i*, Unit:10,000 YUAN/Year.

Flow_i —— *The segment traffic volume of Class i*, Unit:VEH/D;

Toll_i —— *The toll standard of Class i*, Unit:YUAN/Km/VEH;

Length —— The Length of correspond segment,Unit:Km.

The toll standard of the correspond class of vehicle shown as table below.

Table 4 Expressway Toll Standard

	Bus				Truck					
Lane number	**Class 1**	**Class 2**	**Class 3**	**Class 4**	**Class 1**	**Class 2**	**Class 3**	**Class 4**	**Class 5**	**Class 6**
4-lane dual carriageway	0.45	0.675	0.9	1.35	0.45	0.945	1.422	1.688	1.737	1.841
6-lane dual carriageway and above	0.6	0.9	1.2	1.8	0.6	1.26	1.896	2.25	2.316	2.454

Table 5 The forecast results of the annual toll revenue of Guangshen Expressway in the future (Whole Line)

Unit:10,000 YUAN/Year

Year	Bus Class 1	Bus Class 2	Bus Class 3	Bus Class 4	Truck Class 1	Truck Class 2	Truck Class 3	Truck Class 4	Truck Class 5	Truck Class 6	Total
2020	174,814.5	1,083.9	1,379.2	9,361.9	26,766.4	24,222.8	17,136.6	6,693.8	3,084.6	13,646.7	278,190.4
2021	228,539.8	1,188.1	1,735.0	12,363.0	28,790.8	25,424.5	22,012.3	6,246.8	1,077.8	7,497.7	334,875.7
2022	234,337.1	1,215.0	1,776.4	12,840.3	29,737.7	26,225.6	22,472.8	6,293.4	1,117.2	7,588.4	343,603.8
2023	240,573.9	1,243.7	1,820.3	13,344.0	30,736.6	27,083.3	22,973.8	6,349.5	1,159.8	7,691.3	352,976.2
2024	247,987.6	1,277.4	1,872.0	13,913.9	31,877.5	28,077.1	23,581.1	6,433.0	1,208.9	7,827.8	364,056.3
2025	254,450.1	1,306.0	1,916.3	14,437.7	32,901.7	28,980.3	24,102.4	6,491.5	1,254.8	7,933.7	373,774.6
2026	261,340.3	1,335.2	1,956.8	14,659.3	33,867.9	29,746.8	24,447.5	6,628.1	1,267.2	8,054.7	383,303.6
2027	276,507.0	1,406.2	2,058.5	15,338.4	35,918.9	31,465.0	25,563.1	6,981.7	1,319.8	8,434.9	404,993.7
2028	285,576.8	1,446.1	2,114.8	15,688.2	37,209.7	32,533.1	26,165.0	7,216.6	1,348.1	8,665.6	417,981.5
2029	296,776.5	1,496.0	2,185.4	16,128.7	38,767.6	33,811.7	26,891.0	7,475.8	1,380.7	8,924.2	433,849.9
2030	308,415.6	1,547.7	2,258.3	16,581.6	40,390.7	35,140.5	27,637.2	7,744.4	1,414.1	9,190.6	450,320.7
2031	316,495.9	1,596.3	2,342.9	17,214.6	41,899.5	36,640.3	28,662.9	8,039.3	1,466.3	9,442.0	463,830.3
2032	324,787.9	1,646.4	2,430.7	17,871.8	43,464.8	38,204.0	29,726.8	8,345.3	1,520.3	9,700.2	477,745.2
2033	333,297.2	1,698.2	2,521.7	18,554.1	45,088.5	39,834.5	30,830.1	8,663.0	1,576.4	9,965.5	492,077.6
2034	342,029.4	1,751.5	2,616.2	19,262.4	46,772.8	41,534.6	31,974.3	8,992.8	1,634.5	10,238.0	506,839.9
2035	350,990.4	1,806.5	2,714.2	19,997.8	48,520.1	43,307.2	33,161.0	9,335.2	1,694.8	10,518.0	522,045.1
2036	357,819.7	1,841.6	2,766.9	20,386.2	49,558.0	44,233.6	33,870.4	9,534.8	1,731.1	10,743.0	532,486.0
2037	364,781.9	1,877.4	2,820.7	20,782.2	50,618.1	45,179.8	34,594.9	9,738.8	1,768.1	10,972.8	543,135.7
2038	371,879.6	1,913.8	2,875.4	21,185.9	51,700.8	46,146.2	35,334.9	9,947.1	1,805.9	11,207.5	553,998.5
2039	379,115.4	1,951.0	2,931.3	21,597.5	52,806.7	47,133.3	36,090.7	10,159.9	1,844.6	11,447.2	565,078.4
2040	386,492.0	1,988.9	2,988.2	22,017.0	53,936.3	48,141.5	36,862.7	10,377.2	1,884.0	11,692.1	576,380.0
2041	390,354.0	2,008.8	3,018.2	22,237.5	54,476.5	48,623.6	37,231.9	10,481.2	1,902.9	11,809.2	582,143.8
2042	394,254.6	2,029.0	3,048.4	22,460.2	55,022.1	49,110.6	37,604.8	10,586.1	1,921.9	11,927.4	587,965.2
2043	398,194.2	2,049.3	3,078.9	22,685.2	55,573.2	49,602.5	37,981.4	10,692.2	1,941.2	12,046.9	593,844.9
2044	402,173.1	2,069.8	3,109.8	22,912.4	56,129.7	50,099.3	38,361.8	10,799.2	1,960.6	12,167.6	599,783.3
2045	406,191.8	2,090.5	3,140.9	23,141.8	56,691.9	50,601.0	38,746.0	10,907.4	1,980.3	12,289.4	605,781.2
2046	410,250.7	2,111.5	3,172.4	23,373.6	57,259.7	51,107.8	39,134.1	11,016.6	2,000.1	12,412.5	611,839.0
2047	414,350.1	2,132.6	3,204.1	23,607.7	57,833.2	51,619.7	39,526.0	11,127.0	2,020.1	12,536.8	617,957.4

Year	Bus Class 1	Bus Class 2	Bus Class 3	Bus Class 4	Truck Class 1	Truck Class 2	Truck Class 3	Truck Class 4	Truck Class 5	Truck Class 6	Total
2048	418,937.3	2,156.2	3,239.6	23,869.1	58,473.4	52,191.2	39,963.6	11,250.2	2,042.5	12,675.6	624,798.7
2049	423,575.3	2,180.1	3,275.5	24,133.3	59,120.8	52,769.0	40,406.0	11,374.7	2,065.1	12,815.9	631,715.7
2050	428,264.6	2,204.2	3,311.7	24,400.5	59,775.3	53,353.2	40,853.4	11,500.6	2,088.0	12,957.8	638,709.4
2051	433,005.9	2,228.6	3,348.4	24,670.6	60,437.1	53,943.8	41,305.7	11,628.0	2,111.1	13,101.3	645,780.4
2052	216,996.3	1,117.4	1,678.8	12,369.4	30,302.0	27,046.4	20,709.8	5,830.0	1,058.5	6,568.7	323,677.3
The income from the approved royalty years on June 30, 2027	137,051.3	697.3	1,020.8	7,606.2	17,811.9	15,603.2	12,676.5	3,462.2	654.5	4,182.8	200,766.6
2020 Epidemic Free compensation (79 days)	92,635.9	487.7	732.7	5,398.8	13,225.7	11,804.8	9,039.1	2,544.6	462.0	2,867.0	139,198.3

Table 6 The forecast results of the annual toll revenue of Guangzhu West Expressway in the future (Whole Line)

Unit:10,000 YUAN/Year

Year	Bus Class 1	Bus Class 2	Bus Class 3	Bus Class 4	Truck Class 1	Truck Class 2	Truck Class 3	Truck Class 4	Truck Class 5	Truck Class 6	Standard Equivalent
2020	83,667.7	570.7	541.5	3,395.0	16,547.3	10,306.8	8,214.1	3,129.9	774.3	5,727.0	132,874.3
2021	114,596.1	645.6	641.8	4,160.1	19,706.3	11,702.8	11,280.1	3,579.4	626.4	4,221.3	171,159.9
2022	126,635.3	720.2	702.0	4,502.2	21,888.0	13,083.6	12,205.7	3,841.9	705.4	4,575.9	188,860.2
2023	134,782.9	773.9	740.9	4,699.1	23,424.9	14,099.8	12,752.6	3,985.7	766.8	4,791.0	200,817.6
2024	137,693.5	798.2	751.5	4,712.8	24,068.9	14,593.8	12,817.5	3,981.6	801.4	4,827.0	205,046.2
2025	126,125.4	738.5	684.6	4,244.4	22,189.9	13,558.0	11,581.1	3,578.7	752.3	4,373.0	187,825.9
2026	131,081.4	769.2	715.8	4,422.1	23,062.6	14,107.2	12,142.3	3,721.2	783.5	4,609.7	195,415.1
2027	136,240.4	801.4	748.6	4,607.7	23,971.6	14,681.6	12,743.5	3,870.8	817.6	4,868.2	203,351.3
2028	141,637.0	835.3	783.5	4,803.4	24,925.1	15,291.8	13,429.1	4,031.8	860.2	5,179.7	211,785.4
2029	147,220.4	870.3	819.5	5,005.6	25,909.7	15,917.6	14,108.4	4,195.3	899.5	5,480.4	220,432.8
2030	153,023.9	906.8	857.2	5,216.3	26,933.3	16,569.1	14,822.1	4,365.3	940.6	5,798.5	229,433.3
2031	157,871.0	931.0	884.2	5,386.8	27,715.0	16,998.0	15,217.9	4,481.7	967.3	5,942.6	236,395.4
2032	162,877.9	956.1	912.0	5,563.3	28,522.1	17,440.1	15,628.0	4,601.5	994.9	6,091.0	243,586.9
2033	175,000.2	1,019.7	991.5	6,040.0	30,547.0	18,466.1	16,617.0	4,859.7	1,025.3	6,429.5	260,995.9
2034	155,556.1	896.3	913.8	5,538.7	27,065.3	15,895.6	14,465.1	4,144.3	801.8	5,492.0	230,768.9
2035	101,280.8	569.4	645.9	4,064.4	18,181.5	10,507.7	9,800.9	2,621.6	464.8	3,618.9	151,755.9
2036	49,807.9	250.7	381.3	2,591.9	9,502.6	5,292.4	5,265.5	1,144.6	137.2	1,812.3	76,186.4
2037	51,030.7	256.8	390.6	2,655.6	9,754.7	5,432.7	5,405.2	1,175.0	140.9	1,860.3	78,102.5
2038	3,637.1	17.3	26.3	178.9	658.4	366.7	364.8	79.3	9.5	125.6	5,464.0

Year	Bus Class 1	Bus Class 2	Bus Class 3	Bus Class 4	Truck Class 1	Truck Class 2	Truck Class 3	Truck Class 4	Truck Class 5	Truck Class 6	Standard Equivalent
2020 Epidemic Free compensation (79 days) 2033 Guangzhu West Phase I	7,266.8	45.2	32.3	209.3	1,299.7	908.9	776.0	251.6	74.8	327.1	11,191.8
2020 Epidemic Free compensation (79 days) 2035 Guangzhu West Phase II	23,732.4	146.6	123.6	692.7	4,028.7	2,416.1	2,108.9	680.1	149.5	836.7	34,915.2
2020 Epidemic Free compensation (79 days) 2038 Guangzhu West Phase III	11,062.9	57.0	86.6	588.9	2,167.3	1,207.0	1,200.9	261.1	31.3	413.3	17,076.3

4.5 Sensitivity Analysis of Traffic Volume

The sensitivity factors which have impact on traffic volume mainly comprise of social factor, economic factor, technology factor and other unforeseeable factors. Based on the impact of relevant sensitivity factors on economic development and normal growth of traffic volume in the future, the probability of rise and fall of traffic volume forecasts is given by "fuzzy comprehensive evaluation scheme", and the sensitivity of the traffic volume and toll revenue forecast results of Guangshen Expressway and Guangzhu West Expressway changes between 7.6% ~ -14.5%.

Thus, positive plan and conservative plan have been formed with forecast plan as the appropriate plan and the growth rates of 7.6% and -14.5% for the sensitivity analysis.

According to the results of sensitivity analysis, the traffic volume and toll revenue forecast results of Guangshen Expressway under three plans are as follows:

Table 1 Traffic volume forecast results of Guangshen Expressway based on sensitivity analysis (whole line)

Unit: PCU/D

Year	Appropriate plan	Positive plan	Conservative plan
2020	133,734		
2021	127,306	136,981	108,847
2022	130,583	140,508	111,649
2023	134,105	144,297	114,659
2024	137,881	148,360	117,888
2025	141,924	152,710	121,345
2026	145,599	156,665	124,487
2027	153,895	165,591	131,580
2028	158,868	170,942	135,832
2029	164,958	177,495	141,039
2030	171,284	184,301	146,448
2031	176,293	189,691	150,731
2032	181,454	195,244	155,143
2033	186,771	200,966	159,689
2034	192,250	206,861	164,373
2035	197,894	212,934	169,200
2036	201,725	217,056	172,475
2037	205,630	221,258	175,814
2038	209,611	225,541	179,217
2039	213,669	229,907	182,687
2040	217,805	234,358	186,223
2041	220,073	236,798	188,162
2042	222,364	239,263	190,121
2043	224,678	241,754	192,100
2044	227,017	244,271	194,100
2045	229,381	246,814	196,121
2046	231,769	249,383	198,162
2047	234,181	251,979	200,225
2048	236,774	254,769	202,442
2049	239,395	257,589	204,683
2050	242,046	260,441	206,949
2051	244,725	263,324	209,240
2052	247,435	266,240	211,557

Table 2 The forecast results of the annual toll revenue of Guangshen Expressway in the future based on sensitivity analysis (whole line)

Unit:10,000 YUAN/Year

Year	Appropriate plan	Positive plan	Conservative plan
2020	278,190.4		
2021	334,875.7	369,717.7	293,781.3
2022	343,603.8	379,802.4	301,794.6
2023	352,976.2	391,724.6	311,268.1
2024	364,056.3	402,181.5	319,577.3
2025	373,774.6	412,434.7	327,724.6
2026	383,303.6	435,773.2	346,269.6
2027	404,993.7	449,748.1	357,374.2
2028	417,981.5	466,822.5	370,941.7
2029	433,849.9	484,545.1	385,024.2
2030	450,320.7	499,081.4	396,574.9
2031	463,830.3	514,053.9	408,472.2
2032	477,745.2	529,475.5	420,726.3
2033	492,077.6	545,359.8	433,348.1
2034	506,839.9	561,720.6	446,348.6
2035	522,045.1	572,955.0	455,275.6
2036	532,486.0	584,414.1	464,381.1
2037	543,135.7	596,102.3	473,668.7
2038	553,998.5	608,024.4	483,142.1
2039	565,078.4	620,184.9	492,804.9
2040	576,380.0	626,386.7	497,732.9
2041	582,143.8	632,650.6	502,710.3
2042	587,965.2	638,977.1	507,737.4
2043	593,844.9	645,366.9	512,814.8
2044	599,783.3	651,820.5	517,942.9
2045	605,781.2	658,338.7	523,122.3
2046	611,839.0	664,922.1	528,353.6
2047	617,957.4	672,283.4	534,202.9
2048	624,798.7	679,726.1	540,117.0
2049	631,715.7	687,251.3	546,096.5
2050	638,709.4	694,859.7	552,142.3
2051	645,780.4	348,276.8	276,744.1
2052	323,677.3	360,326.3	286,318.7
The income from the approved concession period till June 30 for the year 2027	200,766.6	216,024.9	171,655.5
2020 Epidemic Free compensation (79 days)	139,198.3	149,777.3	119,014.5

According to the results of sensitivity analysis, the traffic volume and toll revenue forecast results of Guangzhu West Expressway under three plans are as follows:

Table 3 Traffic volume forecast results of Guangzhu West Expressway based on sensitivity analysis (whole line)

Unit: PCU/D

Year	**Appropriate plan**	**Positive plan**	**Conservative plan**
2020	77,561		
2021	79,108	85,120	67,637
2022	87,312	93,948	74,652
2023	92,859	99,916	79,394
2024	94,557	101,744	80,847
2025	86,868	93,470	74,273
2026	90,363	97,230	77,260
2027	94,015	101,160	80,383
2028	97,885	105,324	83,692
2029	101,862	109,603	87,092
2030	106,002	114,058	90,631
2031	109,236	117,538	93,397
2032	112,577	121,133	96,254
2033	127,631	137,331	109,125
2034	131,553	141,551	112,478
2035	135,604	145,910	115,942
2036	139,005	149,570	118,849
2037	142,491	153,321	121,830
2038	146,065	157,166	124,886

Table 4 The forecast results of the annual toll revenue of Guangzhu West Expressway in the future based on sensitivity analysis (whole line)

Unit:10,000 YUAN/Year

Year	**Appropriate plan**	**Positive plan**	**Conservative plan**
2020	132,874.3		
2021	171,159.9	184,168.1	146,341.7
2022	188,860.2	203,213.5	161,475.4
2023	200,817.6	216,079.7	171,699.0
2024	205,046.2	220,629.7	175,314.5
2025	187,825.9	202,100.6	160,591.1
2026	195,415.1	210,266.6	167,079.9
2027	203,351.3	218,806.0	173,865.4
2028	211,785.4	227,881.1	181,076.5
2029	220,432.8	237,185.7	188,470.0
2030	229,433.3	246,870.2	196,165.5
2031	236,395.4	254,361.5	202,118.1
2032	243,586.9	262,099.5	208,266.8
2033	260,995.9	280,831.6	223,151.5
2034	230,768.9	248,307.3	197,307.4
2035	151,755.9	163,289.4	129,751.3
2036	76,186.4	81,976.6	65,139.4
2037	78,102.5	84,038.3	66,777.6
2038	5,464.0	5,879.2	4,671.7
2020 Epidemic Free compensation (79 days) for Phase I of Guangzhu West Expressway in 2033	11,191.8	12,042.4	9,569.0
2020 Epidemic Free compensation (79 days) for Phase II of Guangzhu West Expressway in 2035	34,915.2	37,568.8	29,852.5
2020 Epidemic Free compensation (79 days) for Phase III of Guangzhu West Expressway in 2038	17,076.3	18,374.1	14,600.2

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 BY DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors and the 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 were 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 or short positions which have been taken or deemed to have been taken under such provisions of the SFO); or (ii) entered into the register maintained by the Company under 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**") contained in the Listing Rules were as follows:

(i) Long positions in the ordinary shares of the Company

Name of directors	**Number of shares held**	**Capacity**	**Nature of interest**	**Approximate % of issued shares of the Company** *(Note 1)*
Li Haitao	40,644	beneficial owner	personal	0.002%
Hu Wei	315	beneficial owner	personal	0.00001%

(ii) Long positions in the ordinary shares of the associated corporation, Shenzhen Expressway

Name of director	**Number of shares held**	**Capacity**	**Nature of interest**	**Approximate % of issued shares of the associated corporation** *(Note 2)*
Hu Wei	200,000	beneficial owner	personal	0.027%

(iii) Long positions in the underlying shares of the Company

Name of directors	**Number of unlisted share options (physically settled equity derivative) held**	**Capacity**	**Nature of interest**	**Approximate % of issued shares of the Company** *(Note 1)*
Li Haitao	1,085,768	beneficial owner	personal	0.048%
Hu Wei	1,266,502	beneficial owner	personal	0.056%
Zhou Zhiwei	269,538	beneficial owner	personal	0.012%

Notes:

(1) The percentages are calculated based on the total number of Shares of the Company in issue as at the Latest Practicable Date (i.e. 2,266,714,438 Shares).

(2) The percentage was calculated based on the total number of H shares of the associated corporation, Shenzhen Expressway in issue as at the Latest Practicable Date (i.e. 747,500,000 shares).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company, or any of its associated corporation (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective close associates were interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

4. INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

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

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been or are proposed to be, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any members of the Enlarged Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group have been made up.

6. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

8. EXPERTS

(a) The following are the qualifications of the experts (the "**Experts**") who have given opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
Pengxin Appraisal	Independent qualified professional valuer in the PRC
The Guangdong Provincial Transport Planning & Research Center	Independent professional traffic consultant in the PRC
Dakin Capital Limited	A corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

(b) As at the Latest Practicable Date, none of the Experts had any shareholding interest 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.

(c) As at the Latest Practicable Date, each of the Experts was not interested, directly or indirectly, in any assets which had been or proposed to be, since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to any member of the Enlarged Group.

(d) Each of the Experts has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter or report and references to its name in the form and context in which it is included.

As stated in the CMS Valuation Report:

(a) the CMS Valuation Report is for the reference of the Board only and does not constitute any advice or recommendation of CMS to any other party;

(b) the CMS Valuation Report only applies to the relevant laws, regulations, regulatory rules and requirements in the PRC which excludes Hong Kong, Macau, and Taiwan.

(c) the CMS Valuation Report does not constitute advice or recommendation to any regulatory authorities, investors and other professional intermediaries in Hong Kong; and

(d) the laws, regulations, regulatory rules and requirements in Hong Kong is not applicable to the CMS Valuation Report.

As disclosed in the section headed "Letter from the Board", the Acquisition involved the transfer of ownership of listed shares held by state owned entities, and it was a requirement under the Measures for Shenzhen Expressway to appoint a financial adviser in the PRC to conduct the valuation of 71.83% equity interests in Bay Area Development. Accordingly, CMS was appointed by Shenzhen Expressway to conduct the valuation to ensure the compliance of Shenzhen Expressway with the requirements under the Measures. Shenzhen Expressway also engaged Pengxin Appraisal (being an independent qualified professional valuer in the PRC) to conduct a valuation on the Target Company to provide the Group with another reference point when assessing the value of the Target Company as a whole.

Despite various effort of the Group to discuss and liaise with CMS, including the involvement of its legal counsels to explain to CMS the relevant Listing Rules requirements which the Company is subject to (which involved the requirement for CMS to be named as an expert of the Company and to provide the relevant expert statement in this circular and the publication of the CMS Valuation Report in full in this circular), the Group has been informed by CMS by way of a letter dated 22 September 2022 that, as advised by the legal counsel of CMS, CMS may breach Section 114 of the SFO by publishing the CMS Valuation Report in full in this circular and being named as expert of the Company under this circular without being licensed by the SFC under Section 116 of the SFO for carrying on Type 6 regulated activity. Accordingly, (i) CMS cannot be named as expert of the Company and (ii) the expert statement of CMS pursuant to Appendix 1 Part B paragraphs 5 and 40 of the Listing Rules cannot be published in this circular.

As at the Latest Practicable Date, to the best of the Directors' knowledge and belief and after reasonable inquiry, CMS (i) held 1,300 shares in Shenzhen Expressway through an assets management plan and (ii) leased the properties on the 41st, 42nd, 44th and 45th floors of Jiangsu Building, Futian District, Shenzhen City, the PRC to Shenzhen Expressway. Save as disclosed above, CMS had no shareholding interest 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; CMS was not interested, directly or indirectly, in any assets which had since 31 December 2020 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, have been entered into by the members of the Enlarged Group within two years preceding the Latest Practicable Date and which are, or may be, material:

(a) the Sale and Purchase Agreement;

(b) the Payment Obligation Agreement;

(c) a cooperation agreement and a share transfer agreement dated 21 October 2021 entered into between the Group, Shenzhen SEG Group Co., Ltd.* (深圳市賽格集團有限公司) and Shenzhen SEG Technology Development Co., Ltd.* (深圳賽格科技發展有限公司) ("**SEG Technology Development**"), respectively, in respect of sale and purchase of 70% equity interest in SEG Technology Development at an aggregate consideration of not more than RMB334,470,000, further details of which are set out in the announcement of the Company dated 21 October 2021;

(d) a sale and purchase agreement dated 29 June 2021 entered into between Christo Investments Limited and Shenzhen International China Logistics Development Limited ("**SZI China Logistics Development**") in respect of sale and purchase of entire issued share capital of Vailog Hong Kong DC11 Limited at a consideration of approximately RMB 581.7 million, further details of which are set out in the announcement of the Company dated 29 June 2021;

(e) a sale and purchase agreement dated 29 June 2021 entered into between Gaw-Vailog Logistics (Holdings) Tianjin 1 Limited and SZI China Logistics Development in respect of sale and purchase of entire issued share capital of Vailog HK SPV 3 Limited at a consideration of approximately RMB444.9 million, further details of which are set out in the announcement of the Company dated 29 June 2021;

(f) a sale and purchase agreement dated 29 June 2021 entered into between Winpine Limited and SZI China Logistics Development in respect of sale and purchase of entire issued share capital of Glory Honor Limited at a consideration of approximately RMB573.8 million, further details of which are set out in the announcement of the Company dated 29 June 2021;

(g) a sale and purchase agreement of Shenzhen property dated 8 March 2021 entered into between Shenzhen Expressway and Shenzhen Luo Lan Si Bao Property Development Co., Ltd* (深圳市羅蘭斯寶物業發展有限公司) ("**LLSB Company**") in relation to Shenzhen Expressway acquired an office property from LLSB Company at a consideration of RMB1,558,648,480, further details of which are set out in the announcement of the Company dated 8 March 2021;

(h) a capital increase agreement dated 9 November 2020 entered into between Shenzhen International Holdings (SZ) Limited ("**Shenzhen International (SZ)**"), China National Aviation Capital Holding Co., Ltd.* (中國航空資本控股有限責任公司), Cathay Pacific China Cargo Holdings Limited, Fine Star Enterprises Corp., the other investors and Air China Cargo Co., Ltd.* (中國國際貨運航空有限公司) ("**Air China Cargo**") in relation to Air China Cargo agreed to increase its registered capital by RMB3,313,753,433 in return for capital contributions by Shenzhen International (SZ) and the Other Investors of RMB4,851,997,776.6 in total, among which, Shenzhen International (SZ) agreed to make a capital contribution of RMB1,565,160,572.63 to Air China Cargo, further details of which are set out in the announcement of the Company dated 9 November 2020;

(i) a land use right transfer agreement dated 30 June 2020 entered into between Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd.* (深國際前海商業發展(深圳)有限公司) ("**SZI Qianhai Business Development**") and Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局) (the "**Qianhai Authority**") and two land use right transfer agreements dated 30 June 2020 entered into between Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd.* (深國際前海投資管理(深圳)有限公司) ("**SZI Qianhai Investment**") and the Qianhai Authority in respect of total land area of approximately 41,200 square meters, with plot ratio-based gross floor area of approximately 172,500 square meters. The total price for the land transfer is approximately RMB3,652 million. The above three land parcels represent the land swap contemplated in the Land Consolidation and Preparation Agreement (as defined below). The Group obtained the land use rights through the land swap in equivalent values, and no contractual land prices will be charged separately, further details of which are set out in the announcement of the Company dated 2 July 2020;

(j) a cooperation agreement and an operation agreement dated 27 March 2020 entered into between Shenzhen International (SZ) and China Railway Guangzhou Group Co., Ltd.* (中國鐵路廣州局集團有限公司) ("**Guangzhou Railway Group**") in relation to Shenzhen International (SZ) and Guangzhou Railway Group agreed to contribute RMB360,000,000 and RMB40,000,000 respectively to jointly establish a joint venture company to upgrade and transform the Pinghunan Railway Freight Yard into a comprehensive logistics hub, further details of which are set out in the announcements of the Company dated 27 March 2020 and 26 August 2021; and

(k) a land use right transfer agreement dated 31 December 2019 entered into between SZI Qianhai Investment and the Qianhai Authority and a land use right transfer agreement dated 31 December 2019 entered into between SZI Qianhai Business Development and the Qianhai Authority in respect of total land area of approximately 41,200 square meters, with plot ratio-based gross floor area of approximately 110,000 square meters. The total price for the land transfer is approximately RMB2,249 million. The above two land parcels represent the land swap contemplated in the Land Consolidation and Preparation Agreement (as defined below). The Group obtained the land use rights through the land swap in equivalent values, and no contractual land prices will be charged separately, further details of which are set out in the announcement of the Company dated 6 January 2020.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.szihl.com) within 14 days:

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 46 of this circular;

(b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 47 to 87 of this circular;

(c) the accountants' report on the Target Group, the text of which is set out in Appendix III to this circular;

(d) the report from Deloitte Touche Tohmatsu in relation to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the Pengxin Appraisal Valuation Report, the text of which is set out in Appendix VI to this circular;

(f) the summary of the Traffic Study Report, the text of which is set out in Appendix VII to this circular;

(g) the written consents referred to in the section headed "Experts" of this Appendix;

(h) the Sale and Purchase Agreement; and

(i) the Payment Obligation Agreement.

11. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamiton HM 11, Bermuda. The head office and principal place of business of the Company is at Rooms 2206-2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

(b) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited, located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The joint company secretaries of the Company are Mr. Liu Wangxin and Ms. Lam Yuen Ling, Eva. Mr. Liu Wangxin is a non-practising member of The Chinese Institute of Certified Public Accountants and was certified by the Department of Personnel of Guangdong Province as possessing qualifications of a senior accountant. Ms. Lam Yuen Ling, Eva is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

(d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

* *For identification purpose only.*

Particulars of the retiring Director subject to re-election at the SGM are set out below:

Mr. Liu Zhengyu, aged 51, was appointed on 14 September 2021 as an executive Director and the Chief Executive Officer of the Company. Mr. Liu holds a Bachelor's degree in Economics and a Master of Business Administration degree. He has obtained the qualification as a Senior Accountant. Mr. Liu was a chief accountant and a deputy general manager (resigned on 3 November 2021) of SIHCL. Mr. Liu is also a non-executive director and the chairman of the board of directors of Bay Area Development, a director of China State-owned Venture Capital Fund Co., Ltd. (中國國有資本風險投資基金股份有限公司) and the chairman of the board of directors and a director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (the shares of which are listed on Shenzhen Stock Exchange (Stock Code: 000029 and 200029)). Mr. Liu was a director of Shenzhen Cereals Holdings Co., Ltd. (the shares of which are listed on Shenzhen Stock Exchange (Stock Code: 000019 and 200019)) and a director of Telling Telecommunication Holding Co., Ltd (the shares of which are listed on Shenzhen Stock Exchange (Stock Code: 000829)). Mr. Liu has extensive experience in serving as senior management and director of large-scale enterprises for years and working on corporate management, strategic management, investment and mergers and acquisitions, capital operation matters. Save as disclosed above, Mr. Liu does not hold and has not held any directorships in other listed public companies in the last three years.

Mr. Liu has entered into a service contract with the Company for a term of three years commencing on 14 September 2021 and is subject to retirement by rotation but is eligible for re-election at the annual general meeting of the Company in accordance with the Bye-Laws. Pursuant to the service contract, Mr. Liu's emolument comprises a monthly salary of HK$90,000 and a discretionary bonus, which will be reviewed annually by the Company. The emolument of Mr. Liu has been determined with reference to his experience and duties with the Company by the remuneration and appraisal committee of the Company.

Save as disclosed above, Mr. Liu does not have any relationship with any Directors, senior management, substantial shareholders and/or controlling shareholders of the Company, nor does he have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Company considers that in relation to the re-election of Mr. Liu as a Director, there is no other information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements under Rule 13.51(2) of the Listing Rules, and there is no other matter in relation to the re-election of Mr. Liu which needs to be brought to the attention of the Shareholders.

Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00152)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Shenzhen International Holdings Limited (the "**Company**") will be held at Conference Room, 16th Floor, Shenzhen International Building, 8045 Hongli West Road, Futian District, Shenzhen, China on Friday, 10 December 2021, at 9:30 a.m. for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   To consider and approve the resolution in relation to the acquisition of entire interests in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd.: (i) the sale and purchase agreement dated 10 August 2021 entered into between Mei Wah Industrial (Hong Kong) Limited and Shenzhen Investment International Capital Holdings Co., Ltd.; and (ii) the payment obligation agreement dated 10 August 2021 entered into among Shenzhen Expressway Company Limited, Mei Wah Industrial (Hong Kong) Limited, Shenzhen Investment Holdings Company Limited, and Shenzhen Investment International Capital Holdings Co., Ltd., ("**Agreements**") (A copy of the Agreements has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) together with the transactions and other matters contemplated under the Agreements be and are hereby approved, confirmed and ratified; the board of directors of the Company or any director be and is hereby authorised to do all such acts and things and execute all such documents which it considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreements and the transactions contemplated thereunder."

2. To re-elect Mr. Liu Zhengyu as a director of the Company.

By Order of the Board
Shenzhen International Holdings Limited
Liu Wangxin
Joint Company Secretary

24 November 2021

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company's bye-laws. A proxy need not be a member of the Company but must be present in person to represent the member.

3. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

5. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should they so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.

7. Shareholders whose names appear on the Company's register of members on Friday, 10 December 2021, will be eligible for attending and voting at the SGM. The Company's register of members will be closed from Tuesday, 7 December 2021 to Friday, 10 December 2021, both days inclusive, during which no transfer of shares will be registered. In order to be eligible for attending and voting at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 December 2021.

8. The shareholders of the Company and any proxy who attend the meeting may incur accommodation and traveling expenses at their own costs.

9. Shareholders of the Company not attending the SGM in person may view a live streaming webcast of the SGM and submit online questions to us by the instructions as stated in the letter sent to the shareholders of the Company on 24 November 2021. Shareholders of the Company should note that viewing the live streaming webcast of the SGM will not be counted towards a quorum nor will they be able to cast their votes online.

10. To safeguard the health and safety of the shareholders of the Company and to prevent the spreading of the novel coronavirus ("**COVID-19**") pandemic, the following precautionary measures will be implemented at the SGM without limitation:

    - compulsory body temperature screening/checks;
    - mandatory wearing of surgical face masks;
    - appropriate distancing and spacing in line will be maintained and as such, the Company may limit the number of attendees at the SGM as may be necessary to avoid over-crowding;
    - no refreshment or souvenirs will be provided at the SGM; and
    - any person who does not comply with the precautionary measures to be taken at the SGM, or is subject to any quarantine prescribed by Shenzhen Municipal Government of China may be denied entry into the meeting venue.

    For the health and safety of shareholders, the Company encourages shareholders NOT to attend the SGM in person, and advises shareholders to appoint the Chairman of the SGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the SGM in person.

    Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.