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 Expressway Company 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.

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHENZHEN INVESTMENT INTERNATIONAL CAPITAL HOLDINGS INFRASTRUCTURE CO., LTD.
(2) CHANGE OF COMPANY NAME AND AMENDMENTS TO ARTICLES OF ASSOCIATION
(3) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2021

德健融資有限公司
DAKIN CAPITAL LIMITED

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

A letter from the Independent Board Committee is set out on pages 54 to 55 of this circular. A letter from Dakin Capital, the Independent Financial Adviser, is set out on pages 56 to 99 of this circular.

The second extraordinary general meeting 2021 ("**EGM**") of Shenzhen Expressway Company Limited ("**Company**") is to be held at the conference room of the Company at 11:00 a.m. at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC on Friday, 10 December 2021. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. The proxy form for the EGM is enclosed hereto.

Whether or not you intend to attend the said meetings, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the registrar of H Shares of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) or to the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the People's Republic of China (for A Shareholders) as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the relevant meetings. Completion and return of the proxy form will not preclude you from attending and voting in at the EGM and/or any adjourned meeting(s) thereof in person if you so wish.

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
"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 Shareholders"	holders of A Shares
"A Shares"	domestic shares with nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB (Security Code: 600548)
"Amended JV Articles"	the amended articles of the Xintang JV dated 10 September 2020 entered into and adopted by the Parties
"Articles of Association"	the articles of association of the Company (as amended from time to time)
"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
"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 the Company 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 Expressway Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (Stock Code: 00548) and the A Shares of which are listed on the Shanghai Stock Exchange (Security Code: 600548)
"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 the Company 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
"EGM"	the second extraordinary general meeting 2021 of the Company to be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC, at 11:00 a.m., Friday, 10 December 2021, or any adjournment thereof
"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
"GS Expressway"	Guangzhou-Shenzhen section of G4 Beijing-Hong Kong-Macao Expressway

"GS JV"	Guangzhou-Shenzhen-Zhuhai Expressway Company Limited, 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"	Guangzhou-Zhuhai West Expressway Company Limited, the joint venture company established for the GZ West Expressway, which Bay Area Development is entitled to 50% profit distribution right
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	the overseas listed foreign share(s) with nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Main Board of Stock Exchange and traded in Hong Kong in HK$ (Stock Code: 00548)
"H Shareholders"	holders of H Shares
"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 (including Shenzhen International and its associates) and are not required to abstain from voting on the relevant resolution at EGM of the Company

"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 of Hong Kong Limited
"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 the Company 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 the Company
"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 the Company 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 the Company 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 the 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 cent 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 cent 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 the Company
"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)
"Shareholders"	the shareholders of the Company
"Shenzhen International"	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)
"Shenzhen International Group"	Shenzhen International and its subsidiaries, including the Group
"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 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
"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 at 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)

"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

* *For identification purpose only*

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.

深圳高速公路股份有限公司
SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

Executive Directors:
Mr. Hu Wei *(Chairman)*
Mr. Liao Xiang Wen *(President)*
Mr. Wang Zeng Jin
Mr. Wen Liang

Non-executive Directors:
Mr. Dai Jing Ming
Ms. Li Xiao Yan
Ms. Chen Hai Shan

Independent Non-executive Directors:
Mr. Bai Hua
Mr. Li Fei Long
Mr. Miao Jun
Mr. Xu Hua Xiang

Registered Office:
Fumin Toll Station,
Fucheng Street,
Longhua District,
Shenzhen, the PRC

Head Office:
Podium Levels 2-4,
Jiangsu Building,
Yitian Road,
Futian District,
Shenzhen, the PRC

Principal Place of Business in Hong Kong:
Room 1603, 16/F,
China Building,
29 Queen's Road Central,
Central, Hong Kong

24 November 2021

To the Shareholders of the Company

Dear Sirs or Madams,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SHENZHEN INVESTMENT INTERNATIONAL CAPITAL HOLDINGS INFRASTRUCTURE CO., LTD.
(2) CHANGE OF COMPANY NAME AND AMENDMENTS TO ARTICLES OF ASSOCIATION
(3) NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2021

1. INTRODUCTION

Reference is made to the joint announcement of the Company and Shenzhen International dated 10 August 2021 in relation to the Acquisition; and the announcement of the Company dated 25 August 2021 in relation to the proposed change of company name and proposed amendments to the Articles of Association. 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 resolutions relevant to the above matters to be proposed at the EGM.

2. TRANSACTION AGREEMENTS

On 15 March 2021, the Company 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 the Company.

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 the Company 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 (美華實業(香港)有限公司), 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 (深圳市投資控股有限公司);

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

(iii) Mei Wah Industrial (Hong Kong) Limited (美華實業(香港)有限公司); and

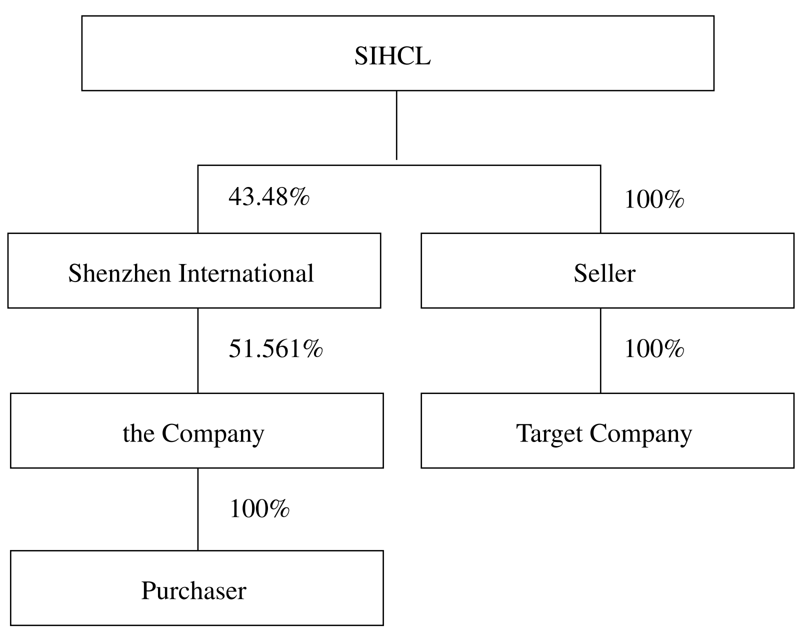
(iv) the Company.

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 Purchaser and the Company 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.

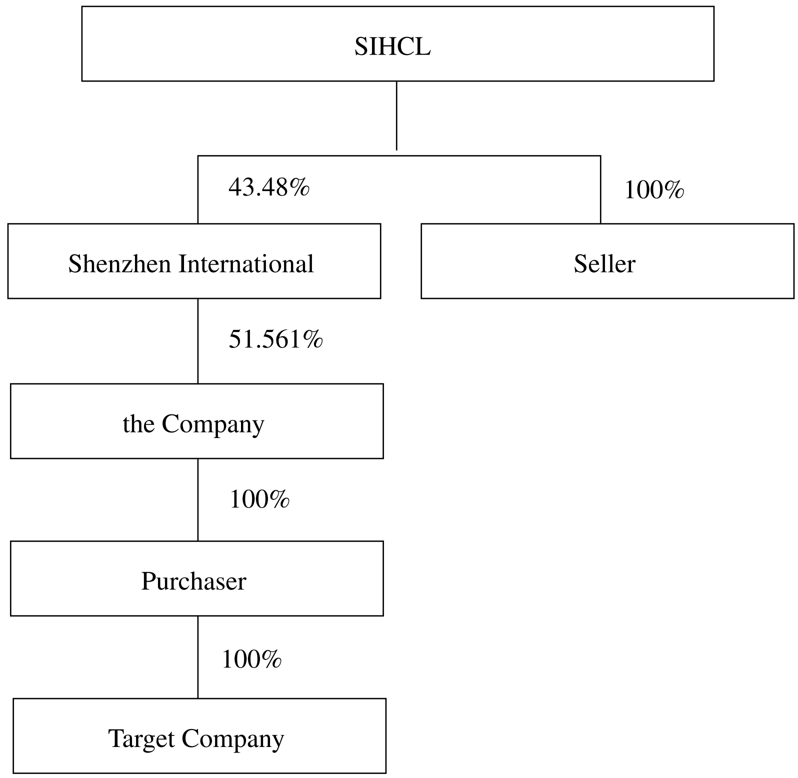
Changes in the shareholding structure of the parties immediately before and upon the Completion

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, the 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 the 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 Shares 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 the Company 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 the 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 the Company'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) the Company 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 China; (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 the Company as follows:

		Description	**Attributable amount to the Consideration**
(i)	Payment of 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;	US$700,000,000 (approximately HK$5,460,000,000)

		Description	Attributable amount to the Consideration
		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.	
(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

		Description	Attributable amount to the Consideration
(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 the Company entered into the Payment Obligation Agreement, pursuant to which, Purchaser and the Company 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 the Company 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 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 the Company.

When considering the Consideration of the Transactions, the Group has assessed the Contingent Consideration in a reasonable manner and included such amount in the total transaction cost. The Group has assessed that the total cost including the Contingent Consideration is within the acceptable range of the Group and is fair and reasonable.

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, the Company and Shenzhen International 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 the Group. The Board 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.

The Company 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, the Company 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, the Company 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 the Group as a whole. The Transactions will further consolidate the Company's core advantages in highway investment, construction and operation, which is in line with the Company's development strategy and overall interests.

SIHCL, the indirect controlling shareholder of the Company, provided an undertaking to the Company and undertook that it will, among others, avoid business competition with the Company, support the business development of the Company and perform asset injection to and integration with the Company. In light of the undertaking, SIHCL intended to acquire Bay Area Development through the Company initially in 2017, but was later informed by the Company that it will not proceed with the acquisition as such acquisition may not be feasible for the Company at that time. SIHCL subsequently acquired Bay Area development through Target Company. After such acquisition, the Company 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 the Company and enables SIHCL to be in line with its undertaking as Bay Area Development operates similar businesses as the Company.

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 the 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, the Company 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 the Company in recent years. The Company together with Shenzhen International 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. The Company 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 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 Shareholders and the Company as a whole as through the Transactions, the Company 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 the Company. The Transactions are also in line with the abovementioned reformation policies and measures of Shenzhen SASAC.

4. VALUATION

As the Acquisition involves the transfer of ownership of listed shares held by state owned entities, the Company 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 the 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, the Company 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:

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

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. The Company 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	
Item	**Total equity value** *(RMB'0000)*	**Proportion of interests**	**Equity value** *(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 Valuation 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 Tonghuashun 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 Tonghuashun 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	Shenzhen Investment Holdings Bay Area Development Company Limited	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	Shenzhen Investment Holdings Bay Area Development Company Limited	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:

Item	Total equity value *(RMB'0000)*	**Equity held by the Target Company** 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 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 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 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 Board is of the opinion that the assumptions and inputs involved in the Pengxin Appraisal Valuation Report are fair and reasonable.

As for the Traffic Study Report, the 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 Board is of the opinion 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**
	RMB'000	*RMB'000*	*RMB'000*	*%*
Net assets	26,492,093	1,495,766	27,987,859	5.65
Total assets	57,329,026	7,754,966	65,083,992	13.53
Total liabilities	30,836,933	6,259,200	37,096,133	20.30

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 RMB7.755 billion to approximately RMB65.084 billion and the unaudited pro forma consolidated total liabilities of the

Enlarged Group as at 30 June 2021 would increase by approximately RMB6.259 billion to approximately RMB37.096 billion after the Acquisition. The unaudited pro forma consolidated net assets of the Enlarged Group as at 30 June 2021 would increase by approximately RMB1.496 billion to approximately RMB27.987 billion, assuming that completion of the Acquisition had taken place on 30 June 2021. As disclosed in the section headed "Working Capital Statement 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 reports 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 SIHCL and the Seller are associates of the controlling shareholder of the Company and thus a connected person to the Company within the meaning of the Listing Rules, the Transactions also constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules and is subject to, among others, the approval of the Independent Shareholders at the EGM.

Mr. Dai Jing Ming and Mr. Hu Wei (being directors of both Shenzhen International and the Company), 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 International. 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, THE COMPANY AND SHENZHEN INTERNATIONAL

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

The Company is established in the PRC. The 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. The Company is a subsidiary of Shenzhen International held as to approximately 52%.

Shenzhen International is a company incorporated in Bermuda. Shenzhen International Group is principally engaged in logistics and toll road business. 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. Shenzhen International 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.

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. SIHCL and the Seller are associates 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).

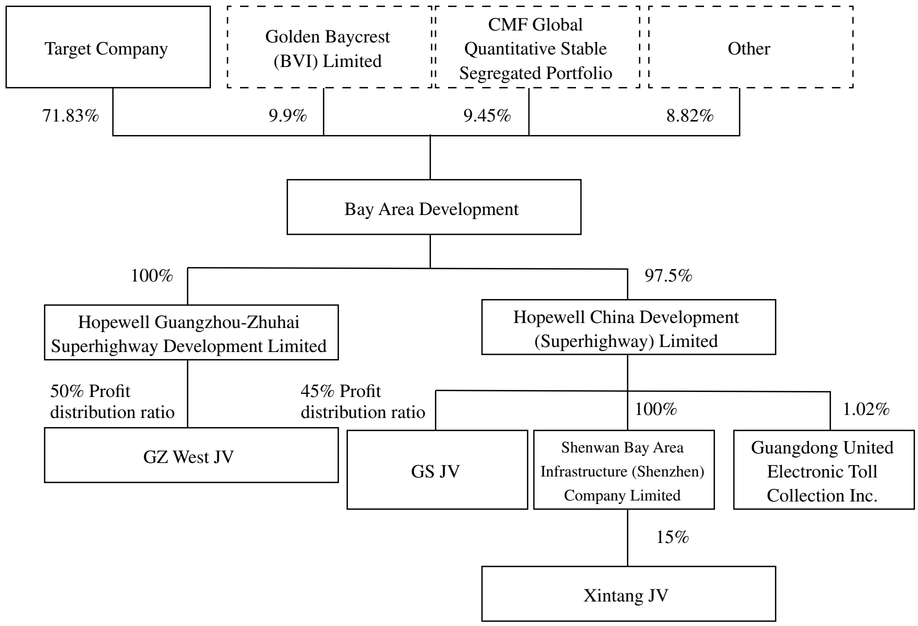
The Target Company acquired approximately 66.69% of the total issued capital of Bay Area Development (i.e. 2,055,287,337 Bay Area Development Shares) at a total cash consideration of HK$9,865,379,217.60 (i.e. HK$4.80 per Bay Area Development Share) in April 2018. Upon the completion of the acquisition, 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 is 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 PRC Accounting Standard for Business Enterprises:

Unit: RMB'000

	For the year ended 31 December 2019	**For the year ended 31 December 2020**	**For the 7 months ended 31 July 2021**
Total revenue	–	–	–
Net profit/(loss)	(28,751.28)	(282,335.32)	79,477.82
Including: Share of profits (losses) of associates and joint ventures	399,337.67	(388,321.04)	246,917.46
Financial expenses	351,176.17	237,882.88	89,315.78
Net profit/(loss) before taxation and extraordinary items	11,821.30	(298,372.40)	106,364.62
Net profit/(loss) after taxation and extraordinary items	(30,343.45)	(320,852.55)	56,330.11

	As at 31 December 2019	As at 31 December 2020	As at 31 July 2021
Total assets	11,378,833.30	11,936,111.70	12,262,905.23
Including: Long-term equity investments	10,593,959.85	9,725,753.81	9,840,070.13
Total liabilities	9,384,441.10	7,971,269.64	8,411,366.85
Net assets	1,994,392.20	3,964,842.05	3,851,538.39

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 expenses 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.

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 the Company). Therefore, the Target Company and Bay Area Development will become subsidiaries of the Company and Shenzhen International and their financial results will be consolidated into the financial statements of the Company and Shenzhen International.

12. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive directors of the Company, namely Mr. Bai Hua, Mr. Li Fei Long, Mr. Miao Jun and Mr. Xu Hua Xiang, 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. PROPOSED CHANGE OF COMPANY NAME AND AMENDMENTS TO ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 25 August 2021 in relation to the proposed change of company name and amendments to Articles of Association approved by the Board on 25 August 2021.

For better reflection of the Company's future business strategy, the Board proposed to change the Chinese name of the Company from "深圳高速公路股份有限公司" to "深圳高速公路集團股份有限公司" and the English name of the Company from "Shenzhen Expressway Company Limited" to "Shenzhen Expressway Corporation Limited".

The proposed change of company name will not affect any rights of the holders of securities of the Company. All existing certificates of securities in issue bearing the present name of the Company shall, after the proposed change of company name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing certificates of securities for new certificates bearing the new name of the Company. Once the proposed change of company name becomes effective, new share certificates will be issued only in the new name of the Company. In addition, the Chinese stock short name and the English stock short name for trading in the shares of the Company will not be changed after the proposed change of company name becomes effective.

The Board proposed to make certain amendments to the Articles of Association in respect of the proposed change of company name, with details of which as follows:

Article No.	Proposed Amendments
1	In order to protect the legal rights of the Company, the shareholders and the creditors, to regulate the organisations and conducts of Shenzhen Expressway **Corporation** ~~Company~~ Limited (the "Company"), these Articles of Association is formulated in accordance with the Company Law of the Peoples' Republic of China (the "Company Law"), the Securities Law of the Peoples' Republic of China (the "Security Law"), the Special Regulations of the State Council on the Offer of Shares and Listing of Joint Stock Limited Companies Outside the PRC (the "Special Regulations"), Official Reply of the State Council Regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders' Meetings by Overseas Listed Companies and other relevant regulations.
4	The registered Chinese name of the Company is: 深圳高速公路**集團**股份有限公司 English name: SHENZHEN EXPRESSWAY **CORPORATION** ~~COMPANY~~ LIMITED Address: Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen, the People's Republic of China Postal code: 518110 Telephone No.: (86-755) 82853300 Facsimile: (86-755) 82853400

The effectiveness of the proposed change of company name and amendments to Articles of Association are subject to the consideration and approval by the Shareholders at the EGM and any necessary approval or filing of the relevant authorities in the PRC and/or Hong Kong in relation to the proposed change of company name and the amendments to Articles of Association being obtained or completed.

14. THE EGM

The Company will convene the EGM at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 11:00 a.m. on Friday, 10 December 2021 to consider and, if thought fit, approve (i) the Transaction Agreements and the transactions contemplated thereunder; (ii) the proposed change of company name and proposed amendments to the Articles of Association; (iii) the "14th Five Year" (2021-2025) Development Strategy Plan; and (iv) the waiver of the right of first refusal regarding the equity interest in Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司). Details of matters (iii) and (iv) above are set out in the Company's circular dated 24 November 2021 (the "**Second Circular**"). The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. The proxy form for the EGM is enclosed hereto.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and the Second Circular carefully and to complete the proxy form that has been despatched to you in accordance with the instructions printed thereon. H Shareholders must return the proxy form to the H share registrar of the Company, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, while A Shareholders must return the proxy form to the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC, no later than 24 hours before the time appointed for convening the EGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjourned meeting(s) thereof in person if you so wish.

15. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares will be closed from Tuesday, 7 December 2021 to Friday, 10 December 2021, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with the Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30p.m. on Monday, 6 December 2021.

16. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and the Articles of Association, the EGM shall vote by poll on the resolutions set out in the notice of the EGM. Therefore, all resolutions as set out in the notice of EGM will be voted by poll. The poll results will be published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.sz-expressway.com upon the conclusion of the EGM.

SIHCL and its associates (including Shenzhen International and its associates) are required to abstain from voting on the resolution is relation to the Transactions, and may not be entrusted by other Shareholders to vote on the resolution in relation to the Transactions. As at the Latest Practicable Date, to the best of the Directors' knowledge and belief and after reasonable inquiry, SIHCL and its associates (including Shenzhen International and its associates) are interested in 1,124,433,887 shares of the Company, accounting for 51.56% of issued share capital of the Company, the relevant shareholders are required to abstain from voting on the resolution approving the Transactions at the EGM.

Save as mentioned above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest and has to abstain from voting on the resolution in relation to the proposed change of company name and proposed amendment to Articles of Association at the EGM. Please refer to the Second Circular for details in relation to shareholders' interest in, and requirement to abstain from (if any) resolutions in relation to the "14th Five Year" (2021-2025) Development Strategy Plan and the waiver of the right of first refusal regarding the equity interest in Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司).

17. RECOMMENDATION

The Directors consider that each of (i) the Transaction Agreements and the transactions contemplated thereunder; and (ii) the proposed change of company name and amendments to the Articles of Association, are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the aforesaid matters (i) and (ii) above. Please refer to the Second Circular for the Board's recommendation on how to vote on the resolutions in relation to the "14th Five Year" (2021-2025) Development Strategy Plan and the waiver of the right of first refusal regarding the equity interest in Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司).

Having taken into account the advice of Independent Financial Adviser, the Independent Board Committee considers that the terms of the Transaction Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the Transaction Agreements.

18. FURTHER INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee set out on pages 54 to 55 of this circular, containing its recommendation in respect of the Transaction Agreements and the Transactions contemplated thereunder; and (2) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 56 to 99 of this circular, containing its recommendation in respect of the Transaction Agreements and the Transactions contemplated thereunder.

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

Your attention is drawn to the information set out in the Second Circular.

Yours faithfully,
By Order of the Board of
Shenzhen Expressway Company Limited
HU Wei
Chairman

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

24 November 2021

To the Independent Shareholders

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

Dear Sirs or Madams,

We refer to the circular of Shenzhen Expressway Company 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 10 to 53 of the Circular and the "Letter from Dakin Capital" on pages 56 to 99 of the Circular and the additional information contained in the appendix to this Circular.

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 Dakin Capital" 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 resolutions to be proposed at the EGM for approving the Transaction Agreements and the transactions contemplated thereunder.

Yours faithfully,
Bai Hua
Li Fei Long
Miao Jun
Xu Hua Xiang
Independent Board Committee

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 Expressway Company 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, provided an undertaking to the Company and undertook that it will, among others, avoid business competition with the Company, support the business development of the Company and perform asset injection to and integration with the Company. On 15 March 2021, the Company and SIHCL entered into the MOU, pursuant to which, SIHCL intended to transfer its 71.83% indirect equity interests in Bay Area Development to the Company. It is stated in the joint announcement of the Company and Shenzhen International 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 the Company entered into the Payment Obligation Agreement in relation to the Payment Obligation Arrangement. Pursuant to the Transaction Agreements, the 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 International 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 SIHCL and the Seller are associates of the controlling shareholder of the Company and thus a connected person to the Company within the meaning of the Listing Rules, the Transactions also constitute connected transactions on the part 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.

Mr. Dai Jing Ming and Mr. Hu Wei (being the directors of both Shenzhen International and the Company), have abstained from voting at the board meeting of the Company to approve the Transactions.

The Independent Board Committee, comprising Mr. Bai Hua, Mr. Li Fei Long, Mr. Miao Jun and Mr. Xu Hua Xiang, 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 International 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 International 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 International

Group, and/or the advisers of the Company; 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 Shenzhen International Group and/or the 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 International Group, and/or the advisers of the Company. 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 International 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 International Group, and/or the advisers of the Company, 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 International, 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 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 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 Group for the period indicated as extracted from the Company's annual report for the year ended 31 December 2020 (the "**2020 Annual Report**") and interim report for the six months ended 30 June 2021 (the "**2021 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 Annual Report and the 2021 Interim Report do not provide gross profit of the 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 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 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 the Company 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 Group, the YoY increase of the net profit attributable to owners of the Company was approximately 0.32%. For further details, please refer to the 2020 Annual Report published on 26 April 2021.

Notwithstanding the above, it is noted from the 2021 Interim Report that the Group 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 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 the Company. For further details, please refer to the 2021 Interim Report published on 16 September 2021.

3. 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 PRC Accounting 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	-	-	-
Net profit/(loss)*(Notes 1, 2 and 3)*	(28,751.28)	(282,335.32)	79,477.82
Including: Share of profits/(losses) of associates and joint ventures*(Note 4)*	399,337.67	(388,321.04)	246,917.46
Financial expenses*(Note 5)*	351,176.17	237,882.88	89,315.78
Net profit/(loss) before taxation and extraordinary items	11,821.30	(298,372.40)	106,364.62
Net profit/(loss) after taxation and extraordinary items	(30,343.45)	(320,852.55)	56,330.11

	As at 31 December		**As at 31 July**
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	(audited)	(audited)
Total assets	11,378,833.30	11,936,111.70	12,262,905.23
Including: Long-term equity investments	10,593,959.85	9,725,753.81	9,840,070.13
Total liabilities*(Note 6)*	9,384,441.10	7,971,269.64	8,411,366.85
Net assets	1,994,392.20	3,964,842.05	3,851,538.39

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 expenses 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.

4. 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 period 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.

4.1 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.

4.2 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 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.

4.3 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.

5. 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 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 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 the Company in recent years with the successful implementation of the Meiling Checkpoint Urban Renewal Project together with Shenzhen International. 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 the Company 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 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 the Company to bolster its future profitability and regional market share in the expressway industry), the Board considers that the entering into of the Transaction Agreements is in the interests of the Shareholders and the Company as a whole.

6. 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:

6.1 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 International 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.

6.2 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) the Company.

Subject matter

Assumption of payment obligation under the Supplemental Agreements. The assumption of payment obligation by the Purchaser and the Company 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.

6.3 Consideration

As stated in the Letter from the Board, after arm's length negotiations, the 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 the Company; (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 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.

Furthermore, 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 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 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 the Company 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 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 the Company, 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 Group's independent third party short-term and long-term borrowings guaranteed by credit as at 31 December 2020 as detailed in the 2020 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 the Company 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 the Company entered into the Payment Obligation Agreement, pursuant to which, the Purchaser and the Company 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, the Company 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 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 the Company 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 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 the Company 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.

7. 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 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, the Company 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).

7.1 CMS Valuation Report

As stated in the Letter from the Board, reference has been primarily made by the Board to the CMS Valuation under the CMS Valuation Report when determining the Consideration.

Given the fact that CMS was appointed by the Company 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 the Company 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 the Company 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 the Company. 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 International, 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 International, 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 the Company 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 the Company 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 the Company; (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 the Company, 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 the Company.

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 the Company; 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 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
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

Date of announcement	Company name (Stock code)	Offer price	Premium over/(discount) to the 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$	*%*	*%*	*%*
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.

7.2 Pengxin Appraisal Valuation Report

In order to further assess the intrinsic value of the Target Company as a whole, the Company 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 the Company 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 Shenzhen International Group, the 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 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	Proportion of interests	Equity value
	(RMB'000)		*(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

		Equity value held by the Target Company	
	Total equity value	Proportion of equity	Equity value
	(RMB'000)		*(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.

7.2.1 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 the paragraph headed "Valuation – Pengxin Appraisal Valuation Report – GZ West JV and 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.

7.2.2 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 the Company, 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 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. The Company 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.

7.2.3 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 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).

7.2.4 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.

7.2.5 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)*	**Percentage of toll revenue over total turnover**
		times	*%*
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 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 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 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.

8. 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 the Company 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 Shenzhen International Group, the 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 matters 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.

9. 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 Annual Report and the 2021 Interim Report, the profit of the Group was approximately RMB2,235.6 million and RMB1,289.8 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 to the 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 in the 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 Interim Report, the consolidated net asset value of the Group as at 30 June 2021 was approximately RMB26,492.1 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 RMB65,084.0 million and RMB37,096.1 million respectively as a result of the Acquisition, resulting in an increase of approximately 5.6% in the net asset value to approximately RMB27,987.9 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 Statement 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 banking 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 EGM 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.sz-expressway.com):

- the annual report of the Company for the year ended 31 December 2018 (pages 136 to 297) published on 15 April 2019
- the annual report of the Company for the year ended 31 December 2019 (pages 146 to 323) published on 15 April 2020
- the annual report of the Company for the year ended 31 December 2020 (pages 150 to 336) published on 26 April 2021
- the interim report of the Company for the six months ended 30 June 2021 (pages 76 to 253) 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 RMB35,271,453,000 and the details are as follows:

	RMB'000
Bank borrowings	
– Secured and guaranteed	240,733
– Unsecured and guaranteed	3,638,200
– Secured and unguaranteed	7,718,904
– Unsecured and unguaranteed	3,125,829
	14,723,666
Other borrowings	
– Secured and unguaranteed	26,609
– Unsecured and unguaranteed	5,300
	31,909

	RMB'000
Debt securities	
– Secured and guaranteed	799,443
– Unsecured and unguaranteed	13,118,655
	13,918,098
Amounts due to former shareholder of the Target Company	
– Unsecured and unguaranteed	4,539,780
Amounts due to related companies	
– Unsecured and unguaranteed	2,058,000
Total	35,271,453

Charges

As at the close of business on 30 September 2021, the Enlarged Group's bank borrowings approximately RMB7,959,637,000 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 were secured by commercial bills receivables of the Group. As to the Enlarged Group's debt securities approximately RMB799,443,000, 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 related to the lease of mechanical equipment from leasing companies in the PRC among which the amount of RMB318,514,000 were guaranteed and secured by equity interest, certain properties and equipments, trade receivables, franchise right and use right of industrial land of the Group, and the amount of RMB132,660,000 were unsecured and guaranteed. There are lease liabilities of approximately RMB131,173,000 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 RMB125,212,000 were unguaranteed and secured by rental deposit and the amount of RMB5,961,000 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 RMB522,193,000.

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

深圳深汕特別合作區乾泰技術有限公司, a subsidiary of the Enlarged Group, has entered into an agreement with 深圳市朗能電池有限公司 which is a former related party of it and suppliers of 深圳市朗能電池有限公司, to give guarantee on accounts payable from 深圳市朗能電池有限公司 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 (i) Guangxi Lande renewable energy Co., Ltd being sued for paying equipment payment, capital occupation fee, civil engineering payment, interest on civil engineering payment and liquidated damages of total approximately RMB 31,649,000 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; (ii) Taizhou Lande Environmental Protection Technology Co., Ltd 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; (iii) Nanjing Wind Power Technology Co., Ltd ("Nanjing Wind Power") being sued for paying losses of approximately RMB109,526,000 caused by the delay in delivery to Juye Changguang Wind Energy Co., Ltd. which purchased wind turbines and ancillary equipments from Nanjing Wind Power; and (iv) 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, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors, after due and careful consideration, are of the opinion that based on existing cash and bank balances, available banking 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

In October 2020, the Fifth Plenary Session of the 19th CPC Central Committee (the Central Committee) deliberated and adopted the 14th Five Year Plan and the Long-Term Goals For the Year 2035, which set a grand blueprint for China's future development and pointed out the way forward. The Central Committee clearly pointed out that during the implementation of the 14th "Five Year Plan", the major objectives of China's economic and social development include making significant progress in the establishment of a modern economic system, improving the socialist market economic system, basically completing the building of advanced market regulatory regimes and building of a new open economic system at an advanced level, etc. For the toll highway industry and the general-environmental protection industry in particular, the objectives include improvement of the comprehensive transport networks, acceleration of the connection between urban clusters and rail transit network in the metropolitan circle, significant results in green transformation of production and lifestyle and more reasonable allocation of energy and resources, etc.

Since 2018, China has successively promulgated a series of policies such as Work Proposal for State-owned Enterprise Reform "Double-hundred Action" (《國企改革"雙百行動"工作方案》), Outline of Development Plan for GuangdongHong Kong-Macao Greater Bay Area (《粵港澳大灣區發展規劃綱要》) and Opinions of the State Council on Supporting Shenzhen in Building a Pioneering Demonstration Zone for Socialism with Chinese Characteristics (《國務院關於支持深圳建設中國特色社會主義先行示範區的意見》), which has brought historic opportunities for state-owned enterprise reform and regional development. Shenzhen SASAC has also promulgated a series of comprehensive reform plans and work plans with a focus on the innovation of systems and mechanisms, thereby further promoting the market development of state-owned enterprises. In line with China's strategic layout and reform concept for state-owned enterprises and regional development, the Group will provide quality services in terms of infrastructure such as transport and environmental protection, thereby realising its own development.

For the transport infrastructure industry, according to the National Highway Network Planning (2013-2030), the addition of mileage of expressways will continue to slow down and the expressway industry will turn from the incremental era to an era of stable development. It is expected that the existing toll highways will maintain relatively stable and reasonable investment returns as a whole, while new construction projects may face challenges such as rising costs and longer period of development. The Group, on one hand, will strengthen collaboration with the government, in order to increase the return from individual project by continuously exploring innovative business models, so as to create investment opportunities with business value. On the other hand, it will strengthen the service capabilities throughout the industry chain of highways and expand to the upstream and downstream industries such as design, consultation, construction and maintenance with a focus on project construction, management and maintenance for the current period. In addition, the Group will follow the development trend of information technology to actively promote intelligent development of toll highways.

The general-environmental protection industry is the second core business of the Group. The Group will focus on featured environmental protection sectors such as recovery and solid waste management and the clean energy sector. China's vigorous promotion of waste classification will bring rapid development opportunities to organic waste treatment, the Company will actively participate in regional environmental governance by giving full play to its own advantages in order promote recovery and reuse of resources, striving to become a leading enterprise in the sectors of organic waste treatment and obsolete vehicle scrapping. For clean energy, China plans to make strenuous efforts in developing new energy, optimising the energy structure and achieving the goals of carbon neutrality and emission peak of carbon dioxide. It is expected that the new energy industry will enter a stage of rapid development. The Company will actively expand the industry chain of the wind power and photovoltaic power industries, and become another Shenzhen force in China's clean energy industry. The Company believes that it can perform its social responsibility of protecting the environment and building a beautiful China, while realising healthy growth and development in the long run by integrating the concept of green and low-carbon economy into its operations.

Looking forward, leveraging the business landscape with toll highway and general-environmental protection as its dual core businesses, the Group will give full play to its core edges in terms of regions, brands, team and capital, in order to realise refined industry management through new technologies and industry-finance integration, so as to enhance the value of industry chain and strengthen core competitiveness on an ongoing basis

Upholding the spirit of the Fifth Plenary Session of the 19th CPC Central Committee, the Company has drawn up the draft of its Strategic Development Plans for the 14th Five Year Plan, which is still needed to be proposed for approval. Leveraging the results achieved in previous strategic transformation and development, the Company will seize the opportunities of this era arising from the Guangdong-Hong Kong-Macau Greater Bay Area and Shenzhen in building a pioneering demonstration zone for socialism with Chinese characteristics by pursuing a market-oriented and innovation-driven strategy, with a view to consolidating and enhancing the advantages of the toll highway industry, and actively expanding the comprehensive clean energy industry of featured environmental protection, thereby building an intelligent Shenzhen Expressway and facilitating quality sustainable development of the Group.

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 RMB35.87 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 RMB314.39 million financial costs for the year ended 31 December 2018, among them, 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 RMB37.74 million for the year ended 31 December 2019, increased by 5.21% 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 increase 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 RMB351.18 million financial costs for the year ended 31 December 2019, increased by about 11.70% from that of the year ended 31 December 2018. Among them, the interest costs of bank loans during the year amounted to RMB351.56 million, interest incomes amounted to RMB6.31 million, and exchange losses amounted to RMB5.89 million. The increase of financial costs was mainly 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 RMB20.45 million, a decrease of approximately 94.88% 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 2nd 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 RMB36.01 million for the year ended 31 December 2020, decreased by 4.58% 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 RMB237.88 million, a decrease of approximately 32.26% over the year ended 31 December 2019, of which, the interest costs of bank loans during the year amounted to RMB309.39 million, interest income amounted to RMB59.61 million, and exchange gains amounted to RMB13.38 million. 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 RMB246.92 million, an increase in income of approximately RMB386.11 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 RMB23.61 million, an increase of 9.19% 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 RMB89.31 million, a decrease of approximately 48.54% over the same period in 2020 (unaudited data), of which, the interest costs of bank loans was RMB142.62 million, interest income was RMB47.28 million, and exchange gains were RMB6.24 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 RMB263.42 million, RMB245.72 million, RMB581.26 million and RMB1,450.17 million respectively.

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

	As at 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Within 1 year or on demand	2,586,764,919.05	2,293,847,271.40	1,084,886,706.31	1,903,690,415.54
After 1 year but within 5 years	1,543,168,634.62	2,171,645,730.02	2,035,375,167.00	1,722,428,669.72
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 31 December			As at 31 July
	2018	**2019**	**2020**	**2021**
	RMB	*RMB*	*RMB*	*RMB*
Within 1 year or on demand			2,587,068,300.80	2,555,713,623.20
After 1 year but within 5 years	4,716,917,556.00	4,822,431,804.00	1,943,584,307.20	1,920,028,508.80
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 - 89, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, LLP, 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 EXPRESSWAY COMPANY 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–89, which comprises the consolidated statements of financial position of the Target Group as at December 31, 2018, 2019 and 2020 and July 31, 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 December 31, 2020 and the seven months ended July 31, 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–89 forms an integral part of this report, which has been prepared for inclusion in the circular issued by Shenzhen Expressway Company Limited (the "**Company**") dated 24 November 2021 (the "**Circular**") in connection with the major transaction and connected transaction in relation to the acquisition of 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 II 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 II 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 December 31, 2018, 2019 and 2020 and July 31, 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 II 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 comprises, 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 July 31, 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 II 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 II 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 V (22) 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
LLP

November 24, 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 consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC ("**CASBE**") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**").

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018, 2019 AND 2020 AND JULY 31, 2021

RMB

		THE TARGET GROUP			
Items	*Note V*	**As at July 31, 2021**	**As at December 31, 2020**	**As at December 31, 2019**	**As at December 31, 2018**
Current Assets					
Bank balances and cash	*1*	1,451,038,173.44	822,179,504.70	245,721,875.83	263,430,221.49
Financial assets at fair value through profit or loss	*2*	396,494,904.11	801,503,123.29	–	–
Prepayments		454,249.89	545,074.55	819,408.36	–
Other receivables	*3*	300,305.67	292,985.54	68,298.37	678,084.15
Other current assets	*4*	309,579,913.75	27,049,500.00	–	–
Total Current Assets		2,157,867,546.86	1,651,570,188.08	246,609,582.56	264,108,305.64
Non-current Assets					
Long-term receivables	*5*	40,792,274.03	322,783,950.83	311,224,533.33	–
Long-term equity investments	*6*	9,840,070,130.07	9,725,753,813.28	10,593,959,854.60	10,834,216,883.36
Equity instrument at fair value through other comprehensive income	*7*	19,500,000.00	31,000,000.00	22,600,000.00	11,100,000.00
Fixed assets	*8*	1,782,152.77	2,110,611.72	1,546,197.40	1,291,081.08
Goodwill	*9*	202,893,131.20	202,893,131.20	202,893,131.20	202,893,131.20
Total Non-current Assets		10,105,037,688.07	10,284,541,507.03	11,132,223,716.53	11,049,501,095.64
TOTAL ASSETS		12,262,905,234.93	11,936,111,695.11	11,378,833,299.09	11,313,609,401.28
Current Liabilities					
Short-term borrowings	*10*	598,106,326.66	324,598,962.06	2,187,805,703.85	2,555,034,596.52
Employee benefits payable	*11*	5,161,223.29	4,408,402.16	8,697,309.81	7,889,804.86
Tax payable	*12*	409,660.80	146,568,579.65	–	–
Other payables	*13*	100,342,707.73	90,438,899.74	3,956,211.08	6,131,162.92
Non-current liabilities due within one year	*14*	3,940,974,981.97	3,348,765,148.86	109,235,774.44	35,679,556.92
Other current liabilities	*15*	3,256,092.21	1,504,853.86	–	–
Total Current Liabilities		4,648,250,992.66	3,916,284,846.33	2,309,694,999.18	2,604,735,121.22
Non-current Liabilities					
Long-term borrowings	*16*	1,722,428,669.72	2,035,375,167.00	2,171,645,730.02	1,543,168,634.62
Deferred tax liabilities	*17*	120,658,673.74	76,025,323.44	80,668,570.17	69,888,057.05
Other non-current liabilities	*18*	1,920,028,508.80	1,943,584,307.20	4,822,431,804.00	4,716,917,556.00
Total Non-current Liabilities		3,763,115,852.26	4,054,984,797.64	7,074,746,104.19	6,329,974,247.67
TOTAL LIABILITIES		8,411,366,844.92	7,971,269,643.97	9,384,441,103.37	8,934,709,368.89
EQUITY					
Share capital	*19*	322,930.00	322,930.00	322,930.00	322,930.00
Capital reserve	*20*	2,718,915,994.83	2,685,879,457.99	573,179,174.95	341,658,387.68
Other comprehensive income	*21*	(567,882,641.07)	(642,359,006.59)	(1,151,039,296.37)	(955,808,779.29)
Accumulated losses	*22*	(1,175,382,379.69)	(975,437,494.03)	(491,538,493.03)	(164,273,610.20)
Equity attributable to owners of the Company		975,973,904.07	1,068,405,887.37	(1,069,075,684.45)	(778,101,071.81)
Non-controlling interests		2,875,564,485.94	2,896,436,163.77	3,063,467,880.17	3,157,001,104.20
TOTAL EQUITY		3,851,538,390.01	3,964,842,051.14	1,994,392,195.72	2,378,900,032.39
TOTAL EQUITY AND LIABILITIES		12,262,905,234.93	11,936,111,695.11	11,378,833,299.09	11,313,609,401.28

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018, 2019 AND 2020 AND JULY 31, 2021

RMB

	THE TARGET COMPANY			
Items	**As at July 31, 2021**	**As at December 31, 2020**	**As at December 31, 2019**	**As at December 31, 2018**
Current Assets				
Bank balances and cash	275,267,411.10	62,223,044.68	195,936,692.03	123,329,118.36
Other receivables	–	219,584,038.12	–	–
Total Current Assets	275,267,411.10	281,807,082.80	195,936,692.03	123,329,118.36
Non-current Assets				
Long-term equity investments	8,836,441,260.79	8,944,850,811.98	9,520,909,407.53	9,312,593,015.04
Total Non-current Assets	8,836,441,260.79	8,944,850,811.98	9,520,909,407.53	9,312,593,015.04
TOTAL ASSETS	9,111,708,671.89	9,226,657,894.78	9,716,846,099.56	9,435,922,133.40
Current Liabilities				
Short-term borrowings	–	–	1,906,679,322.55	2,555,034,596.52
Other payables	97,427,758.65	4,359.48	–	2,680,682.21
Non-current liabilities due within one year	3,940,554,453.97	3,348,663,833.34	109,235,774.44	35,679,556.92
Total Current Liabilities	4,037,982,212.62	3,348,668,192.82	2,015,915,096.99	2,593,394,835.65
Non-current Liabilities				
Long-term borrowings	646,532,089.24	1,281,373,482.08	2,171,645,730.02	1,543,168,634.62
Other non-current liabilities	1,920,028,508.80	1,943,584,307.20	4,822,431,804.00	4,716,917,556.00
Total Non-current Liabilities	2,566,560,598.04	3,224,957,789.28	6,994,077,534.02	6,260,086,190.62
TOTAL LIABILITIES	6,604,542,810.66	6,573,625,982.10	9,009,992,631.01	8,853,481,026.27
EQUITY				
Share capital	322,930.00	322,930.00	322,930.00	322,930.00
Capital reserve	2,582,287,527.76	2,549,250,990.92	436,550,707.88	205,029,920.61
Other reserve	(123,566,768.65)	(92,781,536.06)	19,149,126.73	14,326,466.28
Accumulated gains	48,122,172.12	196,239,527.82	250,830,703.94	362,761,790.24
TOTAL EQUITY	2,507,165,861.23	2,653,031,912.68	706,853,468.55	582,441,107.13
TOTAL EQUITY AND LIABILITIES	9,111,708,671.89	9,226,657,894.78	9,716,846,099.56	9,435,922,133.40

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2020 AND THE SEVEN MONTHS ENDED JULY 31, 2021

RMB

Items	Note V	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
I. Revenue		–	–	–	–	–
Less: Cost of services		–	–	–	–	–
Taxes and surcharges	23	–	–	–	–	10,895,462.47
Administrative expenses	24	23,612,686.27	21,625,133.25	36,010,393.14	37,744,806.63	35,871,885.06
Financial costs	25	89,315,782.65	173,557,473.70	237,882,883.82	351,176,169.20	314,391,523.63
Including: Interest expenses		142,618,890.34	207,629,354.93	309,393,630.29	351,564,985.11	309,037,553.28
Interest income		47,276,078.81	35,557,892.23	59,617,554.03	6,309,184.51	11,627,222.54
Add: Other income		–	–	3,098,373.04	357,917.20	214,904.60
Investment income (losses)	26	247,521,464.18	(139,194,688.17)	157,960,398.53	402,457,665.29	273,794,469.78
Including: Income (losses) from investments in associates and joint ventures		246,917,464.18	(139,194,688.17)	(388,321,042.45)	399,337,665.29	273,194,469.78
Gains from changes in fair values		1,494,904.11	–	1,503,123.29	–	–
II. Operating profit (loss)		136,087,899.37	(334,377,295.12)	(111,331,382.10)	13,894,606.66	(87,149,496.78)
Add: Non-operating income		1,140,338.35	–	–	–	–
Less: Non-operating expenses		–	–	–	–	0.02
III. Profit (loss) before tax		137,228,237.72	(334,377,295.12)	(111,331,382.10)	13,894,606.66	(87,149,496.80)
Less: Income tax expenses	27	57,750,413.01	10,944,432.14	171,003,934.69	42,645,889.21	28,057,040.30
IV. Profit (loss) for the year		79,477,824.71	(345,321,727.26)	(282,335,316.79)	(28,751,282.55)	(115,206,537.10)
(I) Categorized by the nature of continuing operation						
1. Net profit (loss) from continuing operations		79,477,824.71	(345,321,727.26)	(282,335,316.79)	(28,751,282.55)	(115,206,537.10)
2. Net profit (loss) from discontinued operations		–	–	–	–	–
(II) Categorized by ownership:						
1. Net profit (loss) attributable to owners of the Company		18,348,434.34	(293,089,781.10)	(277,677,749.12)	(120,891,292.09)	(164,273,610.20)
2. Net profit (loss) attributable to non-controlling interests		61,129,390.37	(52,231,946.16)	(4,657,567.67)	92,140,009.54	49,067,073.10
V. Other comprehensive (loss) income, net of tax		75,560,330.17	(64,840,163.77)	528,942,733.18	(192,913,882.54)	(956,039,127.75)
Other comprehensive (loss) income attributable to owners of the Company, net of tax		74,476,365.52	(64,907,640.18)	508,680,289.78	(195,230,517.08)	(955,808,779.29)
(I) Other comprehensive (loss) income that cannot be reclassified to profit or loss		(10,350,000.00)	4,800,000.00	7,560,000.00	10,350,000.00	(941,905.70)
1. Fair value (loss) gain on investment in equity instrument at fair value through other comprehensive income, net of tax		(10,350,000.00)	4,800,000.00	7,560,000.00	10,350,000.00	(941,905.70)
(II) Other comprehensive (loss) income that will be reclassified to profit or loss		84,826,365.52	(69,707,640.18)	501,120,289.78	(205,580,517.08)	(954,866,873.59)
1. Exchange (loss) gain arising on translation of foreign operations		84,826,365.52	(69,707,640.18)	501,120,289.78	(205,580,517.08)	(954,866,873.59)
Other comprehensive (loss) income attributable to non-controlling interests, net of tax		1,083,964.65	67,476.41	20,262,443.40	2,316,634.54	(230,348.46)
VI. Total comprehensive income (loss)		155,038,154.88	(410,161,891.03)	246,607,416.39	(221,665,165.09)	(1,071,245,664.85)
Total comprehensive income (loss) attributable to owners of the Company		92,824,799.86	(357,997,421.28)	231,002,540.66	(316,121,809.17)	(1,120,082,389.49)
Total comprehensive income (loss) attributable to non-controlling interests		62,213,355.02	(52,164,469.75)	15,604,875.73	94,456,644.08	48,836,724.64

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2020
AND THE SEVEN MONTHS ENDED JULY 31, 2021

RMB

Items	*Note V*	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
I. Cash from Operating Activities						
Other cash received relating to operating activities	*28(1)*	7,166,699.28	3,678,986.82	12,264,247.65	4,756,459.46	13,464,905.97
Sub-total of cash inflows from operating activities		7,166,699.28	3,678,986.82	12,264,247.65	4,756,459.46	13,464,905.97
Cash payments to employees		13,311,894.93	12,482,427.78	24,155,443.28	23,528,192.47	15,039,879.77
Cash payments for taxes		19,077,716.25	–	3,468,219.57	–	–
Other cash payments relating to operating activities	*28(2)*	13,715,257.42	10,378,200.00	26,613,344.95	18,459,878.16	8,833,531.93
Sub-total of cash outflows from operating activities		46,104,868.60	22,860,627.78	54,237,007.80	41,988,070.63	23,873,411.70
Net Cash used in Operating Activities	*29(1)*	(38,938,169.32)	(19,181,640.96)	(41,972,760.15)	(37,231,611.17)	(10,408,505.73)
II. Cash from Investing Activities						
Cash received from disposals or recovery of investments		1,100,000,000.00	–	545,181,440.98	–	–
Cash received from investment income		558,275,995.72	2,613,220.71	494,706,934.54	613,449,317.96	749,833,787.46
Other cash received relating to investing activities	*28(3)*	240,000,000.00	–	532,533,837.16	–	–
Sub-total of cash inflows from investing activities		1,898,275,995.72	2,613,220.71	1,572,422,212.68	613,449,317.96	749,833,787.46
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		74,096.20	812,211.00	1,139,922.56	615,707.50	1,387,586.99
Cash payments to acquire investments		695,000,000.00	–	800,000,000.00	3,750,000.00	–
Net cash payments for acquisitions of subsidiaries and other business units	*29(2)*	–	–	–	–	7,505,385,068.43
Other cash payments relating to investing activities	*28(4)*	520,027,092.00	531,750,000.00	798,750,000.00	309,300,000.00	–
Sub-total of cash outflows from investing activities		1,215,101,188.20	532,562,211.00	1,599,889,922.56	313,665,707.50	7,506,772,655.42
Net Cash from (used in) Investing Activities		683,174,807.52	(529,948,990.29)	(27,467,709.88)	299,783,610.46	(6,756,938,867.96)
III. Cash from Financing Activities						
Cash received from capital contributions		–	59,468,500.00	1,922,990,449.47	29,918,000.00	153,308,197.69
Cash received from borrowings		1,608,426,584.93	2,780,320,789.00	3,190,168,185.38	1,248,940,736.74	14,588,175,898.99

Items	*Note V*	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Other cash received relating to financing activities	*28(5)*	–	–	–	–	7,220,029,872.20
Sub-total of cash inflows from financing activities		1,608,426,584.93	2,839,789,289.00	5,113,158,634.85	1,278,858,736.74	21,961,513,968.88
Cash repayments of borrowings		1,066,827,281.03	1,927,189,886.00	4,209,144,074.17	1,003,803,257.39	11,418,202,049.22
Cash payments for distribution of dividends or profits or settlement of interest expenses		317,714,860.96	281,382,541.07	416,180,287.45	555,962,831.38	547,033,355.55
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		3,771,569.76	–	95,930,427.55	194,594,576.72	292,860,732.27
Other cash payments relating to financing activities	*28(6)*	–	–	–	–	2,953,265,052.22
Sub-total of cash outflows from financing activities		1,384,542,141.99	2,208,572,427.07	4,625,324,361.62	1,559,766,088.77	14,918,500,456.99
Net Cash from (used in) Financing Activities		223,884,442.94	631,216,861.93	487,834,273.23	(280,907,352.03)	7,043,013,511.89
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		784,843.72	(71,018,328.16)	(82,851,043.17)	660,898.14	(12,249,807.77)
V. Net Increase (Decrease) in Cash and Cash Equivalents		868,905,924.86	11,067,902.52	335,542,760.03	(17,694,454.60)	263,416,330.43
Add: Opening Balance of Cash and Cash Equivalents	*29(3)*	581,264,635.86	245,721,875.83	245,721,875.83	263,416,330.43	–
VI. Closing Balance of Cash and Cash Equivalents	*29(3)*	1,450,170,560.72	256,789,778.35	581,264,635.86	245,721,875.83	263,416,330.43

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2020 AND THE SEVEN MONTHS ENDED JULY 31, 2021

RMB

	Seven months ended July 31, 2021					
	Attributable to owners of the Target Company					
Items	Share capital	Capital reserve	Other reserve	Accumulated losses	Non-controlling interests	Total
I. As at January 1, 2021	322,930.00	2,685,879,457.99	(642,359,006.59)	(975,437,494.03)	2,896,436,163.77	3,964,842,051.14
II. Changes for the period	–	33,036,536.84	74,476,365.52	(199,944,885.66)	(20,871,677.83)	(113,303,661.13)
(I) Profit and total comprehensive income (loss)	–	–	74,476,365.52	18,348,434.34	62,213,355.02	155,038,154.88
(II) Owners' contributions and reduction in capital	–	33,036,536.84	–	–	–	33,036,536.84
1. Owners' contributions in capital	–	–	–	–	–	–
2. Others	–	33,036,536.84	–	–	–	33,036,536.84
(III) Profit distribution	–	–	–	(218,293,320.00)	(83,085,032.85)	(301,378,352.85)
1. Dividends distributed to shareholders	–	–	–	(218,293,320.00)	(83,085,032.85)	(301,378,352.85)
III. As at July 31, 2021	322,930.00	2,718,915,994.83	(567,882,641.07)	(1,175,382,379.69)	2,875,564,485.94	3,851,538,390.01

RMB

	Seven months ended July 31, 2020 (Unaudited)					
	Attributable to owners of the Target Company					
Items	Share capital	Capital reserve	Other reserve	Accumulated losses	Non-controlling interests	Total
I. As at January 1, 2020	322,930.00	573,179,174.95	(1,151,039,296.37)	(491,538,493.03)	3,063,467,880.17	1,994,392,195.72
II. Changes for the period	–	177,412,422.90	(64,907,640.18)	(499,311,032.97)	(52,164,469.75)	(438,970,720.00)
(I) Profit and total comprehensive income (loss)	–	–	(64,907,640.18)	(293,089,781.10)	(52,164,469.75)	(410,161,891.03)
(II) Owners' contributions and reduction in capital	–	177,412,422.90	–	–	–	177,412,422.90
1. Owners' contributions in capital	–	59,468,500.00	–	–	–	59,468,500.00
2. Others	–	117,943,922.90	–	–	–	117,943,922.90
(III) Profit distribution	–	–	–	(206,221,251.87)	–	(206,221,251.87)
1. Dividends distributed to shareholders	–	–	–	(206,221,251.87)	–	(206,221,251.87)
III. As at July 31, 2020	322,930.00	750,591,597.85	(1,215,946,936.55)	(990,849,526.00)	3,011,303,410.42	1,555,421,475.72

RMB

	Year ended December 31, 2020					
	Attributable to owners of the Target Company					
Items	Share capital	Capital reserve	Other reserve	Accumulated losses	Non-controlling interests	Total
I. As at January 1, 2020	322,930.00	573,179,174.95	(1,151,039,296.37)	(491,538,493.03)	3,063,467,880.17	1,994,392,195.72
II. Changes for the year	–	2,112,700,283.04	508,680,289.78	(483,899,001.00)	(167,031,716.40)	1,970,449,855.42
(I) Profit and total comprehensive income (loss)	–	–	508,680,289.78	(277,677,749.12)	15,604,875.73	246,607,416.39
(II) Owners' contributions and reduction in capital	–	2,112,700,283.04	–	–	–	2,112,700,283.04
1. Owners' contributions in capital	–	1,922,990,449.47	–	–	–	1,922,990,449.47
2. Others	–	189,709,833.57	–	–	–	189,709,833.57
(III) Profit distribution	–	–	–	(206,221,251.88)	(182,636,592.13)	(388,857,844.01)
1. Dividends distributed to shareholders	–	–	–	(206,221,251.88)	(182,636,592.13)	(388,857,844.01)
III. As at December 31, 2020	322,930.00	2,685,879,457.99	(642,359,006.59)	(975,437,494.03)	2,896,436,163.77	3,964,842,051.14

RMB

	Year ended December 31, 2019					
	Attributable to owners of the Target Company					
Items	Share capital	Capital reserve	Other reserve	Accumulated losses	Non-controlling interests	Total
I. As at January 1, 2019	322,930.00	341,658,387.68	(955,808,779.29)	(164,273,610.20)	3,157,001,104.20	2,378,900,032.39
II. Changes for the year	–	231,520,787.27	(195,230,517.08)	(327,264,882.83)	(93,533,224.03)	(384,507,836.67)
(I) Profit and total comprehensive income (loss)	–	–	(195,230,517.08)	(120,891,292.09)	94,456,644.08	(221,665,165.09)
(II) Owners' contributions and reduction in capital	–	231,520,787.27	–	–	–	231,520,787.27
1. Owners' contributions in capital	–	29,918,000.00	–	–	–	29,918,000.00
2. Others	–	201,602,787.27	–	–	–	201,602,787.27
(III) Profit distribution	–	–	–	(206,373,590.74)	(187,989,868.11)	(394,363,458.85)
1. Dividends distributed to shareholders	–	–	–	(206,373,590.74)	(187,989,868.11)	(394,363,458.85)
III. As at December 31, 2019	322,930.00	573,179,174.95	(1,151,039,296.37)	(491,538,493.03)	3,063,467,880.17	1,994,392,195.72

RMB

	Year ended December 31, 2018					
	Attributable to owners of the Target Company					
Items	Share capital	Capital reserve	Other reserve	Accumulated losses	Non-controlling interests	Total
I. As at January 1, 2018	–	–	–	–	–	–
II. Changes for the year	322,930.00	341,658,387.68	(955,808,779.29)	(164,273,610.20)	3,157,001,104.20	2,378,900,032.39
(I) Profit and total comprehensive income (loss)	–	–	(955,808,779.29)	(164,273,610.20)	48,836,724.64	(1,071,245,664.85)
(II) Owners' contributions and reduction in capital	322,930.00	341,658,387.68	–	–	3,388,051,628.47	3,730,032,946.15
1. Owners' contributions in capital	322,930.00	152,985,267.69	–	–	–	153,308,197.69
2. Others	–	188,673,119.99	–	–	3,388,051,628.47	3,576,724,748.46
(III) Profit distribution	–	–	–	–	(279,887,248.91)	(279,887,248.91)
1. Dividends distributed to shareholders	–	–	–	–	(279,887,248.91)	(279,887,248.91)
III. As at December 31, 2018	322,930.00	341,658,387.68	(955,808,779.29)	(164,273,610.20)	3,157,001,104.20	2,378,900,032.39

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

FOR EACH OF THE THREE YEARS ENDED DECEMBER 31, 2020, AND THE SEVEN MONTHS ENDED JULY 31, 2021

I. GENERAL INFORMATION

Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("the Target Company", collectively referred to as "the Target Group" when including subsidiaries) is incorporated in the British Virgin Islands with limited liability on December 18, 2017.

The Target Company is an investment holding company. The Target Group focuses on initiation, promotion, development and operation of toll expressways and bridges as well as land development and utilisation along with the Guangshen Superhighway in the PRC through its joint ventures established in the PRC.

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.

II. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Basis of preparation

The Target Company is incorporated in the British Virgin Islands, in view of the requirements on the management of the Target Company to prepare financial statements in accordance with the Accounting Standards for Business Enterprises promulgated by Ministry of Finance of the People's Republic of China and relevant regulations thereto (hereinafter referred to as "the CASBE"), the Target Group prepared the Historical Financial Information in accordance with the CASBE. In addition, the Target Group also discloses financial information in accordance with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting (Revised in 2014).

Going concern

As at July 31, 2021, the Target Group had net current liabilities of RMB2,490,383,445.80. 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. Thereafter, Shenzhen Expressway Co., Ltd. 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 financial statements have been prepared on a going concern basis.

Basis of accounting and principle of measurement

The Target Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Target Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

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 measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis.

When measuring non-financial assets at fair value, the capability of market participants to use the assets for optimal use to generate economic benefits, or to sell the assets to other market participants that can be used for optimal use to generate economic benefits is considered.

For financial assets whose transaction price is the fair value upon initial recognition and using valuation technique involving unobservable inputted value in subsequent measurement of fair values, the valuation technique should be adjusted during the valuation to make the results of initial recognition determined by valuation are equal to the transaction price.

Fair value measurements are categorized into Level 1, 2 or 3 based on 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 inputs within Level 1, that are observable for the asset or liability;
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the CASBE

The Historical Financial Information of the Target Company have been prepared in accordance with the CASBE, and present truly and completely, the consolidated financial position as at July 31, 2021, December 31, 2020, 2019 and 2018, and 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 for each of the three years ended December 31, 2020 and the seven months ended July 31, 2021.

2. Accounting period

The Target Group has adopted the calendar year as its accounting year, i.e. from January 1 to December 31. The operating cycle of the Target Company and its subsidiaries is one year.

3. Operating cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents.

4. Reporting currency

The major subsidiaries and joint ventures of the Target Company have RMB as their functional currency according to their primary economic environment. The Target Company adopts RMB as reporting currency to prepare its Historical Financial Information.

5. Accounting treatment of business combinations

Business combinations are classified as business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination/the aggregate fair value of shares issued as consideration is adjusted to the capital premium in capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the Historical Financial Information.

6. Preparation of Historical Financial Information

The scope of consolidation in the Historical Financial Information is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Target Group will conduct reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Target Group, and ceases with the Target Group's losing control of the subsidiary.

For a subsidiary disposed of by the Target Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Target Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Target Company.

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.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "non-controlling interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "Profit or loss attributable to non-controlling interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt with as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognised in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

When the Target Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Classification of joint arrangements and accounting treatments of joint operations

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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.

The Target Group accounts for investments in joint ventures using equity method. Refer to Note III, 11.3.2 "Long-term equity investments accounted for using the equity method" for details.

When a group entity undertakes its activities under joint operations, the Target Group as a joint operator recognizes in relation to its interest in a joint operation:

– its assets, including its share of any assets held jointly;

– its liabilities, including its share of any liabilities incurred jointly;

– its revenue from the sale of its share of the output arising from the joint operation;

– its share of the revenue from the sale of the output by the joint operation; and

– its expenses, including its share of any expenses incurred jointly.

The Target Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting standards applicable to the particular assets, liabilities, revenues and expenses.

8. Recognition criteria of cash and cash equivalents

Cash includes cash on hand and deposits available for payment. Cash equivalents are short-term (generally due within three months from the acquisition date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

9. Translation of transactions and financial statements denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of transaction. The exchange rate that approximates the actual spot exchange rate on the date of transaction is exchange rate at the beginning of the month.

At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from monetary items classified as at fair value through other comprehensive income, other than changes in the carrying amounts of those measured at amortised cost are recognised as other comprehensive income, are recognised in profit or loss for the current period.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income.

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the Historical Financial Information, financial statements of a foreign operation are translated from the foreign currency into reporting currency RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognised as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of foreign exchange rate changes on cash and cash equivalents".

The closing balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Target Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Target Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under owners' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Target Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

10. Financial instruments

Financial assets and financial liabilities are recognised when the Target Group 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.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initially recognised amounts. Initially recognised accounts receivable that do not contain significant financing components and accounts receivable that the Target Group decides not to consider a financing component of less than a year in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue ("**Revenue Standards**") are initially measured at the transaction price defined by the Revenue Standards.

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 flows through the expected life of the financial asset or financial liability to the net carrying amount of the financial asset or the amortised cost of financial liability. When calculating the effective interest rate, the Target Group estimates future cash flows considering all contractual terms of the financial asset or financial liability including earlier repayment, extension, call option or other similar options etc. without considering future credit losses.

The amortised cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortised amount arising from amortization of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Target Group's financial assets of various categories are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortised cost. These financial assets mainly include bank balances and cash, other receivables, etc.

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("**FVTOCI**"): the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such type of financial assets with a period of over one year since obtaining are presented as other debt investments and financial assets due within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year; and others with a period within one year (inclusive) upon obtaining are presented as other current assets.

Upon initial recognition, the Target Group irrevocably designates non-held-for-trading equity instrument investment except contingent considerations recognised in the business combination not under the common control as financial assets at fair value through other comprehensive income. Such type of financial assets are presented as other equity instrument investments.

Financial assets at fair value through profit or loss include financial assets classified as at fair value through profit or loss and financial assets designated as at fair value through profit or loss, except for derivative financial assets, which are presented as held-for-trading financial assets. The financial assets due over one year since balance sheet date and expected to be held for more than one year are presented as other non-current financial assets.

- Financial assets that are not qualified to be classified as financial assets at amortised cost or financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

- Upon initial recognition, in order to eliminate or significantly reduce accounting mismatch, and when the hybrid contracts containing embedded derivatives are qualified, the Target Group will irrevocably designate financial assets at financial assets at fair value through profit or loss.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

10.1.1 Financial assets measured at amortised cost

Financial assets measured at amortised cost are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

For financial assets carried at amortised cost, the Target Group recognizes interest income using effective interest method. The Target Group calculates and recognizes interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- For the purchased or originated credit-impaired financial assets, the Target Group calculates and recognizes their interest income based on amortised cost and credit-adjusted effective interest rate of such financial assets since initial recognition.

- For the purchased or originated financial assets without credit-impairment but subsequently becoming credit-impaired, the Target Group subsequently calculates and recognizes their interest income based on amortised costs and effective interest rate of such financial assets. If there exists no credit impairment due to improvement in credit risk of the financial instruments subsequently and such improvement may relate to an event occurred after application of the above regulations, the Target Group recognizes interest income by applying effective interest rate to carrying amount of the financial assets.

10.1.2 Financial assets at FVTOCI

Except that gains or losses on impairment relating to financial assets at fair value through other comprehensive income, interest income and exchange profit or loss calculated using effective interest rate are recognised in profit or loss for the period, fair value changes in the above financial assets are included in other comprehensive income. The amount of the financial assets included into profit or loss of each period shall be regarded as equal as the amount measured at amortised cost through profit or loss over each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognised in other comprehensive income are transferred and reclassified into profit or loss for the period.

Fair value change of designation of non-held-for-trading equity investment to FVTOCI is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Target Group holds the investments in the equity instrument not held for trading, dividend income is recognised and included in profit or loss for the period when 1) the Target Group's right to collect dividend has been established; 2) it is probable that economic benefits associated with dividend will flow to the Target Group; and 3) the amount of dividend can be reliably measured.

10.1.3 Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss for the period.

10.2 Impairment of financial instruments

The Target Group makes accounting treatment on impairment and recognizes loss allowance for expected credit losses ("**ECL**") on financial assets measured at amortised cost and financial assets classified as at FVTOCI.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Target Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Target Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Target Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Target Group recognizes credit loss allowance for financial assets at FVTOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Target Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, The Target Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss as gain on impairment.

10.2.1 Significant increase of credit risk

The Target Group makes use of reasonable and supportable forward-looking information that is available to determine whether the credit risk of financial instrument has increased significantly since initial recognition through comparing the risk of a default of the financial instrument at the balance sheet date with the risk of a default at the date of initial recognition.

The Target Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

(1) significant changes in the internal price indicators arising from changes in credit risk.

(2) significant changes in the interest rate or other terms of the financial instrument, if the existing financial instrument is originated or issued as a new financial instrument at the balance sheet date (such as stricter contract terms, increase in collateral or guaranty or higher rate of return, etc.)

(3) changes in the external market indicators of credit risk of the same financial instrument or similar financial instruments with the same expected duration. These indicators include: credit spreads, length of time and extent to which the fair value of financial assets is less than their amortised cost, and other market information related to the borrower (such as the borrower's debt instruments or changes in the price of equity instruments).

(4) significant changes in the external or expected external credit rating of financial instruments.

(5) whether the actual or expected internal credit rating of the debtor is lowered.

(6) unfavorable changes in business, financial or economic conditions that are expected to result in a significant change in the ability of the debtor to meet its debt service obligations.

(7) significant changes in the actual or expected operating results of the debtor.

(8) significant increase in the credit risk of other financial instruments issued by the same debtor.

(9) significant adverse changes in the regulatory, economic or technological environment in which the debtor operates.

(10) significant changes in the value of the collateral or the guarantee provided by a third party or the quality of credit enhancement. These changes are expected to reduce the economic incentives of the debtor to repay the loan under the contractual deadline or affect the probability of default.

(11) significant changes in the economic incentives for borrowers to repay their loans under the contractual deadline.

(12) expected changes to loan contract, including the exemption or revision of contractual obligations, the granting of interest-free periods, the jump in interest rates, the requirement for additional collateral or guarantees, or other changes in the contractual framework for financial instruments that may result from the breach of contract.

(13) significant changes in the debtor's expected performance and repayment behavior.

(14) significant changes in the Target Group's approach to credit management of financial instruments.

Regardless of whether the credit risk has increased significantly after the above assessment, when the financial instrument contract payment has been overdue for more than 30 days (inclusive), it indicates that the credit risk of the financial instrument has increased significantly.

10.2.2 Credit-impaired financial assets

When the Target Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes the following observable events:

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

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

(3) 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;

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

(5) the disappearance of an active market for that financial asset because of financial difficulties; or

(6) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Based on the internal credit risk management of the Target Group, the Target Group considers that a default event happens if the financial instrument debtor cannot make a repayment fully to the debtors including the Target Group (irrespective of any guarantee obtained by the Target Group) according to internal suggestions or external information.

Regardless of the above assessment, the Target Group presumes that a financial instrument is in default if the contractual payment of the financial instrument has been overdue for more than (inclusive) 90 days.

10.2.3 Determination of expected credit loss

The Target Group uses the impairment matrix to determine the credit loss of related financial instruments based on the combination of accounts receivable. The Target Group divides financial instruments into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Target Group include: financial instrument type, credit risk rating, remaining contract term, the industry in which the debtor operates, etc.

For a financial asset, credit loss is the present value of the difference between the contractual cash flows that are due to the Target Group under the contract and the cash flows that the Target Group expects to receive.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money, reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

10.2.4 Write-off of financial assets

When the Target Group will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Target Group will directly write off the carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

10.3 Transfer of financial assets

The Target Group will derecognize a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets carried at amortised cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortised cost of the Target Group's retained rights (if the Target Group retains relevant rights for the transfer of financial assets) plus amortised cost of obligations assumed by the Target Group (if the Target Group assumes relevant obligations for the transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.

- For transferred financial assets measured at fair value, the carrying amount of relevant liabilities is the carrying amount of continuing involvement in the transferred financial asset less the fair value of the rights retained by the Target Group (if the Target Group retains rights for the transfer of the financial asset) plus the fair value of the obligations undertaken by the Target Group (if the Target Group undertakes relevant obligations for the transfer of the financial asset), and the fair value of the rights and liabilities is measured on a stand-alone basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. For the non-held-for trading equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognised in other comprehensive income shall be transferred and recognised in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss. For the non-held-for-trading equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognised in other comprehensive income shall be transferred and recognised in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Target Group continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognised as a liability.

10.4 Classification of financial liabilities and equity instruments

Financial instruments or their components are classified into financial liabilities or equity instruments on initial recognition according to not only the legal form but also the contractual arrangements and their economic substance of the financial instruments issued by the Target Group in consideration of the definitions of financial liability and equity instrument.

10.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.4.1.1 Financial liabilities at FVTPL

Financial liabilities at FVTPL consist of held-for-trading financial liabilities (including derivatives classified as financial liabilities) and those designated as at FVTPL. Except for derivative financial liabilities presented separately, the financial liabilities at FVTPL are presented as held-for-trading financial liabilities.

A financial liability is classified as held for trading if one of the following conditions is satisfied:

- it has been acquired principally for the purpose of repurchasing in the near term;

- on initial recognition it is part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: 1) Such designation eliminates or significantly reduces accounting mismatch; or 2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. 3) The qualified hybrid financial instrument combines financial asset with embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, other changes in fair values are included in profit or loss for the current period. Upon the derecognition of such liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognised in other comprehensive income, is transferred to retained earnings. Any dividend or interest expenses relating to the financial liabilities are recognised in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Target Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

10.4.1.2 Other financial liabilities

Except for financial liabilities arising from transfer of financial assets that do not meet the derecognition criteria or those arising from continuing involvement in the transferred financial assets, other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortization recognised in profit or loss.

When the contractual cash flows are changed due to the renegotiation or modification of the contract made between the Target Group and the counterparty and the renegotiation or modification does not result in the derecognition of the financial asset that is subsequently measured at amortised cost, the Target Group shall recalculate the carrying amount of the financial asset and shall recognize related gains or losses in profit or loss. The carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortised over the remaining term of the modified financial liability.

10.4.2 Derecognition of financial liabilities

The Target Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Target Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Target Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of it) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.4.3 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 (including refinancing), repurchased, sold and cancelled by the Target Group are recognised as changes of equity. Change in fair value of equity instruments is not recognised by the Target Group. Transaction costs related to equity transactions are deducted from equity.

the Target Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

10.5 Offsetting a financial asset and a financial liability

Where the Target Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

11. Long-term equity investments

11.1 Determination criteria of joint control and significant influence

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

11.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in financial statements of ultimate controlling party is recognised as initial investment cost of long-term equity investment at the date of combination. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's Historical Financial Information at the date of combination. The aggregate fair value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate fair value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with the *CABSE No. 22 - Recognition and Measurement of Financial Instruments* and the additional investment cost.

11.3 Subsequent measurement and recognition of profit or loss

11.3.1 Long-term equity investment accounted for using the cost method

The Company's separate financial statements adopted cost method to account for the long-term equity investments of subsidiaries. A subsidiary is an investee that is controlled by the Target Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

11.3.2 Long-term equity investment accounted for using the equity method

Except for investments in associates and joint ventures classified as held-for-sale partly or wholly, the Target Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Target Group has significant influence and a joint venture is an entity over which the Target Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Target Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Target Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Target Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised in the capital reserve. the Target Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period.

However, unrealized gains or losses resulting from the Target Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Target Group and then investment gains or losses is recognised. However, unrealised losses resulting from the Target Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

When assets investment by the Target Group constitute a business, resulting in the investor's obtainment of long-term equity investments but no control, the fair value of such investment is the initial investment cost of the long-term equity investments; The difference between the initial investment cost and invested assets is recognised, at the full amount, in profit or loss for the period. When sales of assets by the Target Group constitute a business, the difference between the consideration received and the carrying amount of such business is recognised, at full amount, in profit or loss for the period. When assets purchased from the Target Group's associates and joint ventures constitute a business, gains or loss related to such transaction should be recognised in full in accordance with the *Accounting Standards for Business Enterprises No. 20- Business Combination*.

the Target Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Target Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Target Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

11.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee, and profit or loss is carried forward proportionately; Other owners' equity recognised from changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognised in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognised in profit or loss for the period and carried forward proportionately; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognised in profit or loss for the current period.

12. Fixed assets

12.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Target Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

If the fixed asset is ready for its intended use but has not yet completed the final account of project, its cost will be determined according to the estimated value and it will be depreciated. After the completion of the final accounts, the original temporary estimated value will be adjusted according to the actual cost, but the depreciation that has been previously made will not be adjusted.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Target Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

12.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful life	Residual value rate	Annual depreciation rate
Transportation vehicles	5 years	–	20.00%
Electronic equipment	3 years	–	33.33%

Estimated net residual value of a fixed asset is the estimated amount that the Target Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

12.3 Other descriptions

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

the Target Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Target Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

14. Impairment of long-term assets

the Target Group reviews the long-term equity investments and fixed assets at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

In determining the impairment losses of assets related to contract costs, the Company first determines the impairment losses of other assets related to contracts recognised in accordance with other relevant CASBE; then, for assets related to contract costs, if the carrying amount of the assets is higher than the difference between: (1) the remaining consideration that the Company expects to obtain for the transfer of the goods or services related to the asset; and (2) the estimated costs to be incurred for the transfer of the related goods or services, any excess is provided for impairment and recognised as impairment loss of assets.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Except for impairment loss of assets related to contract costs, once the above impairment loss is recognised, it cannot be reversed in the subsequent accounting periods. After the provision for impairment of assets related to contract costs is made, if the factors of impairment in previous periods change so that the difference between the above two is higher than the carrying amount of the asset, the original provision for impairment of the asset is reversed and recognised in profit or loss for the period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no provision for impairment was made.

15. Employee benefits

15.1 Accounting methods for short-term employee benefits

Actually occurred short-term employee benefits are recognised as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Target Group. Staff welfare expenses incurred by the Target Group are recognised in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Target Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognised as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

15.2 Accounting treatment of post-employment benefits

Post-employment benefits are all defined contribution plans.

For defined contribution plans, during the accounting period in which employees provide services to the Target Group, amount which should be paid according to defined contribution plans is recognised as liabilities, and recognised in profit or loss or related costs of assets.

15.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognised in profit or loss for the period at the earlier of when the Target Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when the Target Group recognizes any related restructuring costs or expenses.

16. Accounting treatment of Government grants

Government grants are monetary assets and non-monetary assets from the government to the Target Group at no consideration. A government grant is recognised only when the Target Group can comply with the conditions attaching to the grant and the Target Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

16.1 Government grants related to income

the Target Group's government grants are mainly financial subsidies granted by the government, which will not form long-term assets, and such government grants are related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income and recognised in profit or loss over the periods in which the related costs or losses are recognised; If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Target Group's daily activities is recognised in other income based on the nature of economic activities; a government grant not related to the Target Group's daily activities is recognised in non-operating income.

For the repayment of a government grant already recognised, if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognised in profit or loss for the period.

17. Deferred tax assets and deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

17.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

17.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of the transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Target Group is able to control the timing of 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 taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

17.3 Offsetting income tax

When the Target Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Target Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

18. Leases

The Target Group adopts the following accounting policies for leases from January 1, 2019:

A lease is a contract whereby the lessor conveys to the lessee in return for a consideration the right to use an asset for an agreed period of time.

At the inception of the contract, the Target Group assesses whether the contract is or contains a lease. The Target Group will not reassess whether the contract is or contains a lease, unless the terms and conditions of the contract are subsequently changed.

18.1 The Target Group as lessee

18.1.1 Short-term leases and leases of low-value assets

A short-term lease is a lease that at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease.

A lease of a low-value asset, is a lease that the single underlying asset, when is new, is of low value. If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

The Target Group elects not to recognize right-of-use assets and lease liabilities for parking lots and offices that do not contain a purchase option but have a lease term for 12 months or less since the effective date of the lease.

The following accounting policies for leases are applicable to 2018:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

19. Changes in significant accounting policies

19.1 New and amended accounting standards

Since January 1, 2019, the Target Group implemented the *Accounting Standards for Business Enterprises No. 21 - Leases* (Cai Kuai [2018] No. 35, hereinafter referred to as the " New Lease Standards") revised by the Ministry of Finance in 2018, *Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets* (the "New Standards for Exchange of Non-monetary Assets") and *Accounting Standards for Business Enterprises No. 12 - Debt Restructuring* (the "New Standards for Debt Restructuring") revised by the Ministry of Finance in 2019. the Target Group has implemented the *No. 14 Interpretation to the Accounting Standards for Business Enterprises* (Cai Kuai [2021] No. 1, hereinafter referred to as "No. 14 Interpretation") issued by the Ministry of Finance on January 26, 2021 since January 1, 2021.

19.1.1 New Standards for Leases

The New Standards for Leases have cancelled classification of finance leases and operating leases as a leasee and required the leasee to recognize the right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets electing simplified treatment method), and recognize depreciation and interest expenses respectively. For the lessor, the New Standards for Leases substantially follow the accounting treatments for the head lease. In implementing the New Standards for Leases, the Target Group will adjust the opening balance of retained earnings and amounts of other relevant items in the financial statements during the current year of the first implementation of the New Standards for Leases based on accumulative amounts impacted from the first implementation of the Standards, and it is allowed not to adjust the information of the comparable periods. For operating leases before the date of the first implementation, the Target Group, as the leasee, shall measure the lease liability at the present value discounted using the incremental borrowing rate at the date of the first implementation based on the residual lease payments, and make necessary adjustments on the prepayment of lease payments to measure the right-of-use assets based on the amount equal to the lease liability for each lease. Implementation of the New Standards for Lease has no significant impact on the Target Group's financial statements.

19.1.2 New Standards for Exchange of Non-Monetary Assets

The New Standards for Exchange of Non-Monetary Assets revised the definition of exchange of non-monetary assets, defined the application scope of the standard, determined the time points to recognize the assets received and derecognize the assets surrendered, and the accounting treatment standard when the time point to recognize the assets received is inconsistent with that to derecognize the assets surrendered, detailed the accounting treatment for the exchange of non-monetary assets, and added relevant requirement in disclosure. For the exchange of non-monetary assets before January 1, 2019, the Target Group has not made retrospective adjustment. The implementation of the New Standards for Exchange of Non-Monetary Assets has no impact on the Target Group's financial statements in 2018.

19.1.3 New Standards for Debt Restructuring

The New Standards for Debt Restructuring revised the definition of debt restructuring; defined the application scope of the standard; revised the accounting treatment of debt restructuring and simplified the disclosure requirements for debt restructuring. For debt restructuring before

January 1, 2019, the Target Group has not made retrospective adjustment. The implementation of the New Standards for Debt Restructuring has no impact on the Target Group's financial statements in 2018.

19.1.4 No. 14 Interpretation

Issue I of No. 14 Interpretation, "Accounting Treatment of Project Contracts for Public and Private Partnership (PPP) by Private Party" provides that the Private Party shall account for provision of construction services or contract awarding to other parties in accordance with the "*CASBE No. 14 - Revenue*". Issue II of Interpretation No. 14, "Accounting Treatment of Changes in the Basis for Determining the Relevant Contractual Cash Flows Arising from Benchmark Interest Rate Reform" provides accounting treatment of changes in the basis for determining the relevant contractual cash flows of financial assets or financial liabilities and changes in leases arising from benchmark interest rate reform. The implementation of No. 14 Interpretation did not have impacts on the Target Group's financial statements for Seven months ended July 31 of 2021, 2020, 2019 and 2018.

19.2 Presentation of financial statements

19.2.1 Cai Kuai No. 6 Document

The Target Group has adopted the *Notice of the Revised Format of 2019 Financial Statements for General Business Enterprises* (Cai Kuai (2019) No. 6, hereinafter referred to as the "Cai Kuai No. 6 Document") released by the Ministry of Finance on April 30, 2019 since preparation of the financial statements of 2019. Cai Kuai No. 6 Document revised the presenting accounts in the balance sheet and income statement and split "Notes and accounts receivable" to be "Notes receivable" and "Accounts receivable", and "Notes and accounts payable" to be "Notes payable" and "Accounts payable". It also specified or revised the presentation of line items of "Deferred income", "Interest income" under "Financial expenses", "Other income", "Gains on disposal of assets", "Non-operating income" and "Non-operating expenses", and adjusted the presenting location of "Impairment losses of assets". For the above changes in presenting accounts, the Target Group has adjusted retrospectively the comparable data for the year of 2018.

IV. TAXES

1. Major categories of taxes and tax rates

	Basis of tax computation	**Tax rate**
Income tax	Taxable income originated from and generated from Hong Kong	Less than HKD2 million: 8.25% More than HKD2 million: 16.5%
Enterprise income tax	Dividends distributed by joint ventures in China	Withholding tax rate: 5%/10%
Enterprise income tax	Taxable income of subsidiaries in China	25%
Value-added tax	Interest income of subsidiaries in China	Simplified levy rate: 6%

V. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Bank balances and cash

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Cash on hand:				
RMB	46,051.55	25,008.60	36,461.50	11,857.90
HKD	6,014.76	2,457.46	4,331.06	2,177.60
Bank balances: *(Note 1)*:				
RMB	1,168,230,048.33	755,791,318.15	2,879,236.54	4,038,279.92
HKD	282,733,175.49	66,328,982.82	242,773,651.65	259,338,765.97
USD	14.47	8,995.51	4,625.33	4,547.84
JPY		–	–	15,843.90
Other funds: *(Note 2)*:				
HKD	22,868.84	22,742.16	23,569.75	18,748.36
Total	1,451,038,173.44	822,179,504.70	245,721,875.83	263,430,221.49
Including: Total amount of funds deposited overseas	651,241,455.36	495,171,494.27	47,997,816.17	140,108,564.62

Note 1: As at July 31, 2021, December 31 2020, 2019 and 2018, the Target Group's fixed deposits with a maturity more than three months are nil, RMB 240,000,000.00, nil and nil respectively. As at July 31, 2021, December 31, 2020, 2019 and 2018, the Target Group's interest on deposits receivable are RMB867,612.72, RMB914,868.84, nil and RMB13,891.06 respectively.

Note 2: As at July 31, 2021, December 31, 2020, 2019 and 2018, other funds are securities accounts, which are RMB22,868.84, RMB22,742.16, RMB23,569.75 and RMB18,748.36 respectively.

2. Financial assets at fair value through profit or loss

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Structured deposits	396,494,904.11	801,503,123.29	–	–

Note: It refers to structured deposits held by the Target Company's subsidiary Shenwan Infrastructure (Shenzhen) Co., Ltd. ("**Shenwan Infrastructure**"). On 31 July 2021, Shenwan Infrastructure held structured deposits with gains from deposits pegged with the "Gold 9999", the principal amounting to RMB300,000,000.00 and a period from 19 May 2021 to 17 August 2021; and held structured deposits with gains from deposits pegged with the one-year loan prime rate ("**LPR**"), the principal amounting to RMB95,000,000.00 and a period from 23 June 2021 to 23 August 2021. On 31 December 2020, Shenwan Infrastructure held structured deposits with gains from deposits pegged with 3-month LIBOR USD interest rate, the principal amounting to RMB800,000,000.00 and a period from 14 December 2020 to 13 January 2021.

3. Other receivables

3.1 Summary of other receivables

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Interest receivable	–	–	–	–
Other receivables	300,305.67	292,985.54	68,298.37	678,084.15
Total	300,305.67	292,985.54	68,298.37	678,084.15

3.2 Other receivables disclosed by aging

RMB

	As at July 31, 2021		
Item	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	300,305.67	–	–

RMB

	As at December 31, 2020		
Item	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	292,985.54	–	–

RMB

	As at December 31, 2019		
Item	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	68,298.37	–	–

RMB

	As at December 31, 2018		
Item	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	678,084.15	–	–

Note: Other receivables of the Target Group are not overdue, and there is no significant risk of credit loss.

4. Other current assets

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Loans to a related party *(Note)*	309,579,913.75	27,049,500.00	–	–

Note: The Target Company's subsidiary, Shenwan Infrastructure, lent the principal amounting to RMB27,000,000.00 to Guangzhou Zhentong Development Company Limited ("**Xintang JV**") in December 2020 with an annual interest rate of 6%. The principal was available for a debt-for-equity swap on 30 June 2021, please refer to Note V, 6 for details.

The Target Company's subsidiary, Shenwan Infrastructure, lent the principal amounting to RMB349,500,000.00 to Xintang JV in January 2021, with a term of one year and an annual interest rate of 8%. The principal amounting to RMB118,080,000.00 was available for a debt-for-equity swap on 30 June 2021, please refer to Note V, 6 for details.

The Target Company's subsidiary, Shenwan Infrastructure, lent the principal amounting to RMB18,000,000.00 to Xintang JV in March 2021, with a term of one year and an annual interest rate of 8%.

The Target Company's subsidiary, Shenwan Infrastructure, lent the principal amounting to RMB16,500,000.00 to Xintang JV in May 2021, with a term of one year and an annual interest rate of 8%.

5. Long-term receivables

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31,2019	As at December 31, 2018
Loans to related parties *(Note 1)*	40,792,274.03	365,206,251.48	311,224,533.33	–
Offsetting amount due to onerous losses of long-term equity investments *(Note 2)*	–	(42,422,300.65)	–	–
Total	40,792,274.03	322,783,950.83	311,224,533.33	–

Note 1: The Target Company's subsidiary, Shenwan Infrastructure, lent the principal amounting to RMB309,300,000.00 to Xintang JV in 2019, with a term from 4 December 2019 to 3 December 2022 and an annual interest rate of 8%. The principal and interest amounting to 313,920,000.00 due from Xintang JV was available for a debt-for-equity swap on 30 June 2021, please refer to Note V, 6 for details.

Shenwan Infrastructure, lent the principal amounting to RMB464,250,000.00, RMB11,250,000.00, RMB33,750,000.00 and RMB22,500,000.00 to Xintang JV on 21 January 2020, 27 February 2020, 15 May 2020 and 30 June 2020, respectively, with a term of three years since the date of lending and an annual interest rate of 8%. In October 2020, the Target Group disposed its equity interests of 22.5% in Xintang JV together with the creditor's rights (including principal and relevant interest) corresponding with such part of equity interests amounting to RMB532,533,837.16 to Shenzhen Runtou Consulting Co., Ltd. According to the agreement, the remaining amount will be settled in December 2022 and 2023 respectively. The principal and interest amounting to 22,500,000.00 due from Xintang JV was available for a debt-for-equity swap on 30 June 2021, please refer to Note V, 6 for details.

Note 2: It refers to onerous losses of the investment in Xintang JV continuing to write down other amount of "long-term receivables" that substantially constitute net investments in Xintang JV.

6. Long-term equity investments

For the seven months ended July 31, 2021

RMB

		Changes for the period									
Investee	Opening balance	Additional Investment *(note1)*	Reduction in investment	Investment profit or loss recognised under equity method	Other Comprehensive income adjustments	Other equity changes	Cash dividends or profit declared	Impairment provision	Others	Closing balance	Closing balance of impairment provision
Joint ventures											
Guangzhou-Shenzhen-Zhuhai Expressway Co., Ltd. ("**GS JV**")	6,172,092,985.88	–	–	163,319,041.21	–	–	(476,437,984.43)	–	–	5,858,974,042.66	–
Guangdong Guangzhou-Zhuhai West Expressway Co., Ltd. ("**GZ West JV**")	3,553,660,827.40	–	–	94,105,590.18	–	–	(70,490,862.05)	–	–	3,577,275,555.53	–
Xintang JV	–	454,500,000.00	–	(50,679,468.12)	–	–	–	–	–	403,820,531.88	–
Total	9,725,753,813.28	454,500,000.00	–	206,745,163.27	–	–	(546,928,846.48)	–	–	9,840,070,130.07	–

Note 1: In June 2021, Guangdong Highway Construction Co., Ltd., Shenwan Infrastructure, Guangzhou Lilu Industrial Investment Co., Ltd. and Guangzhou Lixin Industrial Investment Co., Ltd. entered into an debt-for-equity swap agreement, agreeing that all shareholders would swap the shareholders' loans previously invested in Xintang JV from debt to registered capital based on their respective shareholding ratio accounting for the registered capital, to make an additional capital contributions totalled RMB3,030,000,000.00 of Xintang JV. SIHBA swapped the debt due within one year amounting to RMB118,080,000.00 previously included in the line item "other current assets" and the long-term debts amounting to RMB336,420,000.00 previously included in the line item "long-term receivables" from debts to long-term equity investments amounting to RMB454,500,000.00 in Xintang JV.

For the year ended December 31, 2020

RMB

		Changes for the year									
Investee	**Opening balance**	**Additional investment**	**Reduction in investment**	**Investment profit or loss recognised under equity method**	**Other comprehensive income adjustments**	**Other equity changes**	**Cash dividends or profit declared**	**Impairment provision**	**Others** *(Note2)*	**Closing balance**	**Closing balance of impairment provision**
Joint ventures											
GS JV	6,934,731,864.41	–	–	51,515,470.45	–	–	(405,000,000.00)	–	(409,154,348.98)	6,172,092,985.88	–
GZ West JV	3,657,364,277.71	–	–	11,353,849.21	–	–	(115,057,299.52)	–	–	3,553,660,827.40	–
Xintang JV	1,863,712.48	–	(1,863,712.48)	–	–	–	–	–	–	–	–
Total	10,593,959,854.60	–	(1,863,712.48)	62,869,319.66	–	–	(520,057,299.52)	–	(409,154,348.98)	9,725,753,813.28	–

Note 2: In November 2019, the land with a book value of RMB3,990,000.00 of GS JV was acquired by the government and auctioned off by Xintang JV in December 2019 after a public auction. In 2020, Shenwan Infrastructure disposed its 22.5% equity interests in Xintang JV and acquired gain from the disposal amounting to RMB409,154,348.98. As the gain from the disposal was included in the fair value of the Target Company's equity investment in GS JV when it acquired Shenzhen Investment Holdings Bay Area Development Company Limited (hereinafter referred to as "SIHBA") on April 4, 2018, therefore, the Target Company will carry forward the corresponding proportion of the equity investment costs when the Xintang JV realizes the gains.

For the year ended December 31, 2019

RMB

		Changes for the year									
Investee	**Opening balance**	**Additional investment**	**Reduction in investment**	**Investment profit or loss recognised under equity method**	**Other comprehensive income adjustments**	**Other equity changes**	**Cash dividends or profit declared**	**Impairment provision**	**Others**	**Closing balance**	**Closing balance of impairment provision**
Joint ventures											
GS JV	7,349,197,052.95	–	–	228,879,505.51	–	–	(643,344,694.05)	–	–	6,934,731,864.41	–
GZ West JV	3,485,019,830.41	–	–	172,344,447.30	–	–	–	–	–	3,657,364,277.71	–
Xintang JV	–	3,750,000.00	–	(1,886,287.52)	–	–	–	–	–	1,863,712.48	–
Total	10,834,216,883.36	3,750,000.00	–	399,337,665.29	–	–	(643,344,694.05)	–	–	10,593,959,854.60	–

For the year ended December 31, 2018

RMB

Investee	Opening balance	Changes for the year: Increase from business combination *(note3)*	Additional investment	Reduction in investment	Investment profit or loss recognised under equity method	Other comprehensive income adjustments	Other equity changes	Cash dividends or profit declared	Impairment provision	Closing balance	Closing balance of impairment provision	Others
Joint ventures												
GS JV	–	7,981,750,639.03	–	–	156,845,942.84	–	–	(789,399,528.92)	–	–	7,349,197,052.95	–
GZ West JV	–	3,368,671,303.47	–	–	116,348,526.94	–	–	–	–	–	3,485,019,830.41	–
Total	–	11,350,421,942.50	–	–	273,194,469.78	–	–	(789,399,528.92)	–	–	10,834,216,883.36	–

Note 3: On December 29, 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% shares in SIHBA amounting to RMB7,904,635,098.10 to the Target Company. On April 4, 2018, the Target Company can control financial and operating decision-making of SIHBA and has included it into the scope of Historical Financial Information since that day. Therefore, the Target Company has indirectly held equity interests in GS JV and GZ West JV via SIHBA.

7. Equity instrument at fair value through other comprehensive income

(1) Details of equity instrument at fair value through other comprehensive income

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Equity investment in unlisted limited Company	19,500,000.00	31,000,000.00	22,600,000.00	11,100,000.00

(2) Equity instrument at fair value

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Cost of equity instrument	4,785,420.19	4,785,420.19	4,785,420.19	4,785,420.19
Fair value	19,500,000.00	31,000,000.00	22,600,000.00	11,100,000.00
Changes in fair values accumulatively included in other comprehensive income	8,500,000.00	20,000,000.00	11,600,000.00	100,000.00

Note: The above investments are held by the Target Group not for trading purpose, therefore, the Target Group designated the above investments in equity instruments as financial assets at fair value through other comprehensive income.

8. Fixed assets

For the seven months ended July 31, 2021

RMB

Item	Transportation vehicles	Electronic equipment	Total
I. Cost			
As at January 1, 2021	1,693,362.89	1,155,752.63	2,849,115.52
Additions	–	74,096.03	74,096.03
As at July 31, 2021	1,693,362.89	1,229,848.66	2,923,211.55
II. Depreciation			
As at January 1, 2021	400,264.85	338,238.95	738,503.80
Charge for the period	236,898.02	165,656.96	402,554.98
As at July 31, 2021	637,162.87	503,895.91	1,141,058.78
III. Carrying amounts			
As at July 31, 2021	1,056,200.02	725,952.75	1,782,152.77
As at January 1, 2021	1,293,098.04	817,513.68	2,110,611.72

For the year ended December 31, 2020

RMB

Item	**Transportation vehicles**	**Electronic equipment**	**Total**
I. Cost			
As at January 1, 2020	935,672.41	773,520.55	1,709,192.96
Additions	757,690.48	382,232.08	1,139,922.56
As at December 31, 2020	1,693,362.89	1,155,752.63	2,849,115.52
II. Depreciation			
As at January 1, 2020	44,666.37	118,329.19	162,995.56
Charge for the year	355,598.48	219,909.76	575,508.24
As at December 31, 2020	400,264.85	338,238.95	738,503.80
III. Carrying amounts			
As at December 31, 2020	1,293,098.04	817,513.68	2,110,611.72
As at January 1, 2020	891,006.04	655,191.36	1,546,197.40

For the year ended December 31, 2019

RMB

Item	Transportation vehicles	Electronic equipment	Total
I. Cost			
As at January 1, 2019	1,272,865.60	176,842.00	1,449,707.60
Additions	–	615,707.50	615,707.50
Disposal	337,193.19	19,028.95	356,222.14
As at December 31, 2019	935,672.41	773,520.55	1,709,192.96
II. Depreciation			
As at January 1, 2019	127,286.52	31,340.00	158,626.52
Charge for the year	254,573.04	106,018.14	360,591.18
Eliminated on disposal	337,193.19	19,028.95	356,222.14
As at December 31, 2019	44,666.37	118,329.19	162,995.56
III. Carrying amounts			
As at December 31, 2019	891,006.04	655,191.36	1,546,197.40
As at January 1, 2019	1,145,579.08	145,502.00	1,291,081.08

For the year ended December 31, 2018

RMB

Item	Transportation vehicles	Electronic equipment	Total
I. Cost			
As at January 1, 2018	–	–	–
Additions	1,272,865.60	114,722.72	1,387,588.32
Acquisition	–	76,974.79	76,974.79
Disposal	–	14,855.51	14,855.51
As at December 31, 2018	1,272,865.60	176,842.00	1,449,707.60
II. Depreciation			
As at January 1, 2018	–	–	–
Charge for the year	127,286.52	46,195.51	173,482.03
Eliminated on disposal	–	14,855.51	14,855.51
As at December 31, 2018	127,286.52	31,340.00	158,626.52
III. Carrying amounts			
As at December 31, 2018	1,145,579.08	145,502.00	1,291,081.08
As at January 1, 2018	–	–	–

9. Goodwill

(1) Cost

For each of the two years ended December 31, 2020 and the seven months ended July 31, 2021

RMB

	Cost		
Name of the investee	**As at July 31, 2021**	**As at December 31, 2020**	**As at December 31, 2019**
SIHBA	202,893,131.20	202,893,131.20	202,893,131.20

For the year ended December 31, 2018

RMB

	Cost			
Name of the investee	**As at January 1, 2018**	**Increase** *(Note)*	**Decrease**	**As at December 31, 2018**
SIHBA	–	202,893,131.20	–	202,893,131.20

Note: The Target Company acquired 66.69% shares of SIHBA through business combination not involving enterprises under common control on April 4, 2018, paid considerations of RMB7,904,635,098.10, acquired the share of net identifiable assets of SIHBA amounting to RMB7,701,741,966.90 at the date of acquisition, generated goodwill of RMB202,893,131.20, please refer to Note VI, 1(2) for details.

(2) Provision for impairment of goodwill

RMB

	Provision for impairment			
Name of the investee	**As at July 31, 2021**	**As at December 31, 2020**	**As at December 31, 2019**	**As at December 31, 2018**
SIHBA	–	–	–	–

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

For the purpose of impairment testing, the Target Group has allocated the carrying amount of goodwill to the asset groups of interests in GS JV and GZ West JV as an asset group and determined the recoverable amount based on the discounted expected future cash flow. As at December 31, 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 December 31, 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 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 SIHBA to exceed its recoverable amount.

10. Short-term borrowings

(1) Classification of short-term borrowings

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Guaranteed borrowings	597,998,331.94	324,347,093.51	2,187,047,308.00	2,551,716,919.05
Interest payable	107,994.72	251,868.55	758,395.85	3,317,677.47
Total	598,106,326.66	324,598,962.06	2,187,805,703.85	2,555,034,596.52

(2) Details of guaranteed borrowings are as follows:

RMB

Lender	As at July 31, 2021	Guarantor
Bank of China (Hong Kong) Limited	316,930,775.65	SIHBA
Shanghai Pudong Development Bank Co., Ltd. HongKong Branch	281,067,556.29	SIHBA
Total	597,998,331.94	

RMB

Lender	As at December 31, 2020	Guarantor
Bank of China (Hong Kong) Limited	324,347,093.51	SIHBA

RMB

Lender	As at December 31, 2019	Guarantor
The Hong Kong and Shanghai Banking Corporation Limited (HSBC)	1,405,438,536.00	Shenzhen Investment Holdings Co., Ltd.
Bank of China (Hong Kong) Limited	500,639,292.65	Shenzhen Investment Holdings Co., Ltd.
Bank of China (Hong Kong) Limited	152,603,231.60	SIHBA
Chong Hing Bank Limited	128,366,247.75	SIHBA
Total	2,187,047,308.00	

RMB

Lender	As at December 31, 2018	Guarantor
HSBC	1,374,687,704.00	Shenzhen Investment Holdings Co., Ltd.
Bank of China (Hong Kong) Limited	489,685,363.05	Shenzhen Investment Holdings Co., Ltd.
China Merchants Bank Co., Ltd., offshore financial center	687,343,852.00	Shenzhen Investment Holdings Co., Ltd.
Total	2,551,716,919.05	

(3) ***As at July 31, 2021, December 31, 2020, 2019 and 2018, the Target Group had no overdue but unpaid short-term borrowings.***

11. Employee benefits payable

For the seven months ended July 31, 2021

RMB

Item	Opening balance	Provision	Payment	Closing balance
Wages or salaries, bonuses, allowances and subsidies	732,609.30	13,715,468.16	13,569,691.10	878,386.36
Short-term paid leaves	443,723.39	41,671.28	–	485,394.67
Termination benefits	3,232,069.47	565,372.79	–	3,797,442.26
Others	–	268,912.98	268,912.98	–
Total	4,408,402.16	14,591,425.21	13,838,604.08	5,161,223.29

For the year ended December 31, 2020

RMB

Item	Opening balance	Provision	Payment	Closing balance
Wages or salaries, bonuses, allowances and subsidies	5,506,810.68	19,381,241.90	24,155,443.28	732,609.30
Short-term paid leaves	486,790.87	(43,067.48)	–	443,723.39
Termination benefits	2,703,708.26	528,361.21	–	3,232,069.47
Others	–	2,252,264.79	2,252,264.79	–
Total	8,697,309.81	22,118,800.42	26,407,708.07	4,408,402.16

For the year ended December 31, 2019

RMB

Item	Opening balance	Provision	Payment	Closing balance
Wages or salaries, bonuses, allowances and subsidies	5,524,873.18	23,402,470.92	23,420,533.42	5,506,810.68
Short-term paid leaves	246,787.69	270,449.91	30,446.73	486,790.87
Termination benefits	2,118,143.99	662,776.59	77,212.32	2,703,708.26
Others	–	(871,061.13)	(871,061.13)	–
Total	7,889,804.86	23,464,636.29	22,657,131.34	8,697,309.81

For the year ended December 31, 2018

RMB

Item	Opening balance	Increase by business combination	Provision	Payment	Closing balance
Wages or salaries, bonuses, allowances and subsidies	–	5,750,426.27	14,814,326.68	15,039,879.77	5,524,873.18
Short-term paid leaves	–	2,330,481.48	(2,083,693.79)	–	246,787.69
Termination benefits	–	2,283,033.66	(164,889.67)	–	2,118,143.99
Others	–		(57,494.53)	(57,494.53)	–
Total	–	10,363,941.41	12,508,248.69	14,982,385.24	7,889,804.86

12. Taxes payable

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Enterprise income tax (note)	409,660.80	146,568,579.65	–	–

Note: It refers to enterprise income tax payable by the Shenwan Infrastructure, of which enterprise income tax payable due to disposal of 22.5% equity interests held by the Target Company in Xintang JV is amounted to RMB136,027,092.00 as at December 31, 2020.

13. Other payables

(1) Summary of other payables

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Dividends payable	97,423,452.00	86,445,720.76	–	–
Other payables	2,919,255.73	3,993,178.98	3,956,211.08	6,131,162.92
Total	100,342,707.73	90,438,899.74	3,956,211.08	6,131,162.92

(2) Other payables

Presentation by nature of other payables

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Accrued expenses	2,887,588.51	2,724,664.44	3,656,028.88	5,724,839.94
Amounts due to related parties	4,306.65	4,359.49	–	–
Others	27,360.57	1,264,155.05	300,182.20	406,322.98
Total	2,919,255.73	3,993,178.98	3,956,211.08	6,131,162.92

14. Non-current liabilities due within one year

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Long-term borrowings due within one year	1,305,692,083.60	760,539,612.80	106,799,963.40	35,048,000.00
Other non-current liabilities due within one year	2,555,713,623.20	2,587,068,300.80	–	–
Accrued interest of long-term borrowings due within one year	4,081,667.83	1,157,235.26	2,435,811.04	631,556.92
Accrued interest of other non-current liabilities due within one year	75,487,607.34	–	–	–
Total	3,940,974,981.97	3,348,765,148.86	109,235,774.44	35,679,556.92

15. Other current liabilities

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Output VAT to be recognised	3,256,092.21	1,504,853.86	–	–

16. Long-term borrowings

(1) Categories of long-term borrowings

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Guaranteed borrowings	3,028,120,753.32	2,795,914,779.80	2,278,445,693.42	1,578,216,634.62
Accrued interest	4,081,667.83	1,157,235.26	2,435,811.04	631,556.92
Total	3,032,202,421.15	2,797,072,015.06	2,280,881,504.46	1,578,848,191.54
Less: Long-term borrowings due within one year	1,305,692,083.60	760,539,612.80	106,799,963.40	35,048,000.00
Less: Accrued interest of long-term borrowings due within one year	4,081,667.83	1,157,235.26	2,435,811.04	631,556.92
Long-term borrowings due after one year	1,722,428,669.72	2,035,375,167.00	2,171,645,730.02	1,543,168,634.62

Note: For the seven months ended July 31, 2021, and the years ended December 31, 2020, 2019 and 2018, the annual interest rates of the above loans are 1.0936% to 4.2115%, 0.9413% to 5.6123%, 3.0816% to 4.1323% and 3.0389% to 4.1334%, respectively.

(2) Details of guaranteed borrowings are as follows:

Lender	As at July 31, 2021	Guarantor
	RMB	
China Development Bank	713,044,089.24	Shenzhen Investment Holdings Co., Ltd.
Bank of China (Hong Kong) Limited	667,222,685.57	SIHBA
Agricultural Bank of China Ltd. Hong Kong Branch	652,200,044.00	Shenzhen Investment Holdings Co., Ltd.
Industrial and Commercial Bank of China (Macau) Limited	586,980,039.60	Shenzhen Investment Holdings Co., Ltd.
CMB Wing Lung Bank Limited	408,673,894.91	SIHBA
Total	3,028,120,753.32	

Lender	As at December 31, 2020	Guarantor
	RMB	
Agricultural Bank of China Ltd. Hong Kong Branch	660,201,536.00	Shenzhen Investment Holdings Co., Ltd.
China Development Bank	755,814,088.99	Shenzhen Investment Holdings Co., Ltd.
Industrial and Commercial Bank of China (Macau) Limited	625,897,469.90	Shenzhen Investment Holdings Co., Ltd.
CMB Wing Lung Bank Limited	754,001,684.91	SIHBA
Total	2,795,914,779.80	

Lender	As at December 31, 2019	Guarantor
	RMB	
Agricultural Bank of China Ltd. Hong Kong Branch	702,719,268.00	Shenzhen Investment Holdings Co., Ltd.
China Development Bank	875,567,806.34	Shenzhen Investment Holdings Co., Ltd.
Industrial and Commercial Bank of China (Macau) Limited	700,158,619.08	Shenzhen Investment Holdings Co., Ltd.
Total	2,278,445,693.42	

Lender	As at December 31, 2018	Guarantor
	RMB	
Agricultural Bank of China Ltd. Hong Kong Branch	687,343,852.00	Shenzhen Investment Holdings Co., Ltd.
China Development Bank	890,872,782.62	Shenzhen Investment Holdings Co., Ltd.
Total	1,578,216,634.62	

17. Deferred tax liabilities

(1) Deferred tax liabilities after offsetting and corresponding deductible temporary differences after offsetting

RMB

Items	As at July 31, 2021 Deductible temporary differences	As at July 31, 2021 Deferred tax liabilities	As at December 31, 2020 Deductible temporary differences	As at December 31, 2020 Deferred tax liabilities	As at December 31, 2019 Deductible temporary differences	As at December 31, 2019 Deferred tax liabilities	As at December 31, 2018 Deductible temporary differences	As at December 31, 2018 Deferred tax liabilities
Undistributed earnings of the joint ventures	2,250,130,872.60	112,506,543.63	1,459,868,354.80	72,993,417.74	1,569,533,289.40	78,476,664.47	1,376,923,027.00	68,846,151.35
Interest income of related parties	25,080,897.64	6,270,224.41	-	-	-	-	-	-
Fair value changes on investment in equity instrument at FVTOCI	14,714,579.81	1,881,905.70	26,214,579.81	3,031,905.70	17,814,579.81	2,191,905.70	6,314,579.81	1,041,905.70
Total	2,289,926,350.05	120,658,673.74	1,486,082,934.61	76,025,323.44	1,587,347,869.21	80,668,570.17	1,383,237,606.81	69,888,057.05

18. Other non-current liabilities

RMB

Items	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Borrowings from related parties	4,475,742,132.00	4,530,652,608.00	4,822,431,804.00	4,716,917,556.00
Accrued interest	75,487,607.34	–	–	–
Total	4,551,229,739.34	4,530,652,608.00	4,822,431,804.00	4,716,917,556.00
Less: Other non-current liabilities due within one year	2,555,713,623.20	2,587,068,300.80	–	–
Less: Accrued interest of other non-current liabilities due within one year	75,487,607.34	–	–	–
Other non-current liabilities due after one year	1,920,028,508.80	1,943,584,307.20	4,822,431,804.00	4,716,917,556.00

Note: It refers to two loans borrowed by the Target Company from the parent company, one of which has the principal of HKD3,073,988,000.00 with a term from September 27, 2018 to September 26, 2021, as at July 31, 2021, the principal of such loan is equivalent to RMB1,920,028,508.80; another loan has the principal of HKD2,309,392,000.00 with a term from September 27, 2018 to September 26, 2023, as at July 31, 2021, the principal of such loan is equivalent to RMB1,951,898,118.40. Both parties agreed that both loans would bear no interest from September 27, 2018 to December 31, 2020 and bear interest at an annual interest rate of 2.85% since January 1, 2021. The Target Company accrued interest at market interest rate and deemed the differences of interest recognised at market interest rate and contractual interest rate of the borrowings as donations of shareholders and included in capital reserve.

19. Share capital

RMB

Name of shareholder	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
SIH International Capital Holdings Co., Ltd.	322,930.00	322,930.00	322,930.00	322,930.00

20. Capital reserve

For the seven months ended July 31, 2021

RMB

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium	2,685,879,457.99	33,036,536.84	–	2,718,915,994.83
– Capital contributions from owners *(Note 1)*	2,105,893,717.16		–	2,105,893,717.16
– Generated by acquisition or sales of non-controlling interests *(Note 2)*	136,628,467.07	–	–	136,628,467.07
– Others *(Note 3)*	443,357,273.76	33,036,536.84	–	476,393,810.60
Total	2,685,879,457.99	33,036,536.84	–	2,718,915,994.83

For the year ended December 31, 2020

RMB

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium	573,179,174.95	2,112,700,283.04	–	2,685,879,457.99
– Capital contributions from owners *(Note 1)*	182,903,267.69	1,922,990,449.47	–	2,105,893,717.16
- Generated by acquisition or sales of non-controlling interests *(Note 2)*	136,628,467.07	–	–	136,628,467.07
– Others *(Note 3)*	253,647,440.19	189,709,833.57	–	443,357,273.76
Total	573,179,174.95	2,112,700,283.04	–	2,685,879,457.99

For the year ended December 31, 2019

RMB

Items	**Opening balance**	**Increase**	**Decrease**	**Closing balance**
Capital premium	341,658,387.68	231,520,787.27	–	573,179,174.95
– Capital contributions from owners *(Note 1)*	152,985,267.69	29,918,000.00	–	182,903,267.69
– Generated by acquisition or sales of non-controlling interests *(Note 2)*	136,628,467.07	–	–	136,628,467.07
– Others *(Note 3)*	52,044,652.92	201,602,787.27	–	253,647,440.19
Total	341,658,387.68	231,520,787.27	–	573,179,174.95

For the year ended December 31, 2018

RMB

Items	**Opening balance**	**Increase**	**Decrease**	**Closing balance**
Capital premium	–	341,658,387.68	–	341,658,387.68
– Capital contributions from owners *(Note 1)*	–	152,985,267.69	–	152,985,267.69
– Generated by acquisition or sales of non-controlling interests *(Note 2)*	–	136,628,467.07	–	136,628,467.07
– Others *(Note 3)*	–	52,044,652.92	–	52,044,652.92
Total	–	341,658,387.68	–	341,658,387.68

Note 1: It refers to capital contributions made by the Target Company's parent company.

Note 2: It refers to the difference between considerations paid by the Target Company for takeover bid of 24.49% shares of SIHBA and carrying amount of net assets of relevant shares of SIHBA, amounting to RMB96,750,365.82, as well as the difference between considerations received from sales of 19.35% shares of SIHBA and carrying amount of net assets of relevant shares of SIHBA, amounting to RMB233,378,832.89.

Note 3: It refers to exemption of interest of borrowings granted by the parent company to the Target Company.

21. Other reserve

RMB

		Amount recognised in the current period						
Items	As at January 1, 2021	Amount incurred for current period before tax	Less: amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the Company after tax	Attributable to non-controlling interests after tax	Less: Other comprehensive income carried forward to retained earnings	As at July 31, 2021
I. Other comprehensive income that cannot be subsequently reclassified to profit or loss	16,968,094.30	(11,500,000.00)	–	(1,150,000.00)	(10,350,000.00)	–	–	6,618,094.30
1. Changes in remeasurement of defined benefit plans	–	–	–	–	–	–	–	–
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
3. Changes in fair value of Investments in other equity instrument	16,968,094.30	(11,500,000.00)	–	(1,150,000.00)	(10,350,000.00)	–	–	6,618,094.30
II. Other comprehensive income that will be reclassified to profit or loss	(659,327,100.89)	85,910,330.17	–	–	84,826,365.52	1,083,964.65	–	(574,500,735.37)
1. Other comprehensive income that can be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
2. Translation differences of financial statements denominated in foreign currencies	(659,327,100.89)	85,910,330.17	–	–	84,826,365.52	1,083,964.65	–	(574,500,735.37)
Total other comprehensive income	(642,359,006.59)	74,410,330.17	–	(1,150,000.00)	74,476,365.52	1,083,964.65	–	(567,882,641.07)

RMB

Items	As at January 1, 2020	Amount recognised in the current year: Amount incurred for current year before tax	Less: amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the Company after tax	Attributable to non-controlling interests after tax	Less: Other comprehensive income carried forward to retained earnings	As at December 31, 2020
I. Other comprehensive income that cannot be subsequently reclassified to profit or loss	9,408,094.30	8,400,000.00	–	840,000.00	7,560,000.00	–	–	16,968,094.30
1. Changes in remeasurement of defined benefit plans	–	–	–	–	–	–	–	–
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
3. Changes in fair value of Investments in other equity instrument	9,408,094.30	8,400,000.00	–	840,000.00	7,560,000.00	–	–	16,968,094.30
II. Other comprehensive income that will be reclassified to profit or loss	(1,160,447,390.67)	521,382,733.18	–	–	501,120,289.78	20,262,443.40	–	(659,327,100.89)
1. Other comprehensive income that can be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
2. Translation differences of financial statements denominated in foreign currencies	(1,160,447,390.67)	521,382,733.18	–	–	501,120,289.78	20,262,443.40	–	(659,327,100.89)
Total other comprehensive income	(1,151,039,296.37)	529,782,733.18		840,000.00	508,680,289.78	20,262,443.40		(642,359,006.59)

RMB

Items	As at January 1, 2019	Amount recognised in the current year: Amount incurred for current year before tax	Less: amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the Company after tax	Attributable to non-controlling interests after tax	Less: Other comprehensive income carried forward to retained earnings	As at December 31, 2019
I. Other comprehensive income that cannot be subsequently reclassified to profit or loss	(941,905.70)	11,500,000.00	–	1,150,000.00	10,350,000.00	–	–	9,408,094.30
1. Changes in remeasurement of defined benefit plans	–	–	–	–	–	–	–	–
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
3. Changes in fair value of Investments in other equity instrument	(941,905.70)	11,500,000.00	–	1,150,000.00	10,350,000.00	–	–	9,408,094.30
II. Other comprehensive income that will be reclassified to profit or loss	(954,866,873.59)	(203,263,882.54)	–	–	(205,580,517.08)	2,316,634.54	–	(1,160,447,390.67)
1. Other comprehensive income that can be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
2. Translation differences of financial statements denominated in foreign currencies	(954,866,873.59)	(203,263,882.54)	–	–	(205,580,517.08)	2,316,634.54	–	(1,160,447,390.67)
Total other comprehensive income	(955,808,779.29)	(191,763,882.54)	–	1,150,000.00	(195,230,517.08)	2,316,634.54	–	(1,151,039,296.37)

RMB

Items	As at January 1, 2018	Amount recognised in the current year: Amount incurred for current year before tax	Less: amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the Company after tax	Attributable to non-controlling interests after tax	Less: Other comprehensive income carried forward to retained earnings	As at December 31, 2018
I. Other comprehensive income that cannot be subsequently reclassified to profit or loss	–	100,000.00	–	1,041,905.70	(941,905.70)	–	–	(941,905.70)
1. Changes in remeasurement of defined benefit plans	–	–	–	–	–	–	–	–
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
3. Changes in fair value of Investments in other equity instrument	–	100,000.00	–	1,041,905.70	(941,905.70)	–	–	(941,905.70)
II. Other comprehensive income that will be reclassified to profit or loss	–	(955,097,222.05)	–	–	(954,866,873.59)	(230,348.46)	–	(954,866,873.59)
1. Other comprehensive income that can be transferred to profit or loss under the equity method	–	–	–	–	–	–	–	–
2. Translation differences of financial statements denominated in foreign currencies	–	(955,097,222.05)	–	–	(954,866,873.59)	(230,348.46)	–	(954,866,873.59)
Total other comprehensive income	–	(954,997,222.05)	–	1,041,905.70	(955,808,779.29)	(230,348.46)	–	(955,808,779.29)

22. Accumulated losses

RMB

Items	Seven months ended July 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Accumulated losses at the beginning of the period/ year	(975,437,494.03)	(491,538,493.03)	(164,273,610.20)	–
Add: Net profit (loss) attributable to owners of the Company for the period	18,348,434.34	(277,677,749.12)	(120,891,292.09)	(164,273,610.20)
Total	(957,089,059.69)	(769,216,242.15)	(285,164,902.29)	(164,273,610.20)
Less: Dividends declared *(Note)*	218,293,320.00	206,221,251.88	206,373,590.74	–
Accumulated losses at the end of the period/year	(1,175,382,379.69)	(975,437,494.03)	(491,538,493.03)	(164,273,610.20)

Note: It refers to the dividends distribution to the shareholders declared by the board of directors of the Target Company in 2021, 2020 and 2019, which were RMB218,293,320.00, RMB206,221,251.88 and RMB206,373,590.74, respectively.

23. Taxes and surcharges

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Stamp duty *(Note)*	–	–	–	–	10,895,462.47

Note: It is mainly generated from acquisition of SIHBA in 2018.

24. Administrative expenses

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Employee benefits	15,700,500.39	13,622,093.56	22,118,800.42	23,464,636.29	12,508,248.69
Agency service fee	2,578,264.61	3,573,668.14	4,797,477.86	4,591,194.67	20,307,359.48
Rents	1,726,090.38	2,152,091.48	3,434,427.91	3,055,102.88	1,546,287.33
Depreciation expenses	402,554.98	241,151.71	575,508.24	360,591.18	173,482.03
Stock registration fee	378,142.80	653,888.65	1,098,390.62	1,052,969.65	–
Business entertainment expenses	316,630.30	75,825.79	285,649.25	945,373.67	448,158.06
Listing service fee	173,399.33	188,762.87	1,417,149.12	1,366,425.24	–
Others	2,337,103.48	1,599,954.47	2,282,989.72	2,908,513.05	888,349.47
Total	23,612,686.27	21,625,133.25	36,010,393.14	37,744,806.63	35,871,885.06

25. Financial costs

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Interest expenses	142,618,890.34	207,629,354.93	309,393,630.29	351,564,985.11	309,037,553.28
Less: Interest income	47,276,078.81	35,557,892.23	59,617,554.03	6,309,184.51	11,627,222.54
Exchange (gains) losses	(6,264,431.63)	497,886.16	(13,377,888.38)	5,892,096.00	16,949,570.70
Bank charges and others	237,402.75	988,124.84	1,484,695.94	28,272.60	31,622.19
Total	89,315,782.65	173,557,473.70	237,882,883.82	351,176,169.20	314,391,523.63

26. Investment income

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Investment income from long-term equity investments under equity method	246,917,464.18 (*Note 1)*	(139,194,688.17)	(388,321,042.45) *(Note 2)*	399,337,665.29	273,194,469.78
Dividends income from holding investments in equity instrument at FVTOCI	604,000.00	–	1,100,000.00	3,120,000.00	600,000.00
Investment income on disposal of long-term equity investments	–	–	545,181,440.98	–	–
Total	247,521,464.18	(139,194,688.17	157,960,398.53	402,457,665.29	273,794,469.78

Note 1: It includes investment losses generated from reversal long-term receivables by long-term equity investments accounted for using equity method amounting to RMB40,172,300.91.

Note 2: It includes investment losses generated from writing off long-term receivables by long-term equity investments accounted for using equity method amounting to RMB42,422,300.65 and investment losses generated from writing off long-term equity investments amounting to RMB409,154,348.98.

27. Income tax expenses

(1) Statement of income tax expenses

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Current tax expense	18,237,287.12	2,449,683.16	176,487,181.42	33,015,376.09	40,167,255.88
Deferred tax expense	39,513,125.89	8,494,748.98	(5,483,246.73)	9,630,513.12	(12,110,215.58)
Total	57,750,413.01	10,944,432.14	171,003,934.69	42,645,889.21	28,057,040.30

(2) Reconciliation of income tax expenses to profit before tax

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Profit (loss) before tax	137,228,237.72	(334,377,295.12)	(111,331,382.10)	13,894,606.66	(87,149,496.80)
Tax at normal PRC income tax rate of 25%	34,307,059.43	(83,594,323.78)	(27,832,845.52)	3,473,651.66	(21,787,374.20)
Effect of different tax rates on income tax expense	(610,020.54)	(172,018.31)	(468,581.54)	(502,941.97)	(90,258.63)
Tax effect of income not taxable for tax purposes	(15,202,491.36)	152,074,158.34	91,547,916.13	(100,445,378.63)	(67,971,924.31)
Tax effect of expenses not deductible for tax purposes	8,543,124.25	8,265,485.77	13,259,901.00	11,122,222.25	6,434,498.23
Others *(Note)*	30,712,741.23	(65,628,869.88)	94,497,544.62	128,998,335.90	111,472,099.21
Income tax expenses	57,750,413.01	10,944,432.14	171,003,934.69	42,645,889.21	28,057,040.30

Note: The Target Group will provide 5% income tax on retained earnings of the joint ventures.

28. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Interest income from demand deposits	160,023.09	3,598,622.82	9,165,874.27	4,398,542.24	12,383,002.19
Government grants	–	–	1,027,135.16	–	–
Others	7,006,676.19	80,364.00	2,071,238.22	357,917.22	1,081,903.78
Total	7,166,699.28	3,678,986.82	12,264,247.65	4,756,459.46	13,464,905.97

(2) Other cash payments relating to operating activities

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Expenses	13,477,854.67	9,390,075.16	25,128,649.01	18,431,605.56	8,801,909.74
Bank charges	237,402.75	988,124.84	1,484,695.94	28,272.60	31,622.19
Total	13,715,257.42	10,378,200.00	26,613,344.95	18,459,878.16	8,833,531.93

(3) Other cash receipts relating to investing activities

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Recovery of term deposits with a maturity more than three months	240,000,000.00	–	–	–	–
Recovery of loans to related party	–	–	532,533,837.16	–	–
Total	240,000,000.00	–	532,533,837.16	–	–

(4) Other cash payments relating to investing activities

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Loans to a related party	384,000,000.00	531,750,000.00	558,750,000.00	309,300,000.00	–
Income tax for disposal of equity in joint ventures	136,027,092.00	–	–	–	–
Term deposits with a maturity more than three months transferred out	–	–	240,000,000.00	–	–
Total	520,027,092.00	531,750,000.00	798,750,000.00	309,300,000.00	–

(5) Other cash receipts relating to financing activities

RMB

Items	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Borrowings from the Target Company's parent company	–	–	–	–	4,732,798,527.00
Considerations acquired from disposal of equity to minority shareholders *(Note)*	–	–	–	–	2,487,231,345.20
Total	–	–	–	–	7,220,029,872.20

Note: Please refer to Note VII, 2(2) for details.

(6) Other cash payments relating to financing activities

RMB

Item	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Payments for takeover bid to minority shareholders *(Note)*	–	–	–	–	2,929,650,963.02
Taxes relating to takeover bid and sales of shares	–	–	–	–	23,614,089.20
Total	–	–	–	–	2,953,265,052.22

Note: Please refer to Note VII, 2(2) for details.

29. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
1. Reconciliation of net profit to cash flow from operating activities					
Profit (loss) for the year	79,477,824.71	(345,321,727.26)	(282,335,316.79)	(28,751,282.55)	(115,206,537.10)
Add: Depreciation of fixed assets	402,554.98	241,151.71	575,508.24	360,591.18	173,482.03
Financial expenses	95,342,811.53	172,071,462.70	246,478,948.57	355,532,547.78	325,987,120.10
Losses (gains) on changes in fair value	(1,494,904.11)	–	(1,503,123.29)	–	–
Investment losses (income)	(247,521,464.18)	139,194,688.17	(157,960,398.53)	(402,457,665.29)	(273,794,469.78)
Increase (decrease) in deferred tax liabilities	39,513,125.89	(4,894,748.98)	(5,483,246.73)	9,630,513.12	(12,110,215.58)
Decrease (increase) in receivables from operating activities	83,504.74	(80,364.00)	(865,222.20)	(195,731.52)	111,208.77
Increase (decrease) in payables from operating activities	(4,741,622.88)	19,607,896.70	23,092,998.58	28,649,416.11	40,508,388.30
Others	–	–	136,027,092.00 *(Note 2)*	–	23,922,517.53 *(Note 1)*
Net cash flow from operating activities	(38,938,169.32)	(19,181,640.96)	(41,972,760.15)	(37,231,611.17)	(10,408,505.73)
2. Net changes in cash and cash equivalents					
Closing balance of cash and cash equivalents	1,450,170,560.72	256,789,778.35	581,264,635.86	245,721,875.83	263,416,330.43
Less: Opening balance of cash and cash equivalents	581,264,635.86	245,721,875.83	245,721,875.83	263,416,330.43	–
Net increase (decrease) in cash and cash equivalents	868,905,924.86	11,067,902.52	335,542,760.03	(17,694,454.60)	263,416,330.43

Note 1: It refers to stamp duty and agency fee, etc. generated from acquisition of SIHBA.

Note 2: It refers to income tax payable for disposal of 22.5% equity interest in Xintang JV in 2020.

(2) Net cash paid to acquire subsidiaries and other business units

RMB

Item	Seven months ended July 31, 2021	Seven months ended July 31, 2020 (unaudited)	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Cash or cash equivalents paid in current period for business combination incurred in current period	–	–	–	–	7,904,635,098.10
Less: Cash and cash equivalents held by subsidiaries at the date of purchase	–	–	–	–	399,250,029.67
Cash or cash equivalents paid in current period for business combination incurred in period	–	–	–	–	–
Net cash paid to acquire subsidiaries	–	–	–	–	7,505,385,068.43

(3) Composition of cash and cash equivalents

RMB

Items	As at July 31, 2021	As at December 31, 2020	Year ended December 31, 2020	Year ended December 31, 2019
I. Cash	1,450,170,560.72	581,264,635.86	245,721,875.83	263,416,330.43
Including: Cash on hand	52,066.31	27,466.06	40,792.56	14,035.50
Bank deposits that can be readily withdrawn on demand	1,450,095,625.57	581,214,427.64	245,657,513.52	263,383,546.57
Other monetary funds that can be readily withdrawn on demand	22,868.84	22,742.16	23,569.75	18,748.36
II. Closing balance of cash and cash equivalents	1,450,170,560.72	581,264,635.86	245,721,875.83	263,416,330.43

Note: Cash and cash equivalents exclude restricted cash of the Target Group.

VI. CHANGES IN CONSOLIDATION SCOPE

1. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control incurred

RMB

Name of acquiree	Acquisition date	Acquisition cost	Proportion acquired (%)	Acquisition approach	Determination basis of acquisition date	Revenue of the acquiree from the acquisition date to the period end 31 December 2018 (including investment income)	Net profit of the acquire from the acquisition date to the period end 31 December 2018
SIHBA	4 April 2018	7,904,635,098.10	66.69	Acquisition of equity	The control over the acquiree has been transferred	273,794,469.78	218,692,540.32

Note: On December 29, 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% shares in SIHBA to the Target Company. On April 4, 2018, the Target Company could control financial and operating decision-making of SIHBA and has included it into the scope of Historical Financial Information since that day. The Target Company subsequently acquired some shares of SIHBA by means of takeover bid and sales, as at September 17, 2018, the Target Company finally held 71.83% shares in SIHBA.

For the seven months ended by July 31, 2021, and in 2020 and 2019, the Target Group has no business combinations not involving enterprises under common control incurred.

(2) Combination cost and goodwill

RMB

Combination cost	**SIHBA**
– Cash	7,904,635,098.10
– Fair value of equity held before the date of acquisition date on the date of acquisition	–
Total combination cost	7,904,635,098.10
Less: Share of fair value of identifiable net asset acquired	7,701,741,966.90
Goodwill	202,893,131.20

(3) Identifiable assets and liabilities of the acquiree at the date of acquisition

RMB

	SIHBA	
Items	**Fair value at the date of acquisition**	**Carry amount at the date of acquisition**
Assets:		
Bank balances and cash	399,250,029.67	399,250,029.67
Other receivables	1,558,974.66	1,558,974.66
Investments in other equity instruments	11,000,000.00	4,785,420.19
Long-term equity investments	11,350,421,942.50	4,087,155,693.24
Fixed assets	76,974.79	76,974.79
Other non-current assets	–	1,016,724,741.02
Liabilities:		
Employee benefits payable	10,363,941.41	10,363,941.41
Other payables	2,145,933.09	2,145,933.09
Deferred tax liabilities	80,956,366.86	80,956,366.86
Net assets	11,668,841,680.26	5,416,085,592.21
Less: Non-controlling interests	120,878,067.44	29,433,266.80
Net assets acquired:	11,547,963,612.82	5,386,652,325.41

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of the Target Group

RMB

Name of subsidiary	Principal place of operation	Place of registration	Business nature	Shareholding proportion (%) *(Note)* Direct	Indirect	Means of acquisition
SIHBA	Hong Kong	Cayman Islands	Investment holding	71.83	–	Through business combination not involving enterprises under common control
Kingnice (BVI) Limited	Hong Kong	British Virgin Islands	Investment holding	–	70.03	Through business combination not involving enterprises under common control
Hopewell China Development (Superhighway) Limited	Hong Kong	Hong Kong	Investment in expressway projects	–	70.03	Through business combination not involving enterprises under common control
Hopewell Guangzhou-Zhuhai Superhighway Development Limited	Hong Kong	Hong Kong	Investment in expressway projects	–	71.83	Through business combination not involving enterprises under common control
SIH Bay Area Finance Limited (formerly known as: HHI Finance Limited, hereinafter referred to as "SIH Finance Company")	Hong Kong	Hong Kong	Financing with loans	–	71.83	Through business combination not involving enterprises under common control
SIH Bay Area Management Limited (formerly known as: Hopewell Highway Infrastructure Limited)	Hong Kong	Hong Kong	Investment holding	–	71.83	Through business combination not involving enterprises under common control
JETGOLD (BVI) LIMITED	Hong Kong	British Virgin Islands	Investment holding	–	71.83	Through business combination not involving enterprises under common control
Wilberforce International Limited	Hong Kong	British Virgin Islands	Investment holding	–	71.83	Through business combination not involving enterprises under common control
SIH Bay Area Services Limited (formerly known as: Hopewell Highway Infrastructure Services Limited, hereinafter referred to as "SIH Services Company"))	Hong Kong	Hong Kong	Office service	–	71.83	Through business combination not involving enterprises under common control
Shenwan Infrastructure	Shenzhen	Shenzhen	Investment holding	–	70.03	Establishment

Note: All indirectly held subsidiaries are directly held by SIHBA. Shenwan Infrastructure is a subsidiary registered and established by Hopewell China Development (Superhighway) Limited in China on October 16, 2019. In addition, all other subsidiaries are acquired through business combination not involving enterprises under common control on April 4, 2018.

(2) Significant non wholly-owned subsidiaries

For the seven months ended July 31, 2021

RMB

Name of the subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders for the period	Dividends declared and distributed to minority shareholders for the period	Closing balance of non-controlling interests
SIHBA	28.17%	62,213,355.02	83,085,032.85	2,875,564,485.94

For the year ended December 31, 2020

RMB

Name of the subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders for the period	Dividends declared and distributed to minority shareholders for the period	Closing balance of non-controlling interests
SIHBA	28.17%	(4,657,567.67)	182,636,592.13	2,896,436,163.77

For the year ended December 31, 2019

RMB

Name of the subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders for the year	Dividends declared and distributed to minority shareholders for the year	Closing balance of non-controlling interests
SIHBA	28.17%	92,140,009.54	187,989,868.11	3,063,467,880.17

For the year ended December 31, 2018

RMB

Name of the subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders for the year	Dividends declared and distributed to minority shareholders for the year	Closing balance of non-controlling interests
SIHBA	28.17%	49,067,073.10	279,887,248.91	3,157,001,104.20

(3) Important financial information of Significant non wholly-owned subsidiaries

As at July 31, 2021

RMB

Name of the subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SIHBA	1,886,431,896.39	4,596,136,998.70	6,482,568,895.09	610,268,780.30	1,196,555,254.22	1,806,824,034.52

As at December 31, 2020

RMB

Name of the subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SIHBA	1,589,347,143.61	10,081,648,375.57	11,670,995,519.18	787,200,691.63	830,027,008.36	1,617,227,699.99

As at December 31, 2019

RMB

Name of the subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SIHBA	50,672,890.77	10,929,330,585.08	10,980,003,475.85	293,779,902.21	80,668,570.17	374,448,472.38

As at December 31, 2018

RMB

Name of the subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
SIHBA	140,779,187.54	10,846,607,964.18	10,987,387,151.72	11,340,285.58	69,888,057.05	81,228,342.63

For the seven months ended July 31, 2021

RMB

Name of the subsidiary	Operating income	Net profit	Total comprehensive income	Cash flow used in operating activities
SIHBA	–	370,847,757.74	368,480,548.43	(38,665,226.69)

For the year ended December 31, 2020

RMB

Name of the subsidiary	Operating income	Net profit	Total comprehensive income	Cash flow used in operating activities
SIHBA	–	10,372,039.23	82,290,553.20	(42,872,325.23)

For the year ended December 31, 2019

RMB

Name of the subsidiary	Operating income	Net profit	Total comprehensive income	Cash flow used in operating activities
SIHBA	–	319,760,947.30	327,983,495.33	(36,323,554.61)

For the year ended December 31, 2018

RMB

Name of the subsidiary	Operating income	Net profit	Total comprehensive income	Cash flow used in operating activities
SIHBA	–	218,692,540.32	217,579,667.16	(8,802,486.00)

2. Transactions that there are changes in shares of owners' equity in subsidiaries but the subsidiaries are still under control

(1) Descriptions of changes in shares of owners' equity in subsidiaries

In April 2018, the Target Company acquired 24.49% shares of SIHBA by means of takeover bid with an acquisition cost of RMB2,929,650,963.02. In July 2018, the Target Company sold 9.90% shares of SIHBA to Golden Baycrest (BVI) Limited with a consideration of RMB1,236,525,283.83. In August 2018, the Target Company sold 9.45% shares of SIHBA to CMF Global Quantitative Multi-Asset SPC with a consideration of RMB1,181,667,448.52.

(2) Effect of the transactions on non-controlling interests and owners' equity attributable to the parent company

RMB

	SIHBA *(Note 1)*	SIHBA *(Note 2)*	SIHBA *(Note 3)*
Acquisition costs/disposal considerations			
– Cash	2,929,650,963.02	1,271,848,094.65	1,215,383,250.55
– Fair value of non-cash assets	–	–	–
Total acquisition costs/disposal considerations	2,929,650,963.02	1,271,848,094.65	1,215,383,250.55
Less: Share of net assets of subsidiaries calculated at the proportion of acquired/disposed equity	2,832,900,597.20	1,114,576,912.86	1,070,236,986.60
Less: Declared dividends	–	35,322,810.82	33,715,802.03
Differences	96,750,365.82	121,948,370.97	111,430,461.92
Including: adjustment of capital reserve	(96,750,365.82)	121,948,370.97	111,430,461.92
adjustment of surplus reserve	–	–	–
adjustment of retained profits	–	–	–

Note 1: In April 2018, the Target Company acquired 24.49% shares of SIHBA by means of takeover bid with an acquisition cost of RMB2,929,650,963.02.

Note 2: In July 2018, the Target Company sold 9.90% shares of SIHBA to Golden Baycrest (BVI) Limited with a consideration of RMB1,271,848,094.65.

Note 3: In August 2018, the Target Company sold 9.45% shares of SIHBA to CMF Global Quantitative Multi-Asset SPC with a consideration of RMB1,215,383,250.55.

3. Equity in joint ventures

(1) Significant joint ventures

Name of joint ventures	Main location	Registration location	Nature	Proportion (%) Direct	Proportion (%) Direct	Accounting method
GS JV *(Note 1)*	Guangdong Province	Guangzhou City, Guangdong Province	Toll road operation	–	45.00	Equity method
GZ West JV *(Note 2)*	Guangdong Province	Guangzhou City, Guangdong Province	Toll road operation	–	50.00	Equity method
Xintang JV *(Note 3)*	Guangdong Province	Guangzhou City, Guangdong Province	Real estate development	–	37.50/15.00	Equity method

Note 1: GS JV is mainly engaged in development, operation and management of Guangzhou-Shenzhen Expressway. The operation period is 30 years since the date of formal opening to traffic (July 1, 1997). At the end of the operation period, all real estates and facilities of GS JV will be returned to Guangdong Highway Construction Co., Ltd. at no consideration. The profit distribution ratio of GS JV entitled to the Target Group is: 50% in the first decade of operation, 48% in the next decade and 45% in the last decade.

As at June 30, 2008, GS JV has repaid the registered capital of HKD702,000,000 (equivalent to RMB471,000,000) contributed by the Target Group.

Note 2: GZ West JV is mainly responsible for the development, operation and management of trunk roads on the West Bank of the Pearl River Delta. The superhighway is constructed in three phases, of which the operation period of Phase I West is 30 years from September 17, 2003, the operation period of Phase II West is 25 years from June 25, 2010, and the operation period of Phase III West is 25 years from January 25, 2013.

The Target Group is entitled to 50% profits distribution of GZ West JV. At the end of the relevant operation periods of West Line I, II, and III, all the immovable assets and facilities of each phase will be returned to the relevant departments of the Chinese government in charge of transportation supervision without compensation. The registered capital shall be repayable to the Target Group and domestic joint venture partners respectively, and such repayments shall be approved by the board of directors of GZ West JV.

Note 3: Xintang JV was established by Guangdong Highway Construction Co., Ltd., Shenwan Infrastructure, Guangzhou Lilu Industrial Investment Co., Ltd. and Guangzhou Lixin Industrial Investment Co., Ltd. on November 29, 2019, and mainly engaged in real estate development, shareholding ratio of each investor is 37.5%, 37.5%, 20% and 5% respectively. On October 19, 2020, Guangdong Provincial Highway Construction Co., Ltd. and Shenwan Infrastructure respectively disposed their 37.5% and 22.5% equity interests together with part creditor's rights to Shenzhen Runtou Consulting Co., Ltd. After completion of sales of above equity interests, Shenzhen Runtou Consulting Co., Ltd., Shenwan Infrastructure, Guangzhou Lilu Industrial Investment Co., Ltd. and Guangzhou Lixin Industrial Investment Co., Ltd. hold 60%, 15%, 20% and 5% shares in Xintang JV respectively. As agreed in the Articles of Association of Xintang JV, certain matters can be approved by unanimous agreement of all shareholders. Shenwan Infrastructure still can exercise joint control on Xintang JV upon completion of above equity transaction.

(2) Main financial information of significant joint ventures

RMB

Items	Closing balance/Amount recognised in the period ended July 31, 2021			Closing balance/Amount recognised in the year ended December 31, 2020			Closing balance/Amount recognised in the year ended December 31, 2019			Closing balance/Amount recognised in the year ended December 31, 2018	
	GS JV	GZ West JV	Xintang JV	GS JV	GZ West JV	Xintang JV	GS JV	GZ West JV	Xintang JV	GS JV	GZ West JV
Current assets	839,321,018.39	299,392,520.26	5,563,565,269.64	1,080,581,089.37	233,299,917.74	4,487,838,241.34	581,778,118.53	136,486,515.67	864,539,348.20	504,684,345.34	179,723,445.79
Including: Cash and cash equivalents	627,534,476.73	267,300,415.73	440,273,470.93	990,006,453.27	185,506,456.57	34,143,943.71	483,605,447.12	94,196,745.34	10,060,103.84	400,345,300.91	151,942,530.00
Non-current assets	18,153,614,287.46	12,428,771,034.18	117,481,716.92	18,777,499,881.33	12,742,859,152.81	65,822,115.66	20,091,059,385.40	13,184,209,341.89	–	21,344,629,315.84	13,656,776,032.89
Total assets	18,992,935,305.85	12,728,163,554.44	5,681,046,986.56	19,858,080,970.70	12,976,159,070.55	4,553,660,357.00	20,672,837,503.93	13,320,695,857.56	864,539,348.20	21,849,313,661.18	13,836,499,478.68
Current liabilities	1,330,111,251.78	411,977,559.38	2,742,506,684.66	1,339,657,643.34	428,147,333.03	2,137,082,857.18	1,438,653,609.68	320,698,457.18	29,637,359.38	1,007,015,130.17	338,075,053.76
Non-current liabilities	3,525,416,572.29	5,161,634,884.00	246,403,422.73	3,893,429,249.90	5,440,690,082.73	2,604,016,859.12	3,823,668,640.01	5,685,268,844.96	829,932,088.88	4,510,749,524.45	6,528,384,764.11
Total liabilities	4,855,527,824.07	5,573,612,443.38	2,988,910,107.39	5,233,086,893.24	5,868,837,415.76	4,741,099,716.30	5,262,322,249.69	6,005,967,302.14	859,569,448.26	5,517,764,654.62	6,866,459,817.87
Equity attributable to equity holders of the Company	14,137,407,481.78	7,154,551,111.06	2,692,136,879.17	14,624,994,077.46	7,107,321,654.79	(187,439,359.30)	15,410,515,254.24	7,314,728,555.42	4,969,899.94	16,331,549,006.56	6,970,039,660.81
Share of net assets calculated based on shareholding proportion	6,361,833,366.80	3,577,275,555.53	403,820,531.88	6,581,247,334.86	3,553,660,827.40	(42,422,300.65)	6,934,731,864.41	3,657,364,277.71	1,863,712.48	7,349,197,052.95	3,485,019,830.41
Adjustment items	(502,859,324.14)	–	–	(409,154,348.98)	–	42,422,300.65	–	–	–	–	–
– Onerous losses	–	–	–	–	–	42,422,300.65	–	–	–	–	–
– Others	(502,859,324.14)	–	–	(409,154,348.98) *(Note)*	–	–	–	–	–	–	–
Carrying amount of equity investments in associates or joint ventures	5,858,974,042.66	3,577,275,555.53	403,820,531.88	6,172,092,985.88	3,553,660,827.40	–	6,934,731,864.41	3,657,364,277.71	1,863,712.48	7,349,197,052.95	3,485,019,830.41
Operating income	1,626,655,901.65	757,400,516.24	–	2,312,791,970.92	1,063,798,018.48	5,999,325.40	3,130,861,858.26	1,470,760,140.26	145,728.82	2,408,147,828.72	1,121,583,415.71
Financial expenses	53,405,204.36	115,703,121.57	181,109,821.22	126,693,095.49	226,034,670.81	(254,230,073.44)	177,189,403.53	254,669,834.10	5,132,088.88	130,501,300.17	218,098,578.61
Income tax expenses	251,235,271.21	67,761,519.83	50,108,539.45	277,163,599.70	50,824,126.98	65,769,398.29	465,094,797.00	110,857,228.63	–	310,710,448.53	87,072,830.51
Net profit	800,028,325.41	219,318,196.55	(150,423,761.53)	114,478,823.22	22,707,698.42	(192,409,259.24)	508,621,123.36	344,688,894.60	(5,030,100.06)	348,546,539.64	232,697,053.88
Other comprehensive income	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	800,028,325.41	219,318,196.55	(150,423,761.53)	114,478,823.22	22,707,698.42	(192,409,259.24)	508,621,123.36	344,688,894.60	(5,030,100.06)	348,546,539.64	232,697,053.88
Dividends received from joint ventures	476,437,984.43	70,490,862.05	–	405,000,000.00	115,057,299.52	–	643,344,694.05	–	–	789,399,528.92	–

Note: Please refer to Note V, 6 for details.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Target Group's major financial instruments include cash and bank balance, other receivables, other current assets, long-term receivables, FVTOCI, short-term borrowings, other payables, non-current liabilities due within one year, long-term borrowings and other non-current liabilities etc. Details of these financial instruments are disclosed in Note V. Risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Target Group adopts sensitivity analysis technique to analyze how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

The Target Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Target Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Target Group's basic risk management strategy is to identify and analyze the Target Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Target Group's exposure to the currency risk is primarily associated with RMB, USD and JPY. The Target Company is mainly engaged in investing and financing activities, the financing activities are mainly settled in HKD. As at July 31, 2021, December 31, 2020, 2019 and 2018, the balance of the Target Group's assets and liabilities are denominated in HKD except that the assets and liabilities set out below are denominated in foreign currencies. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Target Group's performance.

RMB

Item	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Bank balances and cash	1,168,276,114.35	755,825,322.26	2,920,323.37	4,070,529.56
Other receivables	300,305.67	292,985.54	68,298.37	678,084.15
Other current assets	309,579,913.75	27,049,500.00	–	–
Long-term receivables	40,792,274.03	322,783,950.83	311,224,533.33	–
Other payables	97,427,758.65	89,833,309.81	3,771,231.62	3,395,594.40

Sensitivity analysis on currency risk

The assumption for the sensitivity analysis on currency risk is that all hedges of net investments in foreign operations and the cash flow hedges are highly effective. On the basis of the above assumption, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period:

RMB

Items	Change in exchange rate	Seven months ended July 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
All foreign currencies	1% increase against HKD	8,292,204.95	10,161,094.53	3,104,372.98	13,484.71
All foreign currencies	1% decrease against HKD	(8,292,204.95)	(10,161,094.53)	(3,104,372.98)	(13,484.71)

1.1.2 Interest rate risk - risk of changes in cash flows

The Target Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings (see Note V, 10, 14 and 16 for details). The Target Group continuously and closely monitors the effects of changes in the interest rates on the Target Group's currency risk exposures. The Target Group's policies are to maintain floating interest rate. Meanwhile, the Target Group has no arrangements for interest rate swap.

Sensitivity analysis on interest rate risk

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period.

RMB

Items	Change in exchange rate	Seven months ended July 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Short-term borrowings	Increase 1%	(3,488,953.57)	(3,243,470.94)	(21,870,473.08)	(25,517,169.19)
Short-term borrowings	Decrease 1%	3,488,953.57	3,243,470.94	21,870,473.08	25,517,169.19
Non-current liabilities due within one year	Increase 1%	(7,616,537.16)	(7,605,396.13)	(1,067,999.63)	(350,480.00)
Non-current liabilities due within one year	Decrease 1%	7,616,537.16	7,605,396.13	1,067,999.63	350,480.00
Long-term borrowings	Increase 1%	(10,047,500.58)	(20,381,250.64)	(21,763,416.21)	(15,458,428.60)
Long-term borrowings	Decrease 1%	10,047,500.58	20,381,250.64	21,763,416.21	15,458,428.60

1.2 Credit risk

As at July 31, 2021, December 31, 2020, 2019 and 2018, 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 and financial guarantees issued by the Target Group is arising from: The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

In order to minimize the credit risk, the Target Group has adopted necessary policies to ensure that all parties have good credit records. Receivables are within the credit period, so there is no significant credit risk. In addition, the Target Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment provision are made for irrecoverable amounts. In this regard, the management of the Target Group considers that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

1.3 Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

As at July 31, 2021, the Target Group had Net current liabilities of RMB2,490,383,445.80. 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. Thereafter, Shenzhen Expressway Co., Ltd. will continuously provide all necessary financial support to the Target Group so as to maintain the Target Group's ability to continue as a going concern, therefore, the Target Group's management considers that the Target Group has no liquidity risk.

The following is the maturity analysis for financial liabilities held by the Target Group which is based on undiscounted remaining contractual obligations:

As at July 31, 2021

RMB

Item	**Within 1 year**	**1-5 years**	**Total**
Non-derivative financial liabilities			
Short-term borrowings	604,137,344.30	–	604,137,344.30
Other payables	100,342,707.73	–	100,342,707.73
Non-current liabilities due within one year	3,948,837,914.27	–	3,948,837,914.27
Long-term borrowings	–	1,849,901,737.24	1,849,901,737.24
Other non-current liabilities	–	1,939,603,508.80	1,939,603,508.80

As at December 31, 2020

RMB

Items	**Within 1 year**	**1-5 years**	**Total**
Non-derivative financial liabilities			
Short-term borrowings	324,668,190.78	–	324,668,190.78
Other payables	90,438,899.74	–	90,438,899.74
Non-current liabilities due within one year	3,463,982,513.74	–	3,463,982,513.74
Long-term borrowings	62,077,793.66	2,105,806,523.61	2,167,884,317.27
Other non-current liabilities	86,054,967.72	2,188,549,279.63	2,274,604,247.35

As at December 31, 2019

RMB

Items	Within 1 year	1-5 years	Total
Non-derivative financial liabilities			
Short-term borrowings	2,249,236,991.03	–	2,249,236,991.03
Other payables	3,956,211.08	–	3,956,211.08
Non-current liabilities due within one year	113,851,970.51	–	113,851,970.51
Long-term borrowings	144,297,648.85	2,334,688,376.32	2,478,986,025.17
Other non-current liabilities	189,433,808.32	4,886,339,546.40	5,075,773,354.72

As at December 31, 2018

RMB

Items	Within 1 year	1-5 years	Total
Non-derivative financial liabilities			
Short-term borrowings	2,619,618,775.39	–	2,619,618,775.39
Other payables	6,131,162.92	–	6,131,162.92
Non-current liabilities due within one year	37,743,908.52	–	37,743,908.52
Long-term borrowings	63,079,493.35	1,743,462,843.98	1,806,542,337.33
Other non-current liabilities	201,633,561.66	5,075,773,354.72	5,277,406,916.38

2. Transfer of financial assets

(1) As at July 31, 2021, December 31, 2020, 2019 and 2018, the Target Group has no financial assets that have been transferred but not been derecognised in its entirety.

(2) As at July 31, 2021, December 31, 2020, 2019 and 2018, the Target Group has no Financial assets that have been derecognised in its entirety but with continuous involvement of the transferor.

IX. DISCLOSURE OF FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

RMB

	Fair value as at July 31, 2021			
Item	Measured at fair value (Level 1)	Measured at fair value (Level 2)	Measured at fair value (Level 3)	Total
Continuous fair value measurement	396,494,904.11	–	19,500,000.00	415,994,904.11
Financial assets at FVTPL	396,494,904.11	–	–	396,494,904.11
Financial assets at FVTOCI	–	–	19,500,000.00	19,500,000.00

RMB

Item	Fair value as at December 31, 2020 Measured at fair value (Level 1)	Measured at fair value (Level 2)	Measured at fair value (Level 3)	Total
Continuous fair value measurement	801,503,123.29	–	31,000,000.00	832,503,123.29
Financial assets at FVTPL	801,503,123.29	–	–	801,503,123.29
Financial assets at FVTOCI	–	–	31,000,000.00	31,000,000.00

RMB

Items	Fair value as at December 31, 2019 Measured at fair value (Level 1)	Measured at fair value (Level 2)	Measured at fair value (Level 3)	Total
Continuous fair value measurement	–	–	22,600,000.00	22,600,000.00
Financial assets at FVTOCI	–	–	22,600,000.00	22,600,000.00

RMB

Items	Fair value as at December 31, 2018 Measured at fair value (Level 1)	Measured at fair value (Level 2)	Measured at fair value (Level 3)	Total
Continuous fair value measurement	–	–	11,100,000.00	11,100,000.00
Financial assets at FVTOCI	–	–	11,100,000.00	11,100,000.00

2. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 3 fair value measurement items

RMB

	Fair value as at July 31, 2021	Valuation technique	Input
Financial assets at FVTOCI	19,500,000.00	Listed companies comparison	Price earnings ratio of comparable companies and liquidity discount

RMB

	Fair value as at December 31, 2020	Valuation technique	Input
Financial assets at FVTOCI	31,000,000.00	Listed companies comparison	Price earnings ratio of comparable companies and liquidity discount

RMB

	Fair value as at December 31, 2019	Valuation technique	Input
Financial assets at FVTOCI	22,600,000.00	Listed companies comparison	Price earnings ratio of comparable companies and liquidity discount

RMB

	Fair value as at December 31, 2018	Valuation technique	Input
Financial assets at FVTOCI	11,100,000.00	Listed companies comparison	Price earnings ratio of comparable companies and liquidity discount

3. Fair value of financial assets and financial liabilities not measured at fair value

The management of the Target Group believes that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements are approximate to the fair value of such assets and liabilities.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company of the Target Company

Name of Target Company	Registered place	Nature of business	Registered capital (USD)	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
SIH International Capital Holdings Co., Ltd.	Hong Kong	Investment holding	50,000.00	100.00	100.00

The parent company of the Target Company is Shenzhen Investment Holding International Capital Holding Co., Ltd., 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.

2. Subsidiaries of the Target Company

Please refer to Note VII, 1 for subsidiaries of the Target Company.

3. Joint Ventures of the Target Company

Please refer to Note VII, 3 for significant joint ventures of the Target Company.

4. Other Related Parties

Other related parties	Relationship between other related parties and the Target Company
Wuzhou Guesthouse Company Limited ("**Wuzhou Hotel**")	Controlled by ultimate holding company

5. Details of guarantees by related parties

The Target Group as a guarantee:

For the seven months ended July 31, 2021

RMB

Guarantor	Creditor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Has the guarantee been performed
Shenzhen Investment Holdings Co., Ltd.	China Development Bank	713,044,089.24	December 27, 2018	Three years from the expiration date of performance period of each debt under the main contract	No
Shenzhen Investment Holdings Co., Ltd.	Agricultural Bank of China Ltd. Hong Kong Branch	652,200,044.00	December 28, 2018	The guarantee is an irrevocable guarantee without expiration date	No
Shenzhen Investment Holdings Co., Ltd.	Industrial and Commercial Bank of China (Macau) Limited	586,980,039.60	March 15, 2019	Two years from the expiration date of loan term under the main contract	No
Total		1,952,224,172.84			

For the year ended December 31, 2020

RMB

Guarantor	Creditor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Has the guarantee been performed
Shenzhen Investment Holdings Co., Ltd.	Agricultural Bank of China Ltd. Hong Kong Branch	660,201,536.00	December 28, 2018	The guarantee is an irrevocable guarantee without expiration date	No
Shenzhen Investment Holdings Co., Ltd.	China Development Bank	755,814,088.99	December 27, 2018	Three years from the expiration date of performance period of each debt under the main contract	No
Shenzhen Investment Holdings Co., Ltd.	Industrial and Commercial Bank of China (Macau) Limited	625,897,469.90	March 15, 2019	Two years from the expiration date of loan term under the main contract	No
Total		2,041,913,094.89			

For the year ended December 31, 2019

RMB

Guarantor	Creditor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Has the guarantee been performed
Shenzhen Investment Holdings Co., Ltd.	Agricultural Bank of China Ltd. Hong Kong Branch	702,719,268.00	December 28, 2018	The guarantee is an irrevocable guarantee without expiration date	No
Shenzhen Investment Holdings Co., Ltd.	China Development Bank	875,567,806.34	December 27, 2018	Three years from the expiration date of performance period of each debt under the main contract	No
Shenzhen Investment Holdings Co., Ltd.	HSBC	1,405,438,536.00	December 27, 2018	The guarantee is an irrevocable guarantee without expiration date	Yes
Shenzhen Investment Holdings Co., Ltd.	Bank of China (Hong Kong) Limited	500,639,292.65	December 28, 2018	The guarantee is an irrevocable guarantee without expiration date	Yes
Shenzhen Investment Holdings Co., Ltd.	Industrial and Commercial Bank of China (Macau) Limited	700,158,619.08	March 15, 2019	Two years from the expiration date of loan term under the main contract	No
Total		4,184,523,522.07			

For the year ended December 31, 2018

RMB

Guarantor	Creditor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Has the guarantee been performed
Shenzhen Investment Holdings Co., Ltd.	Agricultural Bank of China Ltd. Hong Kong Branch	687,343,852.00	December 28, 2018	The guarantee is an irrevocable guarantee without expiration date	No
Shenzhen Investment Holdings Co., Ltd.	China Development Bank	890,872,782.62	December 27, 2018	Three years from the expiration date of performance period of each debt under the main contract	No
Shenzhen Investment Holdings Co., Ltd.	HSBC	1,374,687,704.00	December 27, 2018	The guarantee is an irrevocable guarantee without expiration date	Yes
Shenzhen Investment Holdings Co., Ltd.	Bank of China (Hong Kong) Co., Ltd.	489,685,363.05	December 28, 2018	The guarantee is an irrevocable guarantee without expiration date	Yes
Shenzhen Investment Holdings Co., Ltd.	China Merchants Bank Co., Ltd., offshore financial center	687,343,852.00	April 30, 2018	The guarantee contract terminates on the date two years after the repayment date under loan agreement	Yes
Total		4,129,933,553.67			

6. **Borrowings/loans with related parties**

RMB

Related party	Amount of borrowing/ loan	Inception date	Maturity date
Borrowed from:			
SIH International Capital Holdings Co., Ltd.	HKD3,073,988,000.00	September 27, 2018	September 26, 2021
SIH International Capital Holdings Co., Ltd.	HKD2,309,392,000.00	September 27, 2018	September 26, 2023
Total	HKD5,383,380,000.00		
Lent to:			
Xintang JV	RMB309,300,000.00	December 4, 2019	January 20, 2020
Xintang JV	RMB464,250,000.00	January 21, 2020	June 30, 2021
Xintang JV	RMB11,250,000.00	February 27, 2020	June 30, 2021
Xintang JV	RMB33,750,000.00	May 15, 2020	June 30, 2021
Xintang JV	RMB22,500,000.00	June 30, 2020	June 30, 2021
Xintang JV	RMB27,000,000.00	December 21, 2020	June 30, 2021
Xintang JV	RMB349,500,000.00	January 21, 2021	January 20, 2022(Note)
Xintang JV	RMB18,000,000.00	March 15, 2021	March 14, 2022
Xintang JV	RMB16,500,000.00	May 11, 2021	May 10, 2022
Total	RMB1,252,050,000.00		

Note: The principal amounting to RMB118,080,000.00 was available for a debt-for-equity swap on 30 June 2021, please refer to Note V, 4 for details.

7. Related party transactions

RMB

Related party	Contents of related transactions	Seven months ended July 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
SIH International Capital Holdings Co., Ltd.	Interest expenses	32,818,781.42	–	–	–
Xintang JV	Interest income	29,119,279.48	49,536,793.34	1,924,533.33	–
Wuzhou Hotel	Rents and property management fee	528,170.72	799,500.00	514,800.00	–

8. Accounts receivable and payable of related parties

(1) Receivables

RMB

Item	Related party	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Other current assets	Xintang JV	313,411,674.38	27,049,500.00	–	–
Long-term receivables	Xintang JV	36,960,513.40	322,783,950.83	311,224,533.33	–

(2) Payables

RMB

Item	Related party	As at July 31, 2021	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Other payables	SIH International Capital Holdings Co., Ltd.	97,427,758.65	86,450,080.25	–	–
Non-current liabilities due within one year	SIH International Capital Holdings Co., Ltd.	2,555,713,623.20	2,587,068,300.80	–	–
Other non-current liabilities	SIH International Capital Holdings Co., Ltd.	1,920,028,508.80	1,943,584,307.20	4,822,431,804.00	4,716,917,556.00

9. Directors' and Five Highest Paid Individuals' Emoluments

(1) Remuneration of key management personnel

For the seven months ended July 31, 2021

RMB

Items	Director`s fee	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefits plans	Total
Zhengyu, Liu	–	–	–	–	–
Qiang, Zeng	–	–	–	–	–
Total	–	–	–	–	–

For the year ended December 31, 2020

RMB

Items	Director`s fee	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefits plans	Total
Zhengyu, Liu	–	–	–	–	–
Zhongyu, Yan *(note a)*	–	–	–	–	–
Qiang, Zeng *(note b)*	–	–	–	–	–
Total	–	–	–	–	–

(a) Mr. Zhongyu Yan ceased to act as a Director of the Company on 27 October 2020.

(b) Mr. Qiang, Zeng was appointed as a Director of the Company on 27 October 2020.

For the year ended December 31, 2019

RMB

Items	Director`s fee	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefits plans	Total
Zhengyu, Liu	–	–	–	–	–
Zhongyu, Yan	–	–	–	–	–
Total	–	–	–	–	–

For the year ended December 31, 2018

RMB

Items	Director`s fee	Salaries and other benefits	Discretionary bonus	Contribution to retirement benefits plans	Total
Zhengyu, Liu	–	–	–	–	–
Zhongyu, Yan	–	–	–	–	–
Total	–	–	–	–	–

(2) Five highest paid individuals' emoluments

For the seven months ended July 31, 2021, and the years ended December 31, 2020, 2019 and 2018, the emoluments of the 5 highest paid employees were respectively as follows:

RMB'000

Items	Seven months ended July 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Salaries and other benefits	2,907	5,523	5,666	4,190
Discretionary bonus	1,694	2,604	2,453	–
Contribution to retirement benefits plans	475	753	859	18
Total	5,076	8,880	8,978	4,208

The number of the highest paid employees who are not Directors whose remuneration fell within the following bands is as follows:

Items	Seven months ended July 31, 2021 No. of employee	Year ended December 31, 2020 No. of employee	Year ended December 31, 2019 No. of employee	Year ended December 31, 2018 No. of employee
RMB Nil to RMB1,000,000	2	–	–	5
RMB1,000,001 to RMB1,500,000	3	2	2	–
RMB1,500,001 to RMB2,000,000	–	2	–	–
RMB2,000,001 to RMB2,500,000	–	1	3	–

During the seven months ended July 31, 2021, and the years ended December 31, 2020, 2019 and 2018, no emoluments were paid by the Target Group to any of the persons who are Directors or the five highest paid individuals of the Target Group as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the Directors has waived any emoluments during relevant periods.

XI. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Target Group has no material matters subsequent to the balance sheet date to be disclosed.

A. 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 of Target Company (the "**Acquisition**") by Mei Wah Industrial (Hong Kong) Limited, a 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 consolidated statement of financial position 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 issued on 25 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.

Items	The Group As at 2021.06.30	The Target Group As at 2021.07.31	Pro forma Adjustment			The Enlarged Group As at 2021.06.30
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note i	*Note ii*	*Note iii*	*Note iv*	*Note v*	
Current Assets						
Bank balances and cash	4,450,421	1,451,038			(4,507,938)	1,393,521
Financial assets held for trading	–	396,495				396,495
Notes receivable	55,618	–				55,618
Accounts receivable	739,049	–				739,049
Prepayments	478,288	454				478,742
Other receivables	874,338	300				874,638
Inventories	1,067,137	–				1,067,137
Contract assets	379,367	–				379,367
Non-current assets due within one year	93,664	–				93,664
Other current assets	1,466,529	309,580				1,776,109
Total Current Assets	**9,604,411**	**2,157,867**			**(4,507,938)**	**7,254,340**
Non-current Assets						
Equity instrument at fair value through other comprehensive income	–	19,500				19,500
Long-term prepayments	542,566	–				542,566
Long-term receivables	1,212,463	40,792				1,253,255
Other non-current financial assets	654,140	–				654,140
Long-term equity investments	8,971,843	9,840,070				18,811,913
Investment properties	10,935	–				10,935
Fixed assets	5,451,142	1,782				5,452,924
Construction in progress	1,643,336	–				1,643,336
Right-of-use assets	125,636	–				125,636
Intangible assets	26,537,076	–				26,537,076
Development expenditure	14,346	–				14,346
Goodwill	156,040	202,893				358,933
Long-term prepaid expenses	61,495	–				61,495
Deferred tax assets	500,487	–				500,487
Other non-current assets	1,843,110	–				1,843,110
Total Non-current Assets	**47,724,615**	**10,105,037**				**57,829,652**
TOTAL ASSETS	**57,329,026**	**12,262,904**			**(4,507,938)**	**65,083,992**

Items	The Group As at 2021.06.30	The Target Group As at 2021.07.31		Pro forma Adjustment		The Enlarged Group As at 2021.06.30
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note i	*Note ii*	*Note iii*	*Note iv*	*Note v*	
Current Liabilities						
Short-term borrowings	1,953,174	598,106				2,551,280
Transactional financial liabilities	125,544	–				125,544
Derivative financial liabilities	–	–	81,011			81,011
Notes payable	113,660	–				113,660
Accounts payable	2,186,650	–				2,186,650
Receipt in advance	16,143	–				16,143
Contract liabilities	105,793	–				105,793
Employee benefits payable	145,216	5,161				150,377
Tax payable	519,737	410				520,147
Other payables	2,358,683	100,343	2,073,328	201,431		4,733,785
Non-current liabilities due within one year	3,790,840	3,940,975			(3,861,239)	3,870,576
Other current liabilities	2,012,877	3,256				2,016,133
Total Current Liabilities	**13,328,317**	**4,648,251**	**2,154,339**	**201,431**	**(3,861,239)**	**16,471,099**
Non-current Liabilities						
Long-term borrowings	7,950,199	1,722,429			(646,699)	9,025,929
Bonds payable	4,990,844	–				4,990,844
Long-term payables	2,449,351	–				2,449,351
Long-term employee benefits payable	114,813	–				114,813
Lease liabilities	97,031	–				97,031
Estimated debts	166,781	–				166,781
Deferred income	582,146	–				582,146
Deferred tax liabilities	1,157,451	120,659				1,278,110
Other non-current liabilities	–	1,920,029				1,920,029
Total Non-current Liabilities	**17,508,616**	**3,763,117**	**–**	**–**	**(646,699)**	**20,625,034**
TOTAL LIABILITIES	**30,836,933**	**8,411,368**	**2,154,339**	**201,431**	**(4,507,938)**	**37,096,133**

Notes:

(i) The amounts are extracted from the published interim report of the Group for the six months ended 30 June 2021 dated 25 August 2021.

(ii) The amounts are extracted from the Accountants' Report of the Target Group as set out in Appendix III to this circular.

(iii) The adjustment represents the acquisition of the Target Group under the Transaction Agreements.

For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, the Acquisition is assumed to had taken place on 30 June 2021. Since the Group and the Target Group are both controlled by Shenzhen Investment Holdings Company Limited ("**SIHCL**"), the Acquisition is accounted for under business combination under common control. The excess of the consideration over the pro forma book values of the identified assets and liabilities is adjusted to capital reserve as follows:

	RMB'000
Consideration *(note a)*	2,038,625
Contingent Considerations *(note b)*	115,714
Less: Pro forma value of identified net assets acquired attributable to owners of the Target Company *(note d)*	(975,974)
Add: Declared dividends *(note c)*	201,431
Adjustment to capital reserve	1,379,796

(a) The consideration for the Acquisition as set out in the Sale and Purchase Agreement comprises purchase price of HK$ 2,450,034,000 (equivalent to approximately RMB2,038,625,000 translated by the rate of HK$1 to RMB0.8321). The directors of the Company estimated that the amount of legal and professional fee in relation to the Acquisition is immaterial and is not considered in preparing the Unaudited Pro Forma Consolidated Statements of Assets and Liabilities. No representation is made that HK$ amounts have been, could have been or could be converted to RMB amount at that rate or at all.

(b) The Contingent Considerations represent the estimated tax payable of RMB34,703,000 borne by the Company related to the transactions and the contingent payable of RMB81,011,000 by Mei Wah Industrial (Hong Kong) Limited ("**the Purchaser**") and the Company 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 RMB34,703,000 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 completed on 17 August 2018 and a shareholder of Shenzhen Investment Holdings Bay Area Development Company Limited ("**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 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 Company 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 the Company 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 RMB81,011,000 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 Company.

(d) Given it's a business combination under the common control of SIHCL, the identifiable assets and liabilities of the Target Group are measured at the carrying amount in the consolidated financial statements of the Target Group at the date of Completion. It is assumed that carrying amount as of 31 July 2021 is appropriately the same as that of 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, which will be paid to the Seller upon the completion of the Acquisition, and the amount is adjusted accordingly to the carrying amount of other payables.

(v) The adjustment represents the the settlement of bank borrowings of HK$2,350,272,000 (equivalent to approximately RMB1,952,224,000 translated by the rate of HK$1 to RMB0.8306) and borrowings from the Seller of USD400,000,000 (equivalent to approximately RMB2,555,714,000 translated by the rate of USD1 to RMB6.3893) prior to the completion of the Acquisition pursuant to the Sales 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.

B. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, LLP, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation 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 Expressway Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shenzhen Expressway Company 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-3 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 page IV-1 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 no auditor's report or 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 LLP

Shanghai
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 the Company in the PRC in accordance with the Measures and (ii) reference has been primarily made by the 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 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.

In addition, the Company 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

[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.

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. 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;

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%.

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.

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

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.

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.

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

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.

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]:

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

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.

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	184,000.00	127.87
			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

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.

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
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 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

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
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
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
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

[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.

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.

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.

Shenzhen Expressway Company Limited

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., 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")

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 $WACCBT = R_e \times [E/(D + E)]/(1-T) + R_d \times D/(D + E)$.

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 $R_e = R_f + \beta \text{ X } (R_m - R_f) + \varepsilon$

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:

$$\beta_U = \beta_L/[1 + D/E \text{ X } (1 - T)]$$

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: $Yi=X1\times GDP + X2\times POP+Intercept$.

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.

$$\sum Z_i = \mathrm{Flow}_i \times \mathrm{Toll}_i \times \mathrm{Length} \times 365 \div 10{,}000$$

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

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
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
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

As of Latest Practicable Date, the interests or short positions of the Directors, the supervisors or 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" (collectively, "**interests or short positions**") were as follows:

Long positions in ordinary shares of the Company:

Name	Number of ordinary shares held as at Latest Practicable Date	Approximate percentage of ordinary shares in issued share capital of the Company	Nature of interests	Capacity
Hu Wei	200,000	0.0092%	Personal	Beneficial owner

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at Latest Practicable Date	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	315	0.00001%	Personal	Beneficial owner
Liao Xiang Wen(3)	17,560	0.0008%	Family interests	Beneficial owner

Interests in share options of Shenzhen International:

Name	Share options unexercised as at the Latest Practicable Date[(1)(2)]		Nature of interests	Capacity
	Share option scheme 1	Share option scheme 2		
Hu Wei	1,266,502		Personal	Beneficial owner
Liao Xiang Wen[(3)]	496,640	304,695	Family interests/ Personal	Beneficial owner
Lin Ji Tong	408,030		Personal	Beneficial owner

(1) The share option scheme 1 was granted on 26 May 2017 and could be exercised during the period from 26 May 2019 to 25 May 2022 pursuant to the grant provision. On 23 June 2021, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK$10.223 per share to HK$9.472 per share.

(2) The share option scheme 2 was granted on 18 May 2020 and could be exercised during the period from 18 May 2020 to 25 May 2022 pursuant to the grant provision. On 23 June 2021, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK$13.914 per share to HK$12.892 per share.

(3) The interests in ordinary shares of Shenzhen International and the interests in share option scheme 1 of Shenzhen International are owned by the spouse of Liao Xiang Wen.

Saved as disclosed above, as of Latest Practicable Date, none of the Directors, the supervisors or the chief executive of the Company had interests or short positions defined above.

3. COMPETING INTEREST

As of 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 date of this circular, none of the Directors or supervisors of the Company or any Target Group Member is materially interested in any contracts or arrangement entered into by any members of the Enlarged Group which is subsisting at the date of this circular and which is significant in relation to the business of the Enlarged Group.

None of the Directors or supervisors of the Company or any Target Group Member has any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited accounts of the Enlarged Group were made up, acquired or disposed of by, or leased to any members of the Enlarged Group, or are proposed to be 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 accounts of the Group have been made up.

6. CLAIMS AND LITIGATION

As of 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

No service contracts that cannot be terminated by the Group within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Group and the Directors as of the Latest Practicable Date.

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 LLP	Certified Public Accountants Registered Public Interest Entity Auditors in the PRC
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	A corporation licensed by the SFC to conduct Type 6 (advising on corporate finance) regulated activities under the SFO

(b) As of the Latest Practicable Date, each of the Experts 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.

(c) As of the Latest Practicable Date, each of the Experts 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.

(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 the Company 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 the Company to conduct the valuation to ensure the compliance of the Company with the requirements under the Measures. The Company also engaged Pengxin Appraisal (being an independent qualified professional valuer in the PRC) to conduct a valuation on the Target Company to provide the Board with another reference point when assessing the value of the Target Company as a whole.

Despite various effort of the Company 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 Company has been informed by CMS by way of a letter dated 22 September 2021 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 the Company 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 the Company. 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 Group, have been entered into by the members of the 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) several investment agreements dated 25 January 2021 and 26 March 2021, respectively, entered into among Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd. and relevant parties concerned with respect to the acquisition of and capital contribution to Mulei County Qianzhi Energy Development Co., Ltd., Mulei County Qianhui Energy Development Co., Ltd., and Mulei County Qianxin Energy Development Co., Ltd.;

(d) the sale and purchase agreement of Shenzhen property together with the supplemental agreements thereto dated 8 March 2021entered into between the Company and Shenzhen Luo Lan Si Bao Property Development Co., Ltd. in relation to the acquisition of the office property;

(e) the equity transfer agreement dated 9 November 2020 entered into between the Company and Shenzhen Baotong Highway Construction and Development Company Limited in relation to the transfer of 89.93% equity interest in Shenzhen Longda Expressway Company Limited;

(f) the capital increase agreement dated 21 August 2020 entered into among the Company and relevant parties including Vanho Securities Co., Ltd. in relation to the subscribe for the new shares of Vanho Securities Co., Ltd.;

(g) the partnership agreement dated 17 August 2020 entered into among the Company and relevant parties including Shenzhen Kunpeng Zhanyi Equity Investment Management Co., Ltd. in relation to the establishment of a partnership fund;

(h) the investment cooperation agreement dated 13 May 2020 entered into between Shenzhen Expressway Investment Company Limited and Guizhou Guilong Industry (Group) Company Limited in relation to the cooperation in the residential area of Bimeng Garden in Longli, Guizhou Province;

(i) two equity transfer agreements dated 17 March 2020 entered into among Mei Wah Industrial (Hong Kong) Limited, the Company and relevant parties in relation to the transfer of 48% interests in Shenzhen International Finance Leasing Co., Ltd. in total; and

(j) the equity transfer agreement dated 12 September 2019 entered into among the Company, Jiangsu Jinzhi Group Company Limited and relevant parties in relation to the joint-acquisition of 100% equity interest in Baotou Nanfeng Wind Power Technology Co., Ltd.

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.sz-expressway.com) within 14 days from the date of this circular:

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 54 to 55 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 56 to 99 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 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 in relation to GS Expressway and GZ West Expressway prepared by the Guangdong Provincial Transport Planning & Research Center, the text of which is set out in Appendix VII to this circular;

(g) the written consent 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 Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen. The head office of the Company is situated at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen. The place of business of the Company in Hong Kong is at Room 1603, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

(b) The share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The joint company secretaries of the Company are Ms. Gong Tao Tao and Ms. Lam Yuen Ling Eva. Ms. Gong Tao Tao has many years' experiences in finance, accounting and risk management. Ms. Lam Yuen Ling Eva is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

(d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

深圳高速公路股份有限公司
SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING 2021

Reference is made to the two circulars of the Company both dated 24 November 2021 in relation to (1) the Transaction Agreements and the transactions contemplated thereunder; and the proposed change of company name and proposed amendments to the Articles of Association; and (2) the "14th Five Year" (2021-2025) Development Strategy Plan and the waiver of the right of first refusal regarding the equity interest in Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司), respectively.

Notice is hereby given that the Second Extraordinary General Meeting 2021 (the "**EGM**") of Shenzhen Expressway Company Limited (the "**Company**") will be held at the conference room of the Company at Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC at 11:00 a.m. on Friday, 10 December 2021 to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the acquisition of entire interests in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd.: "The sale and purchase agreement dated 10 August 2021 between Mei Wah Industrial (Hong Kong) Limited and Shenzhen Investment International Capital Holdings Co., Ltd., the payment obligation agreement dated 10 August 2021 between Shenzhen Investment Holdings Company Limited, Shenzhen Investment International Capital Holdings Co., Ltd., Mei Wah Industrial (Hong Kong) Limited and the Company ("**Agreements**") and the proposed 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 duly authorised be and are hereby authorised to do all such acts and things as they consider necessary or expedient to implement or give effect to the Agreements and to perform the terms of the Agreements as well as to execute related documents; the board of directors of the Company or any director duly authorised be and are hereby authorised to approve the amendment of the transactions plan under the condition that the main terms and conditions do not constitute a substantive amendment." 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.

2. To consider and approve the resolution in relation to the "14th Five Year" (2021-2025) Development Strategy Plan.

3. To consider and approve the resolution in relation to the waiver of the right of first refusal regarding the equity interest in Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司).

SPECIAL RESOLUTIONS

4. To consider and approve the resolution in relation to the change of company name: "Subject to having obtained or completed all necessary approval by or filing of the relevant authorities in the PRC and/or Hong Kong, the Chinese name of the Company be changed from "深圳高速公路股份有限公司" to "深圳高速公路集團股份有限公司" and the English name of the Company be changed from "Shenzhen Expressway Company Limited" to "Shenzhen Expressway Corporation Limited", and to authorise any one of the executive Directors or the secretary of the Board to arrange for the respective procedures of approvals, disclosures, registrations and filings in relation to the change of company name, and to make any necessary and suitable amendments as he/she thought fit in accordance with the actual circumstances of the Company and the amendments requirements raised by the exchange where the Company is listed and the relevant regulatory authority from time to time (if any)"; and

5. To consider and approve the resolution in relation to the amendments to Articles of Association: "Subject to the passing of special resolution numbered 4, to amend the Articles of Association of the Company, and to authorise any one of the executive Directors or the secretary of the Board to arrange for the respective procedures of approvals, disclosures, registrations and filings in relation to the amendments to the Articles of Association, and to make any necessary and suitable editorial amendments to the amended version as he/she thought fit in accordance with the actual circumstances of the Company and the amendments requirements raised by the exchange where the Company is listed and the relevant regulatory authority from time to time (if any)." Details of the proposed amendments to the Articles of Association are set out in the circular of the Company dated 24 November 2021.

By Order of the Board of
Shenzhen Expressway Company Limited
HU Wei
Chairman

Shenzhen, the PRC, 24 November 2021

Notes:

1. Eligibility for attending the EGM

Shareholders of the Company whose names appear on the registers of shareholders of the Company at the close of business on 6 December 2021 shall have the right to attend the EGM after complying with the necessary registration procedures.

2. Registration procedures for attending the EGM

Holders of H shares of the Company please note that the register of holders of H shares of the Company will be closed from 7 December 2021 to 10 December 2021 (both days inclusive), during which period no transfer of H shares of the Company will be registered. Holders of H shares of the Company who intend to attend the EGM must deliver their instruments of transfer together with the relevant share certificates to Hong Kong Registrars Limited, the registrar of H shares of the Company, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30p.m. on 6 December 2021.

3. Proxy

i. Shareholders entitled to attend and vote at the EGM are entitled to appoint, in written form, one or more proxies (whether a shareholder or not) to attend and vote on his behalf.

ii. A proxy should be appointed by written instrument signed by the appointor or his attorney. If the written instrument is signed by the attorney of the appointor, the written authorisation or other authorisation documents of such attorney should be notarised. In order to be valid, for holders of A shares of the Company, the written authorisation or authorisation documents which have been notarised together with the completed proxy form must be delivered to the Company not less than 24 hours before the time of the holding of the EGM. In order to be valid, for holders of H shares of the Company, the above documents must be delivered to Hong Kong Registrars Limited, at Floor 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, within the same period.

iii. Shareholder or his proxy should produce identity proof when attending the EGM.

4. Poll

Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Articles of Association of the Company, voting at the EGM on the resolutions set out in the notice of the EGM will be taken by poll.

5. Other matters

i. The duration of the EGM is expected not to exceed one day. Shareholders or proxies who attend the EGM shall arrange for transport, food, accommodation and other relevant expenses at their own cost.

ii. Address of Hong Kong Registrars Limited (for share transfer):

Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

iii. Address of the Company:

Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen, PRC

Postal code: 518026

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