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



深圳高速公路集團股份有限公司
SHENZHEN EXPRESSWAY CORPORATION LIMITED
(a joint stock limited company incorporated in the
People's Republic of China with limited liability)
(Stock Code: 00548)

DISCLOSEABLE TRANSACTION

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**Shenzhen Investment Holdings Bay Area
Development Company Limited**
深圳投控灣區發展有限公司
(incorporated in the Cayman Islands with limited liability)
Stock Codes: 00737 (HKD counter) and 80737 (RMB counter)

CONNECTED AND MAJOR TRANSACTION

**JOINT ANNOUNCEMENT
CAPITAL CONTRIBUTION TO GSZ COMPANY**

CAPITAL INCREASE AGREEMENT

The boards of directors of each of Shenzhen International, Shenzhen Expressway (a subsidiary owned by Shenzhen International as to approximately 51.56%) and Bay Area Development (a subsidiary owned by Shenzhen Expressway as to approximately 71.83%) are pleased to announce that on 24 January 2025, Hopewell China Development (a non wholly-owned subsidiary of Bay Area Development) and Guangdong Highway Construction entered into the Capital Increase Agreement, pursuant to which, Hopewell China Development and Guangdong Highway Construction agreed to contribute, by way of registered capital, RMB3,285 million and RMB4,015 million, respectively, to GSZ Company (a deemed subsidiary of Bay Area Development). Upon Completion of the Capital Contribution Matters, Hopewell China Development and Guangdong Highway Construction will hold 45% and 55% equity interests in GSZ Company respectively.

LISTING RULES IMPLICATIONS

Shenzhen International and Shenzhen Expressway

For Shenzhen International and Shenzhen Expressway, as one or more of the applicable percentage ratio(s) under the Listing Rules exceed 5% but are less than 25%, the Capital Increase Agreement and the transactions contemplated thereunder constitute a discloseable transaction for Shenzhen International and Shenzhen Expressway, respectively. Accordingly, each of Shenzhen International and Shenzhen Expressway is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Bay Area Development

For Bay Area Development, as Guangdong Highway Construction, being a substantial shareholder of GSZ Company, is a connected person of Bay Area Development at the subsidiary level, the Capital Increase Agreement and the transactions contemplated thereunder constitute a connected transaction for Bay Area Development under Chapter 14A of the Listing Rules. However, as (i) the board of directors of Bay Area Development has approved the Capital Increase Agreement; and (ii) the independent non-executive directors of Bay Area Development have confirmed that the terms of the Capital Increase Agreement are fair and reasonable, the transactions are entered into on normal commercial terms, and in the interests of Bay Area Development and its shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Capital Increase Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratio(s) under the Listing Rules exceed 25% but are less than 100%, the Capital Increase Agreement and the transactions contemplated thereunder constitute a major transaction for Bay Area Development. Accordingly, Bay Area Development is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval in lieu of convening a general meeting if (a) no shareholder is required to abstain from voting if Bay Area Development were to convene a general meeting for the approval of the Capital Increase Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the issued share capital of Bay Area Development having the right to attend and vote at the general meeting to approve the Capital Increase Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the directors of Bay Area Development after having made all reasonable enquiries, none of its shareholders has any material interest in the Capital Increase Agreement and the transactions contemplated thereunder, and therefore no shareholder is required to abstain from voting if Bay Area Development were to convene a general meeting for the approval of the Capital Increase Agreement and the transactions contemplated thereunder.

As at the date of this joint announcement, Bay Area Development has obtained a written approval from SIIC, the controlling shareholder holding 2,213,449,666 Shares of Bay Area Development (representing approximately 71.83% of the issued share capital of Bay Area Development as at the date of this joint announcement). Accordingly, no general meeting of Bay Area Development is required to be convened for the purpose of approving the Capital Increase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Capital Increase Agreement and the transactions contemplated thereunder, is required to be despatched to the shareholders of Bay Area Development within 15 business days after publication of this joint announcement. Bay Area Development expects to dispatch the circular to the shareholders on or before 19 February 2025.

1. INTRODUCTION

Having experienced rapid traffic growth since its official opening to traffic in 1997, the Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macao Expressway has now nearly reached its full capacity, resulting in an urgent need for reconstruction and expansion. The reconstruction and expansion project for the Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macao Expressway will be carried out in two segments: namely the Approved Road Section R&E Project and the reconstruction and expansion project for the Shenzhen section of the Beijing-Hong Kong-Macao Expressway.

Reference is made to the joint voluntary announcement of Shenzhen International, Shenzhen Expressway and Bay Area Development dated 30 October 2023 in relation to the Approved Road Section R&E Project having received the approval issued by Guangdong Provincial Development and Reform Commission (“**DRC Approval**”) on 22 August 2023, with GSZ Company being responsible for its investment and construction.

To meet the funding needs of the Approved Road Section R&E Project, the shareholders of GSZ Company (namely Hopewell China Development (currently entitled to 45% of the profit-sharing interest in GSZ Company) and Guangdong Highway Construction (currently entitled to 55% of the profit-sharing interest in GSZ Company)) entered into the Capital Increase Agreement on 24 January 2025, pursuant to which, Hopewell China Development and Guangdong Highway Construction agreed to contribute, by way of registered capital, RMB3,285 million and RMB4,015 million, respectively, to GSZ Company (a deemed subsidiary of Bay Area Development). Upon Completion of the Capital Contribution Matters, Hopewell China Development and Guangdong Highway Construction will hold 45% and 55% equity interests in GSZ Company, respectively.

2. CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are set out as follows:

Date:	24 January 2025
Parties:	Hopewell China Development (a non wholly-owned subsidiary of Bay Area Development); and Guangdong Highway Construction
Capital Contribution Amount:	Hopewell China Development and Guangdong Highway Construction agreed to contribute, by way of registered capital, RMB3,285 million and RMB4,015 million, respectively, to GSZ Company. Upon Completion of the Capital Contribution Matters, the registered capital of GSZ Company will be RMB7,300 million.
Shareholding Percentage:	Upon Completion of the Capital Contribution Matters, Hopewell China Development and Guangdong Highway Construction will hold 45% and 55% equity interests in GSZ Company respectively.

Capital Contribution Method:	Hopewell China Development shall contribute in cash denominated in RMB or an equivalent amount in foreign currency, and Guangdong Highway Construction shall contribute in cash denominated in RMB. Upon mutual agreement between Hopewell China Development and Guangdong Highway Construction, the Capital Contribution may also be made through their respective share of dividends payable to shareholders by GSZ Company.
Capital Contribution Timing:	During the construction period of the Approved Road Section R&E Project, Hopewell China Development and Guangdong Highway Construction shall contribute the capital to GSZ Company in phases, according to the work progress and annual funding needs of the Approved Road Section R&E Project, and based on the amounts and timing as notified by GSZ Company at its shareholders' meetings from time to time, in proportion to their respective shareholding ratios.
Default on Capital Contribution:	If Hopewell China Development or Guangdong Highway Construction fails to make Capital Contribution in full and on time as agreed under the Capital Increase Agreement, a default penalty of 0.01% per day on the outstanding contribution amount shall be paid to GSZ Company until the full contribution is made. If the failure by Hopewell China Development or Guangdong Highway Construction to fulfil its contribution obligations under the Capital Increase Agreement causes a loss to the other party, the defaulting party shall compensate for the losses so incurred.
GSZ Company's New Articles of Association:	In accordance with the <i>Foreign Investment Law of the People's Republic of China</i> (《中華人民共和國外商投資法》) which came into effect on 1 January 2020, and other applicable laws and regulations, GSZ Company will amend its articles of association incorporating the relevant arrangements in the Capital Increase Agreement in its amended articles of association (" GSZ Company's New Articles of Association ").
Effectiveness:	<p>The Capital Increase Agreement shall take effect upon being signed and sealed by both Hopewell China Development and Guangdong Highway Construction, and upon satisfaction of the following conditions to effectiveness:</p> <p>Conditions to effectiveness: (i) Guangdong Highway Construction having obtained its shareholders' approval for the Capital Increase Agreement and the transactions contemplated thereunder; and (ii) Bay Area Development (the controlling shareholder of Hopewell China Development) having obtained its shareholders' approval for the Capital Increase Agreement and the transactions contemplated thereunder.</p> <p>As at the date of this joint announcement, all the conditions for the effectiveness of the Capital Increase Agreement have been fulfilled.</p>

3. INFORMATION OF GSZ COMPANY

GSZ Company is principally responsible for the construction, operation and management of the Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macao Expressway. As a main expressway connecting the three major cities in the PRC, namely Guangzhou, Dongguan and Shenzhen, this section forms an important part of the Beijing-Hong Kong-Macao Expressway and Shenyang-Haikou Expressway in the national expressway network. The Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macao Expressway, extending from the Huangcun (Guangdan) Interchange in Guangzhou in the north to the Huanggang Port in Shenzhen (boundary between Hong Kong and Shenzhen) in the south, with 23 toll stations, is a total length of 122.8 km closed-system expressway with a total of 6 lanes in dual directions. The Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macao Expressway experienced rapid traffic growth since its official opening to traffic in 1997. In 2023 and during the first three quarters of 2024, the average daily mixed traffic was 632,000 vehicles and 631,000 vehicles respectively; the average daily toll revenue was approximately RMB7.924 million and RMB7.918 million respectively.

The Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macao Expressway has now nearly reached its full capacity, resulting in an urgent need for reconstruction and expansion. The reconstruction and expansion project for the Guangzhou-Shenzhen Section of Beijing-Hong Kong-Macao Expressway will be carried out in two segments: namely the Approved Road Section R&E Project and the reconstruction and expansion project for the Shenzhen section of the Beijing-Hong Kong-Macao Expressway. Among which, the Approved Road Section R&E Project received the DRC Approval and commenced construction by the end of 2023 and is now in full swing. The Approved Road Section R&E Project will be carried out along the original route, starting from Huangcun Interchange of Guangzhou-Foshan Expressway connected with the Northern Ring Section of Guangzhou Ring Expressway and ending on the Dongbao River Bridge located at the junction of Dongguan and Shenzhen of the Beijing-Hong Kong-Macao Expressway, with a total length of approximately 71.13km, mainly adopt the integral section method expansion in dual directions to a total of 10 lanes. GSZ Company is responsible for the investment and construction of the Approved Road Section R&E Project.

GSZ Company is a Sino-foreign co-operative joint venture established in the PRC by Hopewell China Development and Guangdong Highway Construction. The Sino-foreign co-operative joint venture model does not involve an equity structure, allowing for flexible determination of the rights, responsibilities and obligations of cooperative partners. The original registered capital of GSZ Company was RMB471 million, which has been subscribed for and paid-up by Hopewell China Development. In accordance with the articles of association of GSZ Company and relevant regulations applicable to Sino-foreign co-operative joint ventures, Hopewell China Development had early recouped the aforementioned investment of RMB471 million. As a result, upon Completion of the Capital Contribution Matters, the registered capital of GSZ Company will be RMB7,300 million, with Hopewell China Development and Guangdong Highway Construction subscribing for and paying up RMB3,285 million and RMB4,015 million respectively, in proportion to their respective 45% and 55% shareholding ratios under the Capital Increase Agreement.

The audited financial information for the two years ended 31 December 2022 and 31 December 2023 and the unaudited financial information for the nine months ended 30 September 2024 of GSZ Company, prepared in accordance with the PRC Accounting Standard for Business Enterprises, are set out below:

	For the year ended 31 December 2022	For the year ended 31 December 2023	For the nine months ended 30 September 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	1,030,704.03	1,502,222.95	1,425,965.28
Profit after tax	775,103.36	1,125,339.18	1,067,330.49
	As at 31 December 2022	As at 31 December 2023	As at 30 September 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net asset	1,067,419.86	1,952,759.04	3,020,089.53

4. BASIS FOR DETERMINING CAPITAL CONTRIBUTION AMOUNT

The relevant terms of the Capital Increase Agreement are arrived after arm's length negotiation between Bay Area Development Group and Guangdong Highway Construction on normal commercial terms. The key factors considered in determining the Capital Contribution amount include: the past experience of Bay Area Development Group in the investment, construction and operation of toll road projects; the engineering plan, geographical location and operational expectation after opening to traffic of the Approved Road Section R&E Project; and references to the Valuation Consultancy Report prepared by the valuer, Pengxin Appraisal.

According to the Valuation Consultancy Report, shareholders' own capital value for the concession operation right for the Approved Road Section R&E Project was RMB7,645 million as of 30 June 2027 (the "**Reference Date**"), while shareholders' own funds corresponding to Hopewell China Development's 45% equity interests are valued at RMB3,440 million. Further details, including the assumptions adopted in the Valuation Consultancy Report, are set out in the section headed "VALUATION OF THE APPROVED ROAD SECTION R&E PROJECT" below.

After taking into account all factors above, Hopewell China Development and Guangdong Highway Construction have, through amicable negotiations, decided to jointly contribute RMB7,300 million to GSZ Company. Of which, Hopewell China Development shall subscribe for and pay up RMB3,285 million, in proportion to its 45% shareholding ratio.

Bay Area Development Group intends to raise the Capital Contribution amount through internal resources and/or external financing, and will make the Capital Contribution in phases according to the work progress and funding needs of the Approved Road Section R&E Project.

5. VALUATION OF THE APPROVED ROAD SECTION R&E PROJECT

5.1 VALUATION APPROACHES

Bay Area Development has appointed Pengxin Appraisal to assess the market value of the concession operation right for the Approved Road Section R&E Project as at the Reference Date. Pengxin Appraisal has considered three valuation approaches, namely income approach, asset-based approach, and market approach.

The asset-based approach was not adopted as the Approved Road Section R&E Project will meet the conditions for opening to traffic on 1 July 2027. Therefore, as of 14 October 2024 (the “**Valuation Consultancy Report Date**”), the concession operation right for the Approved Road Section R&E Project has not yet been finally established, and the correlation between the value of the concession operation right and its total investment cost is relatively weak.

The market approach was not adopted as the value of the concession operation right for the Approved Road Section R&E Project mainly depends on its remaining toll collection period, annual income, road conditions, line orientation and the development trend of the surrounding road network, etc., resulting in a relatively low degree of comparability of the value between different expressways, and the information of comparable listed companies or comparable deals related to the above factors of the concession operation right for the Approved Road Section R&E Project is unavailable.

Therefore, the valuation of the concession operation right for the Approved Road Section R&E Project is prepared using the discounted cash flows method under the income approach, which is commonly used for valuing assets of infrastructure projects such as toll highways.

As the valuation conducted using the discounted cash flows method under the income approach constitutes a profit forecast as defined in Rule 14.61 of the Listing Rules, this joint announcement is subject to the requirements under Rule 14.60A of the Listing Rules in relation to profit forecast.

5.2 PRINCIPAL ASSUMPTIONS OF VALUATION

Principal assumptions (including business assumptions) for the subject valuation include:

Baseline Assumptions

- (1) It is assumed that the appraised object or all appraised assets are in the process of market transaction on the Reference Date, and Pengxin Appraisal will make corresponding value estimation or calculation based on a comparative market according to the market environment and the trading conditions of the appraised object or all appraised assets on the Reference Date;
- (2) It is assumed that the trading market of the appraised object or all appraised assets on the Reference Date is an open market; and

- (3) It is assumed that the economic entity corresponding to the appraisal target continues as a going concern according to its existing business objectives with the operation team, financial structure, business model and market environment on the Reference Date; and all assets/liabilities corresponding to the appraisal target asset will continue to be used according to the current purpose, using mode, scale, frequency and environment.

Assumptions of Appraisal Conditions

- (1) It is assumed that there are no significant changes in the relevant laws, regulations and policies in force and the macroeconomic situation in the PRC, 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 assumed that there are no significant changes in interest rates, exchange rates, tax bases and rates, policy levies, financing conditions, etc.; it is assumed that there are no other force majeure factors and unforeseeable factors that would have a significant adverse impact on the appraised object;
- (2) It is assumed that the information required for the appraisal supplied by Bay Area Development is true, complete, legal and valid;
- (3) It is assumed that the information obtained from sources other than Bay Area Development reasonably reflects the corresponding market transaction logic, market conditions, market operation conditions, or market development trends, etc.; and
- (4) It is assumed that the acquisition, use and holding of the appraised object and all appraised assets conform to the provisions of the laws, regulations and normative documents in the PRC, that is, their legal ownership is clear.

General Assumptions

- (1) It is assumed that the Approved Road Section R&E Project will continue to operate until the end of the expressway toll collection period (25 years from 1 July 2027 to 30 June 2052), during which the toll license for the Approved Road Section R&E Project will remain unchanged;
- (2) It is assumed that the management of the appraised object is responsible and dutiful after the Reference Date;
- (3) It is assumed that all operation activities of the appraised object can be carried out in accordance with the relevant laws, regulations and relevant industry standards and the relevant regulations on safe production and operation;
- (4) It is assumed that there will be no material changes in the existing business model of the appraised object in the future;
- (5) It is assumed that a reasonable competitive landscape will be maintained on the market for products or services of the appraised object after the Reference Date; and
- (6) It is assumed that the accounting policy adopted by the appraised object will remain consistent in all material aspects after the Reference Date.

Specific Assumptions

- (1) It is assumed that, within the forecast period (25 years from 1 July 2027 to 30 June 2052), the construction and road network layout of the Approved Road Section R&E Project are basically consistent with the senior-level planning, and there are no material adjustments;
- (2) It is assumed that the appraised object can be effectively maintained and managed during the operation period and remain in normal operation;
- (3) It is assumed that the Lianhua Mountain Passage project* (蓮花山通道工程) will be opened to traffic in 2035, the Shiziyang Passage project* (獅子洋通道工程) will be opened to traffic in 2028, the Lingdingyang Passage project* (伶仃洋通道) will be opened to traffic in 2040, the Dongguan-Shenzhen Expressway reconstruction & expansion project will be opened to traffic in 2030, and the long-term rail line will be completed and opened to traffic in 2035;
- (4) It is assumed that the Approved Road Section R&E Project will meet the conditions for opening to traffic and beginning toll collection on 1 July 2027;
- (5) It is assumed that the future toll standard of the Approved Road Section R&E Project after completion of the construction of, will be the same as the toll rate of the expressways in Guangdong Province as at 31 August 2024 and will remain unchanged during its 25-year operation;
- (6) It is assumed that the completion status of the Approved Road Section R&E Project on 1 July 2027 is basically the same as the planning and design scheme as at the Valuation Consultancy Report Date;
- (7) It is assumed that all parameters in relation to the discount rate are consistent with or similar to those as at the Reference Date. For the calculation of the discount rate, the selected time point of all parameters in relation to the discount rate is 31 August 2024; and
- (8) The investment amount (inclusive of interest) of the Approved Road Section R&E Project is approximately RMB28,099 million, including its own funds of approximately RMB7,300 million and borrowings (inclusive of principal and interest) of approximately RMB20,800 million; the investment amount (exclusive of interest) is approximately RMB26,220 million.

5.3 DISCOUNTED CASH FLOWS METHOD UNDER THE INCOME APPROACH

Valuation of the concession operation right for the Approved Road Section R&E Project has adopted the discounted cash flows method under the income approach, and the basic idea is to estimate the value of the concession operation right by estimating the free cash flow to firm before tax (FCFFBT) created by the concession operation right and adopting the pre-tax discount rate (R). The basic formula for the subject valuation is as follows:

$$P = \sum \frac{FCFFBT_t}{(1+R_t)^t} - \text{opening supporting net working capital} - \text{opening supporting office equipment}$$

P stands for the value of the concession operation right for the Approved Road Section R&E Project as at the Reference Date

t stands for the sustainable operation period of the Approved Road Section R&E Project (25 years from 1 July 2027 to 30 June 2052)

FCFFBT_t stands for the free cash flow to firm before tax created by the Approved Road Section R&E Project in the t-th year

R_t stands for the pre-tax discount rate of the Approved Road Section R&E Project in the t-th year

R's Calculation Method

According to the criteria of discounted cash flows, in determining the appropriate discount rate for the subject valuation, Pengxin Appraisal has adopted the weighted average cost of capital before tax (WACCBT) model to determine the discount rate. Consideration factors include: (a) the debt (D) and equity (E) structure of the Approved Road Section R&E Project; (b) the required rate of return on equity investment of the Approved Road Section R&E Project; and (c) the cost of debt financing for the Approved Road Section R&E Project.

Where the required rate of return on equity investment for the Approved Road Section R&E Project is adjusted based on the following factors: (a) the market risk-free rate of return; (b) market risk premium; (c) the risk coefficient (beta) and specific risk rate of return of the Approved Road Section R&E Project. The main input and the scope of data are set out below:

Project	Scope of data within the forecast period	Note
Equity Proportion of the Approved Road Section R&E Project (E/(D+E))	0.2696 – 1.0000	Debt is affected by the annual repayment of the Approved Road Section R&E Project; equity is affected by the free cash flow forecast of equity for each year of the remaining operation period of the Approved Road Section R&E Project
Beta of the Approved Road Section R&E Project (β)	0.4244 - 1.2866	β is determined as follows: $\beta = \beta_U * [1 + \frac{D}{E} * (1 - T)]$

β_U stands for the averaged amount of comparable companies' (defined hereinafter) unlevered beta. Select 11 listed A Share companies ("Comparable Companies") in the expressway industry and check the value of levered beta (β_L) of each Comparable Companies through the TongHuaShun iFinD system. The β_L of each Comparable Companies is adjusted based on their respective income tax rate and capital structure, and average the amount of adjusted β_L

T stands for 25% of the income tax rate of the Approved Road Section R&E Project

Risk-free rate of return on the market (R_f) 3.46%

Calculation is made based on the yield to maturity of Chinese government bonds with a remaining period of more than ten years issued by China Central Depository and Clearing Co., Ltd.

Market Risk Premium ($R_m - R_f$) 6.41%

The average monthly return of the CSI 300 Index from December 2014 minus R_f

Specific risk rate of return (ϵ) -0.62%

Based on the specific risks of the Approved Road Section R&E Project compared with Comparable Companies in terms of business scale, operation risk, and regional economic development, etc., and the adjustment factor caused by the nonlinear relationship when the after-tax discount rate is converted into the pre-tax discount rate formula

Required rate of return on equity investment of the Approved Road Section R&E Project (R_e) 5.56% - 11.09%

R_e is determined as follows:

$$R_e = R_f + \beta * (R_m - R_f) + \epsilon$$

Cost of debt financing for the Approved Road Section R&E Project (R_d) 2.89%

Average interest rate of financing for the Approved Road Section R&E Project in various future periods

R calculated based on the WACCBT model 6.10% - 7.41%

R is determined as follows:

$$R = R_e * \frac{E}{(D + E)} / (1 - T) + R_d * \frac{D}{(D + E)}$$

FCFFBT's Calculation Method

Based on the specific analysis of the future operating data forecast, operating environment and macro economy and industry of the concession operation right for the Approved Road Section R&E Project, Pengxin Appraisal calculates the future operation and cash flow of the concession operation right for the Approved Road Section R&E Project. The expected annual FCFFBT is determined as follows:

FCFFBT = earnings before interest, tax, depreciation and amortisation (EBITDA) - capital expenditure – increase in net working capital + working capital recovered at the end of the period + fixed assets recovered at the end of the period

EBITDA = net profit^{Note} + income tax + interest expense + depreciation and amortisation

Note: toll revenue data included in net profit is sourced from the Traffic Study Report issued by the Traffic Consultant.

Bay Area Development has engaged the Traffic Consultant to forecast the future traffic and toll revenue of the Approved Road Section R&E Project. The Traffic Study Report provides positive, negative and neutral scenarios in its forecast of the future operation of the Approved Road Section R&E Project. Pengxin Appraisal has adopted the neutral scenario in its Valuation Consultancy Report, which sets out the main traffic and toll revenue as follows:

Year	Passenger Car Unit in neutral scenario (PCU/ day)	Toll revenue in neutral scenario (RMB0'000)
2027	145,677	219,514
2028	145,384	219,005
2029	173,739	261,640
2030	176,937	266,374
2035	182,180	274,039
2040	195,497	293,830
2045	200,048	300,588
2050	204,707	307,505
2051	205,652	308,907
2052	206,602	310,317

Based on the above assumptions and data, the assessed value of the concession operation right for the Approved Road Section R&E Project as at the Reference Date is RMB28,445 million, of which the shareholders' own funds are valued at RMB7,645 million, while the shareholders' own funds corresponding to Hopewell China Development's 45% equity interests are valued at RMB3,440 million.

Pengxin Assets conducted sensitivity analysis on the three key input parameters in the above discounted cash flow method (i.e., toll revenue, cash operating costs (excluding major repairs) and R of Approved Road Section R&E Project). When each parameter changes by -10% to +10% individually, the valuation of the concession operation right for the Approved Road Section R&E Project on the Reference Date changes in the range of -8.49% to +8.55%.

The boards of directors of each of Shenzhen International, Shenzhen Expressway and Bay Area Development have issued reports confirming that the profit forecast has been made after due and careful enquiries. The calculation of discounted future cash flows on which the valuation of Pengxin Appraisal is based has been reviewed by KPMG, the reporting accountants of Shenzhen International, Shenzhen Expressway and Bay Area Development. The relevant letters from the respective boards of directors of Shenzhen International, Shenzhen Expressway and Bay Area Development, as well as the letters from KPMG are included in Appendices I to VI to this joint announcement, respectively.

6. INFORMATION OF THE PARTIES

Bay Area Development Group

Bay Area Development Group is principally engaged in the expressway business, with its development strategy focusing on the development of infrastructure and related businesses in the Greater Bay Area as well as land development and utilisation along expressway.

Hopewell China Development

Hopewell China Development is a limited company incorporated in Hong Kong, an indirect non wholly-owned subsidiary of Bay Area Development, and entitled to 45% of the profit-sharing interest in GSZ Company. It is principally engaged in expressway project investment.

Guangdong Highway Construction

Guangdong Highway Construction is a company established in the PRC with limited liability, principally engaged in the development, investment and operation of expressways in the Pearl River Delta. It is a non wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited, with the People's Government of Guangdong Province as its ultimate beneficial owner.

Guangdong Highway Construction is the PRC cooperative partner of Bay Area Development Group in GSZ Company and Guangdong Guangzhou-Zhuhai West Expressway Company Limited (another Sino-foreign co-operative joint venture established by Bay Area Development Group and Guangdong Highway Construction, with both parties each entitled to 50% of its profit-sharing interest). Given that GSZ Company is a deemed subsidiary of Bay Area Development, Guangdong Highway Construction is therefore a connected person of Bay Area Development at the subsidiary level.

To the best of the knowledge, information and belief of the respective directors of Shenzhen International and Shenzhen Expressway, having made all reasonable enquiries, save as mentioned above, Guangdong Highway Construction and its ultimate beneficial owner are third parties independent of Shenzhen International, Shenzhen Expressway and their connected persons.

7. REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The investment, construction, operation and maintenance of expressways is Bay Area Development Group's principal businesses. The entering into of the Capital Increase Agreement provides necessary funding sources of implementing the Approved Road Section R&E Project. The implementation of the Approved Road Section R&E Project will help enhance the traffic capacity and service level of the Approved Road Section, and strengthen Bay Area Development Group's core competitiveness in the toll road industry, which is in line with its development strategy. It is also in line with the development strategy of Shenzhen International and Shenzhen Expressway.

GSZ Company is a Sino-foreign co-operative joint venture. The *Law on Sino-Foreign Co-operative Joint Ventures of the People's Republic of China* (《中華人民共和國中外合作經營企業法》) has been repealed. In accordance with the requirements of prevailing laws and regulations, GSZ Company must amend its organisational forms and structures, including, among others, determining the shareholding percentages of the parties. Therefore, the contribution in registered capital of GSZ Company under the Capital Increase Agreement, along with the stipulation of the relevant arrangements therein in GSZ Company's New Articles of Association, is intended to comply with new legal requirements in the PRC.

Having considered the aforementioned factors, the directors (including the independent non-executive directors) of Bay Area Development are of the view that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable, entered into on normal commercial terms in the ordinary course of business of Bay Area Development Group, and in the interests of Bay Area Development and its shareholders as a whole. The respective directors of Shenzhen International and Shenzhen Expressway are of the view that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable. Bay Area Development is a subsidiary of Shenzhen International and Shenzhen Expressway, so Bay Area Development Group's further consolidation of its core advantages will be conducive to the overall development of Shenzhen International and Shenzhen Expressway, which is in line with their respective shareholders' interests.

8. EXPERTS AND CONSENTS

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

<u>Name</u>	<u>Qualifications</u>
Pengxin Appraisal KPMG	an independent qualified valuer in the PRC engaged in valuation Certified Public Accountants

To the best of the knowledge, information and belief of the respective directors of Shenzhen International, Shenzhen Expressway and Bay Area Development, having made all reasonable enquiries, as at the date of this joint announcement, none of the above experts has any shareholding in any member of Shenzhen International, Shenzhen Expressway or Bay Area Development, nor do they have any right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of Shenzhen International, Shenzhen Expressway or Bay Area Development.

Each of the above experts has given and has not withdrawn its consent to the publication of this joint announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which they are included.

9. LISTING RULES IMPLICATIONS

Shenzhen International and Shenzhen Expressway

For Shenzhen International and Shenzhen Expressway, as one or more of the applicable percentage ratio(s) under the Listing Rules exceed 5% but are less than 25%, the Capital Increase Agreement and the transactions contemplated thereunder constitute a discloseable transaction for Shenzhen International and Shenzhen Expressway, respectively. Accordingly, each of Shenzhen International and Shenzhen Expressway is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Bay Area Development

For Bay Area Development, as Guangdong Highway Construction, being a substantial shareholder of GSZ Company, is a connected person of Bay Area Development at the subsidiary level, the Capital Increase Agreement and the transactions contemplated thereunder constitute a connected transaction for Bay Area Development under Chapter 14A of the Listing Rules. However, as (i) the board of directors of Bay Area Development has approved the Capital Increase Agreement; and (ii) the independent non-executive directors of Bay Area Development have confirmed that the terms of the Capital Increase Agreement are fair and reasonable, the transactions are entered into on normal commercial terms, and in the interests of Bay Area Development and its shareholders as a whole, pursuant to Rule 14A.101 of the Listing Rules, the Capital Increase Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the directors of Bay Area Development has any material interest in the Capital Increase Agreement and the transactions contemplated thereunder, none of the directors of Bay Area Development is required to abstain from voting on the board resolutions approving the Capital Increase Agreement and the transactions contemplated thereunder.

In addition, as one or more of the applicable percentage ratio(s) under the Listing Rules exceed 25% but are less than 100%, the Capital Increase Agreement and the transactions contemplated thereunder constitute a major transaction for Bay Area Development. Accordingly, Bay Area Development is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval in lieu of convening a general meeting if (a) no shareholder is required to abstain from voting if Bay Area Development were to convene a general meeting for the approval of the Capital Increase Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the issued share capital of Bay Area Development having the right to attend and vote at the general meeting to approve the Capital Increase Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the directors of Bay Area Development after having made all reasonable enquiries, none of its shareholders has any material interest in the Capital Increase Agreement and the transactions contemplated thereunder, and therefore no shareholder is required to abstain from voting if Bay Area development were to convene a general meeting for the approval of the Capital Increase Agreement and the transactions contemplated thereunder.

As at the date of this joint announcement, Bay Area Development has obtained a written approval from SIIC, the controlling shareholder holding 2,213,449,666 Shares of Bay Area Development (representing approximately 71.83% of the issued share capital of Bay Area Development as at the date of this joint announcement). Accordingly, no general meeting of Bay Area Development is required to be convened for the purpose of approving the Capital Increase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details of the Capital Increase Agreement and the transactions contemplated thereunder, is required to be despatched to the shareholders of Bay Area Development within 15 business days after publication of this joint announcement. Bay Area Development expects to dispatch the circular to the shareholders on or before 19 February 2025.

DEFINITIONS

“A Share(s)”	RMB denominated ordinary shares listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange in the PRC
“Approved Road Section”	The Guangzhou Huocun to Dongguan Chang’an section of the Beijing-Hong Kong-Macao Expressway and Guangzhou Huangcun to Guangzhou Huocun section of the Guangzhou-Foshan Expressway* (京港澳高速公路廣州火村至東莞長安段及廣佛高速公路廣州黃村至火村段), starting from Huangcun Interchange of Guangzhou-Foshan Expressway connected with the Northern Ring Section of Guangzhou Ring Road and ending on the Dongbao River Bridge located at the junction of Dongguan and Shenzhen of the Beijing-Hong Kong-Macao Expressway, with a total length of approximately 71.13km
“Approved Road Section R&E Project”	the reconstruction and expansion project of the Approved Road Section approved by the Guangdong Provincial Development and Reform Commission on 22 August 2023
“Bay Area Development”	Shenzhen Investment Holdings Bay Area Development Company Limited (深圳投控灣區發展有限公司), a subsidiary of Shenzhen Expressway held as to approximately 71.83% and a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock codes: 00737 (HKD Counter) and 80737 (RMB Counter))
“Bay Area Development Group”	Bay Area Development and its subsidiaries
“Capital Contribution”	Hopewell China Development and Guangdong Highway Construction agreed to contribute, by way of registered capital, RMB3,285 million and RMB4,015 million, respectively, to GSZ Company under the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement regarding the Capital Contribution to GSZ Company entered into between Hopewell China Development and Guangdong Highway Construction on 24 January 2025

“Completion of the Capital Contribution Matters”	(i) The Capital Increase Agreement become effective; and (ii) in accordance with the provisions of the prevailing Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) and the Company Law of the People’s Republic of China (《中華人民共和國公司法》), GSZ Company amends its organisational forms and structures, and the GSZ Company’s New Articles of Association obtains all necessary consents from relevant government or regulatory agencies, and completes the registration or filing of amendment to GSZ Company’s registered capital, shareholder structure and other relevant registration procedures with relevant government agencies in China (if applicable)
“Greater Bay Area”	Guangdong-Hong Kong-Macao Greater Bay Area
“GSZ Company”	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (廣深珠高速公路有限公司), a joint venture enterprise established by the Bay Area Development Group and Guangdong Highway Construction in the PRC and a deemed subsidiary of the Bay Area Development when fulfilling certain agreed obligations or responsibilities under the Listing Rules in terms of the Listing Agreement entered into between the Bay Area Development and the Stock Exchange on 7 August 2003, but its accounts are not consolidated into the financial statements of the Bay Area Development Group
“Guangzhou-Shenzhen Section of the Beijing-Hong Kong-Macao Expressway”	the Guangzhou-Shenzhen section of G4 Beijing-Hong Kong-Macao Expressway, which starts from Huangcun Interchange in Guangzhou in the north, ends at Huanggang Port in Shenzhen in the south with a total length of 122.8 km
“Guangdong Highway Construction”	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), 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
“Hopewell Development”	China Hopewell China Development (Superhighway) Limited (合和中國發展(高速公路)有限公司), a company established in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of Bay Area Development

“km”	kilometre(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PCU/ day”	the annual average daily passenger car unit value. The passenger car unit value is the traffic volume of various motor vehicles and non-motor vehicles converted into the equivalent passenger car unit value according to certain conversion factors
“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
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Bay Area Development
“Shenzhen Expressway”	Shenzhen Expressway Corporation Limited, a subsidiary of Shenzhen International held as to approximately 51.56%, and a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange (stock code: 00548) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 600548)
“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)
“SIIC”	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, which is an indirect wholly-owned subsidiary of Shenzhen Expressway
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Traffic Consultant”	Shenzhen Urban Transport Planning Center Co., Ltd. (深圳市城市交通規劃設計研究中心股份有限公司), an independent qualified traffic consultant in the PRC
“Traffic Study Report”	the traffic study report in relation to the traffic volume forecast and toll revenue assessment of the Approved Road Section R&E Project issued by the Traffic Consultant
“Valuation Report”	the valuation consultancy report on the concession operation right for the Approved Road Section R&E Project issued by Pengxin Appraisal on 14 October 2024
“%”	per cent

By Order of the Board
Shenzhen International Holdings Limited

Liu Wangxin
Joint Company Secretary

By Order of the Board
Shenzhen Expressway Corporation Limited

Zhao Gui Ping
Joint Company Secretary

By Order of the Board
Shenzhen Investment Holdings Bay Area Development Company Limited

Ji LIU*
Executive Director and
Deputy General Manager

24 January 2025

As at the date of this joint announcement, the board of directors of Shenzhen International consists of Messrs. Li Haitao, Liu Zhengyu and Wang Peihang as executive directors, Mr. Cai Xiaoping as non-executive director and Mr. Pan Chaojin, Dr. Zeng Zhi, Dr. Wang Guowen and Professor Ding Chunyan as independent non-executive directors.

As at the date of this joint announcement, the board of directors of Shenzhen Expressway consists of Mr. XU En Li, Mr. LIAO Xiang Wen, Mr. YAO Hai and Mr. WEN Liang as executive directors, Ms. WU Yan Ling and Ms. ZHANG Jian as non-executive directors and Mr. LI Fei Long, Mr. MIAO Jun, Mr. XU Hua Xiang and Mr. YAN Yan as independent non-executive directors.

As at the date of this joint announcement, the board of directors of Bay Area Development consists of four Executive Directors namely, Mr. Xiangwen LIAO (Chairman), Mr. Jianming WU* (Executive General Manager), Mr. Cheng WU* (Deputy General Manager) and Mr. Ji LIU* (Deputy General Manager and Secretary to the Board); two Non-executive Directors namely, Ms. Siyan CHEN* and Mr. Xuan WANG*; and three Independent Nonexecutive Directors namely, Mr. Yu Lung CHING, Mr. Tony Chung Nin KAN and Mr. Peng XUE*.*

* For identification purpose only

APPENDIX I - LETTER FROM THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

24 January 2025

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

Dear Sirs,

Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Reference is made to the valuation (the “**Valuation**”) carried out by Shenzhen Pengxin Appraisal Limited (深圳市鵬信資產評估土地房地產估價有限公司) (“**Pengxin Appraisal**”) on the value (including the shareholders’ own capital value) of the concession operation right for the Approved Road Section R&E Project as at 30 June 2027, as mentioned in the joint announcement (the “**Announcement**”) of Shenzhen International Holdings Limited (the “**Company**”), Shenzhen Expressway Corporation Limited and Shenzhen Investment Holdings Bay Area Development Company Limited dated 24 January 2025.

As the Valuation is prepared using the discounted future cash flows pursuant to Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Valuation therefore constitutes a profit forecast under the Listing Rules.

We have reviewed the Valuation for which Pengxin Appraisal is responsible, and considered the letter from our reporting accountant, KPMG, dated 24 January 2025 addressed to the Company regarding whether the discounted future cash flows on which the Valuation is based, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions set out in the Valuation.

On the basis of the foregoing, we are of the opinion that the profit forecast mentioned in the Announcement has been stated after due and careful enquiry.

Yours faithfully,

On behalf of the Board
**Shenzhen International
Holdings Limited**
LI Haitao
Chairman of the Board

APPENDIX II - LETTER FROM THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY CORPORATION LIMITED

24 January 2025

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

Dear Sirs,

Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Reference is made to the valuation (the “**Valuation**”) carried out by Shenzhen Pengxin Appraisal Limited (深圳市鵬信資產評估土地房地產估價有限公司) (“**Pengxin Appraisal**”) on the value (including the shareholders’ own capital value) of the concession operation right for the Approved Road Section R&E Project as at 30 June 2027, as mentioned in the joint announcement (the “**Announcement**”) of Shenzhen International Holdings Limited, Shenzhen Expressway Corporation Limited (the “**Company**”) and Shenzhen Investment Holdings Bay Area Development Company Limited dated 24 January 2025.

As the Valuation is prepared using the discounted future cash flows pursuant to Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Valuation therefore constitutes a profit forecast under the Listing Rules.

We have reviewed the Valuation for which Pengxin Appraisal is responsible, and considered the letter from our reporting accountant, KPMG, dated 24 January 2025 addressed to the Company regarding whether the discounted future cash flows on which the Valuation is based, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions set out in the Valuation.

On the basis of the foregoing, we are of the opinion that the profit forecast mentioned in the Announcement has been stated after due and careful enquiry.

Yours faithfully,

On behalf of the Board
**Shenzhen Expressway
Corporation Limited**
XU En Li
Chairman of the Board

APPENDIX III - LETTER FROM THE BOARD OF DIRECTORS OF SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED

24 January 2025

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

Dear Sirs,

Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Reference is made to the valuation (the “**Valuation**”) carried out by Shenzhen Pengxin Appraisal Limited (深圳市鵬信資產評估土地房地產估價有限公司) (“**Pengxin Appraisal**”) on the value (including the shareholders’ own capital value) of the concession operation right for the Approved Road Section R&E Project as at 30 June 2027, as mentioned in the joint announcement (the “**Announcement**”) of Shenzhen International Holdings Limited, Shenzhen Expressway Corporation Limited and Shenzhen Investment Holdings Bay Area Development Company Limited (the “**Company**”) dated 24 January 2025.

As the Valuation is prepared using the discounted future cash flows pursuant to Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Valuation therefore constitutes a profit forecast under the Listing Rules.

We have reviewed the Valuation for which Pengxin Appraisal is responsible, and considered the letter from our reporting accountant, KPMG, dated 24 January 2025 addressed to the Company regarding whether the discounted future cash flows on which the Valuation is based, so far as the calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions set out in the Valuation.

On the basis of the foregoing, we are of the opinion that the profit forecast mentioned in the Announcement has been stated after due and careful enquiry.

Yours faithfully,

On behalf of the Board
**Shenzhen Investment Holdings Bay
Area Development Company Limited**
Xiangwen LIAO*
Chairman of the Board

* *For identification purpose only*

APPENDIX IV – LETTER FROM KPMG TO SHENZHEN INTERNATIONAL HOLDINGS LIMITED IN RELATION TO PROFIT FORECAST

The following is the text of a report received from the reporting accountants of Shenzhen International Holdings Limited, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE CONCESSION OPERATION RIGHT FOR THE APPROVED ROAD SECTION R&E PROJECT

TO THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

We refer to the discounted future cash flows on which the valuation (“**the Valuation**”) dated 14 October 2024 prepared by Shenzhen Pengxin Appraisal Limited in respect of the appraisal of the fair value of concession operation right for the reconstruction and expansion project of the approved road section (“**the Project**”) as at 30 June 2027 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Shenzhen International Holdings Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Project or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

Hong Kong

24 January 2025

APPENDIX V – LETTER FROM KPMG TO SHENZHEN EXPRESSWAY CORPORATION LIMITED IN RELATION TO PROFIT FORCAST

The following is the text of a report received from the reporting accountants of Shenzhen Expressway Corporation Limited, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE CONCESSION OPERATION RIGHT FOR THE APPROVED ROAD SECTION R&E PROJECT

TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY CORPORATION LIMITED

We refer to the discounted future cash flows on which the valuation (“**the Valuation**”) dated 14 October 2024 prepared by Shenzhen Pengxin Appraisal Limited in respect of the appraisal of the fair value of concession operation right for the reconstruction and expansion project of the approved road section (“**the Project**”) as at 30 June 2027 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Shenzhen Expressway Corporation Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Project or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

Hong Kong

24 January 2025

APPENDIX VI – LETTER FROM KPMG TO SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED IN RELATION TO PROFIT FORECAST

The following is the text of a report received from the reporting accountants of Shenzhen Investment Holdings Bay Area Development Company Limited, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE CONCESSION OPERATION RIGHT FOR THE APPROVED ROAD SECTION R&E PROJECT

TO THE BOARD OF DIRECTORS OF SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED

We refer to the discounted future cash flows on which the valuation (“**the Valuation**”) dated 14 October 2024 prepared by Shenzhen Pengxin Appraisal Limited in respect of the appraisal of the fair value of concession operation right for the reconstruction and expansion project of the approved road section (“**the Project**”) as at 30 June 2027 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Shenzhen Investment Holdings Bay Area Development Company Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.60A(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the Project or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.60A(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

KPMG

Certified Public Accountants

Hong Kong

24 January 2025