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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: 737 (HKD counter) and 80737 (RMB counter)

### **ANNOUNCEMENT**

**(1) MAJOR ACQUISITION AND CONNECTED TRANSACTION  
IN RELATION TO THE SUBSCRIPTION OF  
51% ENLARGED EQUITY INTEREST IN SHENZHEN GUANGSHEN  
COASTAL EXPRESSWAY INVESTMENT COMPANY LIMITED**

**(2) CONTINUING CONNECTED TRANSACTIONS PURSUANT TO  
RULE 14A.60(1) OF THE LISTING RULES**

**Financial Adviser to the Company**



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



#### **THE SUBSCRIPTION AGREEMENT**

Reference is made to the announcement of the Company dated 7 March 2022 made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO in relation to the possible acquisition of 51% equity interest in the Coastal Company by the Company.

On 18 August 2022, the Subscriber (an indirect subsidiary of the Company), Shenzhen Expressway (the intermediate holding company of the Company) and the Coastal Company (a direct wholly-owned subsidiary of Shenzhen Expressway) entered into the Subscription Agreement, pursuant to which, the Subscriber conditionally agreed to inject RMB2,998,000,000 to the Coastal Company to obtain 51% of the enlarged equity interest in the Coastal Company.

As at the date of this announcement, the Coastal Company is wholly-owned by Shenzhen Expressway. Upon Completion, the Subscriber will hold 51% equity interest in the Coastal Company which will become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company. The remaining 49% equity interest in the Coastal Company will remain to be held by Shenzhen Expressway upon Completion.

#### **LISTING RULES IMPLICATIONS OF THE SUBSCRIPTION AGREEMENT**

As at the date of this announcement, Shenzhen Expressway is the intermediate holding company of the Company which indirectly holds approximately 71.83% of the total issued shares of the Company and is therefore a connected person of the Company. The Coastal Company is a direct wholly-owned subsidiary of Shenzhen Expressway and is therefore an associate of Shenzhen Expressway and a connected person of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Subscription Agreement exceed 25% but all the applicable percentage ratios are below 100%, the Subscription Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As both Shenzhen Expressway and the Coastal Company are connected persons of the Company, the Subscription Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon Completion, the Coastal Company will become a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules by virtue of it being a non wholly-owned subsidiary of the Company where Shenzhen Expressway, being a connected person at the Company's level, can exercise or control the exercise of 10% or more of the voting power of the Coastal Company. Accordingly, the Coastal Company will remain as a connected person of the Company after Completion.

#### **GENERAL**

The Company will convene the EGM to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder. Shareholders with a material interest in the Subscription Agreement and the transactions contemplated thereunder will be required to abstain from voting at the EGM. The voting at the EGM will be conducted by way of a poll whereby Shenzhen Expressway and its associates will abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

As Mr. Wei HU\*, being the Chairman and executive director of the Company, is also the Chairman and executive director of Shenzhen Expressway, and holds 200,000 H shares in Shenzhen Expressway as at the date of this announcement, he may be regarded as having a material interest in the Subscription, and had therefore abstained from voting on the relevant Board resolution approving the Subscription Agreement and the transactions contemplated thereunder.

The Independent Board Committee has been established by the Company to make recommendation to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder. The Company has also appointed Lego Corporate Finance Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Coastal Company; (v) the unaudited pro forma financial information of the enlarged Group; (vi) Pengxin Appraisal Valuation Report; (vii) a traffic study report; (viii) other information required to be disclosed under the Listing Rules; and (ix) the notice of EGM, is expected to be despatched to the Shareholders on or before 23 September 2022 in order to allow sufficient time for preparation of the relevant information for inclusion in the circular.

**Shareholders and potential investors of the Company should note that the Subscription is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

#### **CONTINUING CONNECTED TRANSACTIONS AFTER COMPLETION PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES**

The Operation Development Company and the Engineering Development Company, both being subsidiaries of Shenzhen Expressway, have been entrusted to provide operation and maintenance services for the Coastal Expressway (Shenzhen Section) in the past and these services will continue to be provided to the Coastal Company after Completion pursuant to the Existing Continuing Transactions in order to ensure the smooth and stable operation and maintenance of the Coastal Expressway (Shenzhen Section) after Completion.

As the Coastal Company will become an indirect non wholly-owned subsidiary of the Company and the counterparties under the Existing Continuing Transactions are members of the Shenzhen Expressway Group and are therefore associates of Shenzhen Expressway and connected persons of the Company, the Existing Continuing Transactions will, upon Completion, become continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements under Chapter 14A of the Listing Rules, including publishing announcement and annual reporting if the Coastal Company, which will become a member of the Group, continues to conduct the transactions under the Existing Continuing Transactions after Completion.

## INTRODUCTION

Reference is made to the announcement of the Company dated 7 March 2022 made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO in relation to the possible acquisition of 51% equity interest in the Coastal Company by the Company.

On 18 August 2022, the Subscriber (an indirect subsidiary of the Company), Shenzhen Expressway (the intermediate holding company of the Company) and the Coastal Company (a direct wholly-owned subsidiary of Shenzhen Expressway) entered into the Subscription Agreement, pursuant to which, the Subscriber conditionally agreed to inject RMB2,998,000,000 to the Coastal Company to obtain 51% of the enlarged equity interest in the Coastal Company, and the remaining 49% will continue to be held by Shenzhen Expressway upon Completion.

## THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are as follows:

Date: 18 August 2022

Parties: (i) Shenwan Infrastructure, being the Subscriber;  
(ii) Shenzhen Expressway, being the Existing Shareholder; and  
(iii) the Coastal Company, being the target company

Subject Matter: The Subscriber conditionally agreed to inject RMB 2,998,000,000 to the Coastal Company to obtain 51% of the enlarged equity interest of the Coastal Company upon Completion.

As at the date of the Subscription Agreement, the registered capital of the Coastal Company is RMB6,600,000,000 which is fully paid-up and held by the Existing Shareholder, and the capital reserve of the Coastal Company is RMB2,100,000,000. The Existing Shareholder and the Coastal Company shall, within 30 working days from the date of the Subscription Agreement, complete all the necessary procedures under applicable PRC laws and regulations to effect the capital reduction of the Coastal Company by reducing RMB3,800,000,000 of the registered capital to RMB2,800,000,000 and the capital reserve shall remain as RMB2,100,000,000 immediately prior to Completion (the “**Capital Reduction**”). In order to obtain 51% of the enlarged equity interest in the Coastal Company upon Completion, the Subscriber conditionally agreed to inject RMB2,998,000,000 to the Coastal Company, out of which, RMB2,914,285,714 will become part of the registered capital which will represent 51% of the enlarged registered capital of the Coastal Company upon Completion, and the remaining RMB83,714,286 will become part of the capital reserve of the Coastal Company upon Completion.

Effectiveness of the Subscription Agreement: The Subscription Agreement will become effective upon the satisfaction of all the Conditions.

***Consideration and payment terms:***

The Consideration shall be paid by the Subscriber to the Coastal Company in one lump sum at the designated bank account of the Coastal Company within 15 working days after the Subscription Agreement has become effective, the Pledge and all the obligations and encumbrances of the Coastal Company under the relevant loan agreement of the Shenzhen Expressway Syndicated Loan having been fully released.

The Group intends to finance the Consideration by way of bank loan.

***Basis of the Consideration***

The Consideration was determined after arm's length negotiations between the Parties on normal commercial terms.

The principal business of the Coastal Company is the investment, construction and operation of the Coastal Expressway (Shenzhen Section). Based on the investment and operation experiences towards highway projects in the past, the Company considered factors including the traffic flow and operation of the Coastal Expressway (Shenzhen Section) and the construction progress and anticipated operation after the opening to traffic of Coastal Phase II; and took into account the Pengxin Appraisal Valuation Report as the major factor in determining the Consideration. Pengxin Appraisal considered both the asset-based approach and the income approach, and eventually adopted the income approach with the use of the discounted cash flow method in arriving at the conclusion on the valuation of the market value of the entire shareholder's equity of the Coastal Company as at the Base Date (i.e. 30 April 2022 taking into account the proforma financial effect on the Coastal Company as if the Capital Reduction had occurred on the Base Date), which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Further details of the assumptions used for the profit forecast are set out under the section headed "VALUATION" below.

In order to ensure the optimal proximity of the date of entering into of the Subscription Agreement to the reference date of the appraisal, and taking into account the time required for settlement, asset inventory and preparation of the relevant financial statements of the Coastal Company as of and up to the benchmark date required for the valuation, as well as the overall plan for the Subscription, the Company has determined the Base Date (taking into account the proforma financial effect on the Coastal Company as if the Capital Reduction had occurred on the Base Date) as the benchmark date for the valuation.

Based on the appraised value of 100% of the shareholder's equity of the Coastal Company (after taking into account the proforma financial effect of the Capital Reduction) is RMB2,880,509,900, the value of 51% of the shareholder's equity of the Coastal Company (as enlarged by the Subscription) is therefore RMB2,998,000,000, being the amount of the Consideration payable by the Subscriber pursuant to the Subscription Agreement.

### ***Conditions***

The Subscription Agreement will become effective upon the satisfaction of all the following conditions precedent:

- (i) the Capital Reduction having been completed in accordance with the applicable PRC laws and regulations;
- (ii) Shenzhen Expressway, the Subscriber and the Coastal Company having completed the procedures and obtained relevant approvals in relation to the transaction under the Subscription Agreement, and the Company having obtained approvals from its board of directors and its shareholders in respect of the transaction under the Subscription Agreement within 6 months after the date of the Subscription Agreement or such other period agreed by the parties;
- (iii) the relevant statutory procedures under the Measures having been completed;
- (iv) all obligations and encumbrances of the Coastal Company and the Coastal Project under the agreement for the Pledge and the relevant loan agreement of the Shenzhen Expressway Syndicated Loan having been released;
- (v) China Development Bank (Shenzhen Branch), being the lender of the Coastal Company Loan, having issued its written consent to the transactions contemplated under the Subscription Agreement to the Coastal Company; and
- (vi) all inter-company loans and balances between (a) the Existing Shareholder, its subsidiaries and related parties and (b) the Coastal Company (excluding any payable of the Coastal Company to Shenzhen Expressway arising from the Capital Reduction and any fees payable to the Shenzhen Expressway Group arising from the Existing Continuing Transactions) having been fully settled.

If the Conditions are not fulfilled by 8 months from the date of the Subscription Agreement and the Parties fail to agree on the extension of the date, the transactions contemplated under the Subscription Agreement will be terminated in accordance with the Subscription Agreement. As at the date of this announcement, none of the above Conditions has been fulfilled.

### ***Completion***

Within 15 working days after the payment of the Consideration, the Existing Shareholder and the Coastal Company shall complete the registration procedures with the government authorities to register the Subscriber as a shareholder holding 51% of the registered capital of the Coastal Company.

Upon Completion, the Coastal Company will be held as to 51% by the Subscriber and become an indirect non wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company, and the remaining 49% of the equity interest in the Coastal Company will remain to be held by Shenzhen Expressway.

During the transition period between the execution of the Subscription Agreement and Completion, the Coastal Company may only incur new liabilities, external investments and guarantee (other than liabilities arising from ordinary course of business of the Coastal Company not exceeding RMB10,000,000 each) with the unanimous written consent by both the Subscriber and the Existing Shareholder.

### ***Amended articles and corporate governance of Coastal Company after Completion***

The Subscriber, Existing Shareholder and the Coastal Company shall amend the articles of association of the Coastal Company to reflect, among others, the change in registered capital, change in shareholders, establishment of the board of directors, election of directors, and other corresponding changes as to the powers of general meetings and board meetings and appointment of senior management personnel upon Completion. The principal terms of the Amended Articles are set out below.

### ***Capital Structure of the Coastal Company upon Completion***

Total registered capital: RMB5,714,285,714

Registered capital held by the Subscriber: RMB2,914,285,714 (i.e. 51% equity interest)

Registered capital held by Shenzhen Expressway: RMB2,800,000,000 (i.e. 49% equity interest)

### ***Business of the Coastal Company***

Scope of business: Investment, construction and operation of the Coastal Expressway (Shenzhen Section)

### ***Period of business licence of Coastal Company***

30 years from 1 December 2008 up to 1 December 2038

### ***Matters relating to meetings of the board and shareholders of the Coastal Company***

The board of directors of the Coastal Company shall consist of five (5) directors, of which the Subscriber has the right to appoint three (3) directors and the Existing Shareholder has the right to appoint two (2) directors. One of the directors appointed by the Subscriber shall act as the chairman of the board and the legal representative of the Coastal Company. The supervisor of the Coastal Company shall be nominated by the Existing Shareholder. No board meeting shall be convened unless two-third of the directors are present at the board meeting.

The board of directors of the Coastal Company will be responsible for managing the assets and operation of the Coastal Company and reporting to the shareholders of the Coastal Company. Matters considered by the board shall be decided by a simple majority vote of the directors, except that proposal to increase or reduce registered capital or issue of bonds or merger, demerger, dissolution, bankruptcy petition or change of form of the Coastal Company will require unanimous approval of the directors.

Certain reserved matters (which include, among others, operation policies and investment plans, election and replacement of directors and supervisors and determination of their remuneration, approval of directors' reports, approval of supervisors' reports, approval of profits distribution plan, annual financial budgets and financial statements, transfer of capital contribution by shareholder(s) and other contractual matters which require approval by shareholders) will require the simple majority vote of the shareholders of the Coastal Company, where other reserved matters (including increase or reduction of registered capital, merger, de-merger, dissolution, change of form of the Coastal Company, external borrowings or loans or guarantees, external investments, issue of bonds, amendments of articles of association) will require the unanimous approval of the shareholders of the Coastal Company. The voting rights of the shareholders will be determined based on the proportion of the paid-up registered capital contributed by the shareholders. No shareholders' meeting shall be convened unless shareholders holding more than two-third of the paid-up registered capital of the Coastal Company are present at the shareholders' meeting.

### ***Senior management***

The Coastal Company shall have (i) one general manager nominated by the Existing Shareholder, (ii) two deputy general managers, one nominated by the Subscriber and one nominated by the Existing Shareholder, and (iii) one chief financial officer nominated by the Subscriber.

### ***Profit distribution***

Profits (after tax) of the Coastal Company, after off-setting the accumulated losses and allocation of requisite portion to the reserve accounts of the Coastal Company in accordance with the Company Law of the PRC and applicable accounting policies, may be distributed to the shareholders in proportion to the paid-up registered capital contributed by the shareholders of the Coastal Company.

### ***Right of first refusal***

Any sale or transfer of shares in the Coastal Company by its shareholders (the "**Selling Shareholder**") to any third party shall be subject to the prior consent of more than 50% of the other shareholders of the Coastal Company. The Selling Shareholder shall give prior written notice to the other shareholder(s) to obtain their/its prior written consent, and if no reply is given by the other shareholder(s) within 30 days of such notice, those other shareholder(s) shall be regarded as having given its consent. The shareholder(s) who objected to the proposed sale or transfer shall acquire the shares from the Selling Shareholder, and if no such acquisition is made, that other shareholder(s) shall be regarded as having given consent to the proposed sale or transfer by the Selling Shareholder to third party(ies). Where consent has been given by the other shareholder(s) for the proposed sale or transfer of the shares by a Selling Shareholder, those other shareholder(s) shall have the right of first refusal to purchase those shares from the Selling Shareholder on the same terms.



### ***Termination of the Subscription Agreement***

The Subscription Agreement shall be terminated under any of the following circumstances:

- (i) if any Party commits a material breach of the Subscription Agreement such that the purpose of the Subscription Agreement cannot be achieved or severely unreasonable to achieve from economic aspect, and the non-defaulting party issue a written request to terminate the Subscription Agreement;
- (ii) if the Subscriber and the Company have not obtained the necessary approval from their respective board and shareholders (including the approval of the Independent Shareholders at the EGM) in relation to the transactions contemplated under the Subscription Agreement within 6 months from the date of the Subscription Agreement (or such longer period as agreed by the Parties in writing);
- (iii) the Conditions have not been fulfilled within 8 months from the date of the Subscription Agreement and the Parties failed to agree on the extension of the date;
- (iv) by agreement between the Parties; or any Party elects to terminate the Subscription Agreement due to force majeure.

If the Subscription Agreement is terminated after taking effect, the Coastal Company shall refund the Consideration it has received to the Subscriber and pay an interest to the Subscriber in accordance with the bank deposit interest rate for the period between the date of payment of the Consideration and the date of refunding the same within 10 working days after the occurrence of any of the above circumstances.

## **VALUATION**

### **Principal Assumptions of the Valuation**

The Company has appointed Pengxin Appraisal to carry out the valuation on the market value of all the shareholder's equity of the Coastal Company as at the Base Date (i.e. 30 April 2022 taking into account the proforma financial effect on the Coastal Company as if the Capital Reduction had occurred on the Base Date). Such market value is appraised by Pengxin Appraisal at RMB2,880,509,900. In appraising such market value, Pengxin Appraisal has also taken into account, among others, the traffic volume and toll forecast of the Coastal Expressway (Shenzhen Section) assessed by a PRC qualified traffic consultant. As Pengxin Appraisal considered both the asset-based approach and the income approach, and eventually adopted the income approach which involves the use of discounted cash flow methodology in arriving at the conclusion on the valuation and constitutes a profit forecast under Rule 14.61 of the Listing Rules, this announcement shall comply with the requirements under Rule 14.62(1) of the Listing Rules in relation to profit forecast.

In accordance with the requirement under Rule 14.62(1) of the Listing Rules, details of the principal assumptions upon which the profit forecast is based are set out below:

### ***Baseline Assumptions***

- (i) The appraised target asset or all appraised assets are in the process of market transaction on the Base Date, and the asset appraisal professionals will make corresponding value estimation or calculation according to the market environment and the trading conditions of the appraised target asset or all appraised assets on the Base Date.
- (ii) The trading market of the appraised target asset or all appraised assets on the Base Date 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, and all buyers are voluntary, rational and have sufficient professional knowledge; (2) there are enough sellers in the market and their status is equal, and 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; and (6) all transactions in the market are conducted freely in sufficient time, rather than under compulsory or unrestricted conditions.
- (iii) The economic entity corresponding to the appraisal target asset continues as a going concern according to its existing business objectives on the basis of its management team, financial structure, business model and market environment on the Base Date; It is assumed that 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***

- (iv) There are no significant changes in the existing national laws, regulations and policies and the national macroeconomic situation, no significant changes in the political, economic and social environment in the region where the parties to the Subscription Agreement are located; no significant change in interest rates, exchange rates, tax benchmark and tax rates, policy-based collection fees or financing conditions; and no other force majeure factors or unforeseeable factors that have a significant adverse impact on the Coastal Company.
- (v) The information required for the appraisal supplied by the Company and/or relevant parties is true, complete, legal and valid.
- (vi) The information obtained from sources other than the Company and related parties in the appraisal reasonably reflects the corresponding market transaction logic, market transaction conditions, market operation conditions, or market development trends, etc.
- (vii) The acquisition, use and holding of the appraised target asset and all appraised assets are assumed to conform to the provisions of national laws, regulations and normative documents, that is, their legal ownership is clear.

- (viii) 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 the valuer conduct on-site inspection, are assumed to be normal.
- (ix) The internal structure, performance, quality and function of all physical assets are assumed to be normal.
- (x) All the assets to be evaluated are assumed to be recorded, kept and stored in compliance with the requirements of laws or professional specifications, and therefore they are in a safe, economical and reliable environment, and the possible risk factors do not fall within the scope of the appraisal.

***Main Assumptions of the Appraisal Conditions for the Income Method***

- (xi) The expressway toll license will remain unchanged during the forecast period.
- (xii) The management board of the Coastal Company is responsible and dutiful after the Base Date.
- (xiii) A reasonable competitive landscape will be maintained on the market for services of the Coastal Company after the Base Date.
- (xiv) The accounting policies adopted by the Coastal Company after the Base Date are consistent in all material aspects.
- (xv) During the forecast period, the project construction and road network layout are essentially consistent with the previous plan, and no major adjustment will occur.
- (xvi) The Coastal Project has been and will be effectively maintained and managed during the operation period and remain in normal operation.
- (xvii) The reconstruction and expansion project of the Guangzhou-Shenzhen Superhighway will be completed and opened to traffic in 2027, the Haibin Avenue Project in 2035, the Bao'an Section of National Highway 107 in 2040, freight subsidy policy will continue until 2038, and the long-term rail lines will be completed and opened to traffic in 2040.
- (xviii) Coastal Phase II is expected to be completed and opened to traffic by the end of 2024.

The Board has reviewed the principal assumptions adopted in the valuation and is of the view that the valuation has been made after due and careful enquiry.

CICC, the financial adviser to the Company in respect of the Subscription, confirms that it is satisfied that the forecast upon which the valuation has been made, for which the Directors are solely responsible, has been made after due and careful enquiry.

The Company has engaged Deloitte, the auditor of the Company, to report to the Directors on the calculations of the discounted future estimated cash flows adopted by Pengxin Appraisal on which the valuation is based, and Deloitte is of the opinion that, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the bases and assumptions determined by the Directors as set out in this announcement.

A letter from Deloitte in compliance with Rule 14.62(2) of the Listing Rules and a report from CICC in compliance with Rule 14.62(3) of the Listing Rules are included in the appendices to this announcement.

## **INFORMATION ON THE COASTAL COMPANY AND THE COASTAL EXPRESSWAY (SHENZHEN SECTION)**

### *The Coastal Expressway (Shenzhen Section)*

The Coastal Company is a company incorporated in the PRC which is wholly-owned by Shenzhen Expressway. Its principal business is the investment, construction and operation of Coastal Expressway (Shenzhen Section). Guangshen Coastal Expressway (Provincial Line S3) is an important channel connecting Guangzhou and Shenzhen, and Guangdong and Hong Kong. It connects Huangpu District in Guangzhou and Nanshan District in Shenzhen. Coastal Expressway (Shenzhen Section) is the Shenzhen section of Guangshen Coastal Expressway, extending from Dongbao River, the boundary between Dongguan and Shenzhen, to Nanshan District, Shenzhen and connecting with Shenzhen Western Corridor in the south. Coastal Expressway (Shenzhen Section) is a dual eight-lane expressway with the total mileage of approximately 37 km. It is constructed in two phases. Coastal Phase I is on the main line of Guangshen Coastal Expressway. It has a toll mileage of approximately 30.9 km and was opened to traffic on 28 December 2013 with a toll collection period of 25 years. The construction of Coastal Phase II commenced in December 2015, mainly including two parts, being the construction of the interchange of the International Convention and Exhibition Center which was completed and put into operation in 2019 and the construction of the connecting lane on the Shenzhen side of Shenzhen-Zhongshan Channel which has total length of approximately 5.7 km and is scheduled to be completed and open to traffic by the end of 2024 to align with the opening to traffic of Shenzhen-Zhongshan Channel. As at the end of July 2022, approximately 70% of the construction progress of Coastal Phase II has been completed.

Regarding Coastal Phase I, the Coastal Company had pledged the toll-collection right of Coastal Expressway (Shenzhen Section) to a syndicate led by China Development Bank (Shenzhen Branch) and had obtained a syndicated loan facility for financing the construction of Coastal Phase I. In 2019, Shenzhen Expressway had assumed all the outstanding indebtedness of the Coastal Company under the aforesaid syndicated loan facility by executing the relevant loan agreement with the syndicate and the Coastal Company (the “**Shenzhen Expressway Syndicated Loan**”), and the Coastal Company had re-executed the Pledge in favour of the syndicate as security for the Shenzhen Expressway Syndicated Loan. Shenzhen Expressway has agreed to repay the Shenzhen Expressway Syndicated Loan and to procure the release of the Pledge and all obligations and encumbrances of the Coastal Company under the loan agreement relating to the Shenzhen Expressway Syndicated Loan prior to payment of the Consideration by the Subscriber pursuant to the Subscription Agreement.

Regarding Coastal Phase II, the total investment amount is RMB5.9 billion, out of which, RMB4.9 billion will be subsidized by the Shenzhen Municipal Government and the remaining RMB1 billion will be borne by the Coastal Company. In May 2022, for the purpose of financing such RMB1 billion, the Coastal Company has entered into a loan agreement with China Development Bank (Shenzhen Branch) for a loan facility of up to RMB1 billion at prevailing market rates with repayment term of up to 16 years (the “**Coastal Company Loan**”), and has executed a pledge over the toll-collection rights of Coastal Expressway (Shenzhen Section) and all income arising from the operation of the Coastal Expressway (Shenzhen Section) in favour of China Development Bank (Shenzhen Branch) as security for the Coastal Company Loan. As at the date of this announcement, the actual amount of the loan drawn down is RMB30 million.

In February 2018, Coastal Company and the Transport Bureau of Shenzhen Municipality\* signed an agreement on freight compensation for the Coastal Expressway (Shenzhen Section). The agreement stipulated that during the adjustment period, the freight charges of the Coastal Expressway (Shenzhen Section) will be charged at 50% of the standard rate of toll fee, and the freight charge adjustment period starts from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. In 2018, Coastal Company received the above compensation amount of RMB302 million. Upon the expiry of the aforesaid toll adjustment agreement, Transport Bureau of Shenzhen Municipality\*, Shenzhen Expressway and Coastal Company entered into the freight compensation agreement in March 2021, wherein it was agreed that during the period from 1 January 2021 to 31 December 2024, lorries passing the Coastal Expressway (Shenzhen Section) should be charged at 50% of the standard rate of the toll, and such toll waived by Coastal Company shall be compensated by the government in a one-off manner in March of the following year.

#### *Entrusted Coastal Expressway Construction Management Agreement*

Another subsidiary of the Shenzhen Expressway has been entrusted with the project management of the construction of the Coastal Expressway (Shenzhen Section) in the past. Shenzhen Expressway will continue to procure the provision of such construction management services to the Coastal Company after Completion pursuant to the Entrusted Coastal Expressway Construction Management Agreement in order to avoid disruption to the implementation of the Coastal Project after Completion. Shenzhen Expressway also agreed to provide an additional two-year defect liability period after the completion of the aforementioned construction management services. The scope of services includes management services relating to project safety, quality, investment costs, construction period, environmental protection, tendering, site management, settlement of payments, defect handling, final accounting, government auditing and completion and acceptance of the Coastal Project. Service fee includes (i) staff costs (including remuneration and welfare costs of Shenzhen Expressway’s management personnel), (ii) daily administrative costs (including office expenses, travel expenses, etc.), and (iii) special expenses (including service fees of intermediaries, safety production fees, etc.) incurred by Shenzhen Expressway for the provision of the construction management services. The final aggregate amount of fees payable by the Coastal Company under Entrusted Coastal Expressway Construction Management Agreement shall not exceed the cap of RMB92,880,000. Such amount was determined after arm’s length negotiation between Shenzhen Expressway and the Coastal Company with reference to the experience of Shenzhen Expressway in the construction and management of toll expressways and the remaining volume of construction works of the Coastal Project, and taking into account the estimation of the staff costs, daily administrative costs, special expenses, etc. (including the overall increasement of staff benefits) which may be incurred by the provision of the construction and management services in respect of the Coastal Project.

In the event of the costs exceeding the cap due to any special reasons or increased construction works, Shenzhen Expressway shall immediately report to the shareholders of the Coastal Company where the parties shall negotiate for the payment terms of the extra fee. Shenzhen Expressway shall provide an annual budget to the shareholders of the Coastal Company for review and approval and shall send a request for payment of the fees to the shareholders of the Coastal Company according to the actual amount of costs incurred on a monthly basis, which shall then be paid to Shenzhen Expressway after approval by the shareholders of the Coastal Company. on the actual amount of expenses incurred and the work done within its scope of services which shall be settled by the Coastal Company upon receipt.

#### *Capital structure of the Coastal Company and the Capital Reduction*

As at the Base Date, the total amount of shareholder's capital contribution of the Coastal Company was RMB8.7 billion (comprising RMB4.6 billion registered capital and RMB4.1 billion capital reserve). In May 2022, the Coastal Company converted RMB2 billion capital reserve to the registered capital (i.e. resulting in RMB6.6 billion registered capital and RMB2.1 billion capital reserve as at the date of this announcement, without affecting or changing the total amount of shareholder's capital contribution of RMB8.7 billion). Shenzhen Expressway has commenced the procedure for implementing the Capital Reduction. According to Shenzhen Expressway, a capital reduction agreement will be entered into between Shenzhen Expressway and the Coastal Company whereby Shenzhen Expressway will agree that the amount of the reduced capital (i.e. RMB3.8 billion) which should otherwise have been returned by the Coastal Company to Shenzhen Expressway, after netting of some inter-company balances between the Coastal Company and the Shenzhen Expressway Group, may remain as a payable to Shenzhen Expressway for a period of up to 12 months as if it were a shareholder's loan from Shenzhen Expressway and will be interest bearing at 3.81% per annum being the average costs of funding of Shenzhen Expressway in the year 2021. It is contemplated that such shareholder's loan (if any) from Shenzhen Expressway to the Coastal Company will, upon Completion, be fully exempt connected transaction under Rule 14A.90 of the Listing Rules as it will be conducted on normal commercial term and it will not be secured by any asset of the Group.

#### *Financial information of the Coastal Company*

For the year ended 31 December 2021 and the three months ended 31 March 2022, the average daily traffic flow of Coastal Phase I was approximately 168,000 vehicles and 112,000 vehicles, and the average daily toll revenue was approximately RMB1,620,000 and RMB1,087,000, respectively.

The table below sets out the financial information of the Coastal Company for the two years ended 31 December 2021 (audited) and the four months ended 30 April 2022 (unaudited) prepared in accordance with the Accounting Standards for Business Enterprises of the PRC:

	<b>For the year ended 31 December 2020 (audited)</b>	<b>For the year ended 31 December 2021 (audited)</b>	<b>For the four months ended 30 April 2022 (unaudited)</b>
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Net profit (before tax)	198,677	279,335	66,706
Net profit (after tax)	149,007	201,259	17,929
	<b>As at 31 December 2020 (audited)</b>	<b>As at 31 December 2021 (audited)</b>	<b>As at 30 April 2022 (unaudited)</b>
	RMB (in thousands)	RMB (in thousands)	RMB (in thousands)
Net asset	6,279,032	6,480,291	6,498,220

The original acquisition costs of 100% equity interest in the Coastal Company of Shenzhen Expressway was RMB1.472 billion as disclosed in the announcement of Shenzhen Expressway dated 12 December 2017.

#### **INFORMATION ON THE SUBSCRIBER AND THE EXISTING SHAREHOLDER**

Shenwan Infrastructure, an indirect subsidiary of the Company, is principally engaged in infrastructure and correlated businesses.

Shenzhen Expressway is a company incorporated in the PRC, the shares of which are listed on the Stock Exchange (HKEx Stock code: 548) and Shanghai Stock Exchange (SSE Stock code: 600548) and is ultimately controlled by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality. Shenzhen Expressway is the intermediate controlling shareholder of the Company which indirectly holds approximately 71.83% of the total issued shares of the Company. The principal activities of Shenzhen Expressway and its subsidiaries are the investment, construction, operation and management of toll highways and roads and other urban and transportation infrastructures.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT**

The investment, construction, operation and maintenance of toll highways and roads are part of the Group's principal businesses. The Board considers that Guangshen Coastal Expressway is an important core passage going through the north-south of Peral River Delta region, and is also an important corridor connecting Guangzhou, Shenzhen and Hong Kong within the Guangdong-Hong Kong-Macau Greater Bay Area. It enjoys an excellent geographical location and an economically viable neighborhood region. The Subscription will enable the Company to further strengthen its toll expressway business with a simple and clear business model, by holding high quality developed assets with stable financial returns, so as to achieve an increase in revenue and profit. Further, the Subscription could effectively strengthen the overall management of the Group's toll roads in the region of Shenzhen (i.e. Guangzhou-Shenzhen Superhighway operated by the Group and the Coastal Expressway (Shenzhen Section) proposed to be obtained by the Group), enhance the synergies of the flow of road network and management and maintenance of the road, and further enhance the profitability of the Group.

The Directors (excluding the independent non-executive directors whose view will be expressed in the circular after considering the opinion of the Independent Financial Adviser) believe that the terms of the Subscription Agreement are fair and reasonable, on normal commercial terms after arm's length negotiations between the Parties (though not entered into in the ordinary and usual course of business of the Group) and in the interests of the Shareholders as a whole.

As Mr. Wei HU\*, being the Chairman and executive director of the Company, is also the Chairman and executive director of Shenzhen Expressway, and held 200,000 H shares in Shenzhen Expressway as at the date of this announcement, he may be regarded as having a material interest in the Subscription, and had therefore abstained from voting on the relevant Board resolution approving the Subscription Agreement and the transactions contemplated thereunder.

## **LISTING RULES IMPLICATIONS OF THE SUBSCRIPTION AGREEMENT**

As at the date of this announcement, Shenzhen Expressway is the intermediate holding company of the Company which indirectly holds approximately 71.83% of the total issued shares of the Company and is therefore a connected person of the Company. The Coastal Company is a direct wholly-owned subsidiary of Shenzhen Expressway and is therefore an associate of Shenzhen Expressway and a connected person of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Subscription Agreement exceed 25% but all the applicable percentage ratios are below 100%, the Subscription Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As both Shenzhen Expressway and the Coastal Company are connected persons of the Company, the Subscription Agreement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



Upon Completion, the Coastal Company will become a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules by virtue of it being a non wholly-owned subsidiary of the Company where Shenzhen Expressway, being a connected person at the Company's level, can exercise or control the exercise of 10% or more of the voting power of the Coastal Company. Accordingly, the Coastal Company will remain as a connected person of the Company after Completion.

## **EXISTING CONTINUING TRANSACTIONS OF THE COASTAL COMPANY**

The Operation Development Company and the Engineering Development Company, both being subsidiaries of Shenzhen Expressway, have been entrusted to provide operation and maintenance services for the Coastal Expressway (Shenzhen Section) in the past and these services will continue to be provided to the Coastal Company after Completion pursuant to the Existing Continuing Transactions in order to ensure the smooth and stable operation and maintenance of the Coastal Expressway (Shenzhen Section) after Completion.

### ***(a) Entrusted Coastal Expressway Operation and Maintenance Management Agreement***

The principal terms of the Entrusted Coastal Expressway Operation and Maintenance Management Agreement are set out below:

Date: 26 July 2022

Parties: (i) the Coastal Company  
(ii) Operation Development Company

Term: 3 years from the date of this agreement and if the Coastal Company has engaged independent third parties to provide toll roads and ancillary facilities maintenance services for Coastal Expressway (Shenzhen Section), the entrustment of such services to the Operation Development Company shall automatically cease.

Scope of services: The Operation Development Company will continue to provide operational and maintenance management services in respect of Coastal Expressway (Shenzhen Section) which include management of the business activities of the Coastal Expressway (Shenzhen Section), including toll collection and operation of toll stations, monitoring of business activities, management of road assets and service areas, safety and emergency management, marketing and other related matters, road inspections, road assets maintenance, road rescue operations, insurance claims, accident handling, etc. and the management of the maintenance for the toll roads and ancillary facilities and services to ensure the normal operation of the toll roads.

Service fees and payment terms: The fees payable by the Coastal Company to the Operation Development Company shall primarily be determined based on the actual costs and expenses incurred or to be incurred by the Operation Development Company for the provision of the services such as remuneration and welfare benefits of the management personnel, performance bonus, administrative expenses, supporting service fees and related taxes and maintenance costs and expenses incurred in the provision of the services.

The Operation Development Company shall prepare annual budget for prior approval by the shareholders of the Coastal Company. Any actual costs exceeding the annual budget shall be subject to the approval of the shareholders of the Coastal Company.

Certain types of fees such as remuneration and administrative expenses shall be payable monthly based on the annual budget and some other operational and maintenance expenses shall be paid after submission of written request (with supporting documents) by the Operation Development Company or based on the relevant payment terms of external fees payable under maintenance contracts with third party contractors.

Annual Caps: The fees payable by the Coastal Company to the Operation Development Company for the years ending 31 December 2022, 2023 and 2024 shall not exceed RMB37,956,926.83 (which includes estimated contracts sums payable by the Operation Development Company to third party contractors in the amount of approximately RMB16,587,022.82), RMB22,224,700.17 and RMB23,113,688.17 respectively, which caps were determined after arm's length negotiations between the Operation Development Company and the Coastal Company and with reference to the actual management expenses of RMB21,370,000 in 2021 and the experience of the Operation Development Company in the operation and maintenance management of toll expressways, as well as the assessment of budget (including the consideration of the overall improvement of staff welfare and the anticipated increase of traffic flow after Coastal Phase II opens to traffic) in relation to labor costs, toll highway maintenance expenses, administrative expenses etc. that may be incurred by the provision of operation and maintenance management services.

In the event of the costs exceeding the annual cap due to any special reasons or increased construction works, the Operation Development Company shall immediately report to the shareholders of the Coastal Company, in which case, the Operation Development Company and the shareholders of the Coastal Company shall negotiate for the payment terms of the extra fee.

***(b) Entrusted Coastal Expressway Daily Maintenance, Electrical and Mechanical Maintenance and Towing Services Agreement***

The principal terms of the Entrusted Coastal Expressway Daily Maintenance, Electrical and Mechanical Maintenance and Towing Services Agreement are set out below:

Date: 11 August 2022

Parties: (i) the Coastal Company  
(ii) Engineering Development Company

Term: From the date of this agreement until 14 September 2023

Scope of the services: The Engineering Development Company shall provide maintenance services including among others, (i) daily maintenance such as daily inspection, cleaning, maintenance and repair of the roadbed, road surface, bridge, culverts, tunnels, road intersections, greenery, navigation signs, traffic engineering of and facilities along the Coastal Expressway (Shenzhen Section); (ii) electrical and mechanical maintenance such as troubleshooting, repair, maintenance and cleaning of toll collection system, communication system, monitoring system, electricity and water supply systems, and ancillary electrical and mechanical facilities to ensure the stable operation of the electrical and mechanical system of the Coastal Expressway (Shenzhen Section); and (iii) towing services of accident vehicles, faulty vehicles and trucks.

Service fees and payment terms: Based on the estimated amount of works involved, the total fee payable to the Engineering Development Company under this agreement shall not exceed RMB94,683,459, which was determined after arms' length negotiations between the Engineering Development Company and the Coastal Company and with reference to the experience of Engineering Development Company in the daily maintenance and electrical maintenance of toll expressways and towing rescue services, and the assessment of budget (including the consideration of overall inflation and the anticipated increase of traffic flow after Coastal Phase II opens to traffic) in relation to the estimated needs of highway maintenance of Coastal Expressway (Shenzhen Section), expenses on equipment and labor resources, maintenance expenses and estimated amount of works.

The Coastal Company shall make annual prepayment every year equivalent to 10% of the annual budget of the relevant year approved by the shareholders of the Coastal Company. The Engineering Development Company shall submit quarterly calculation and settlement statements setting out the actual amount of fees payable reflecting its actual expenses incurred and work done within the scope of services. The Coastal Company shall settle within 14 days after a quarterly invoice issued by the Engineering Development Company.

In the event of the costs exceeding the annual cap due to any special reasons or increased works, the Engineering Development Company shall immediately report to the shareholders of the Coastal Company, in which case, the Engineering Development Company and the shareholders of the Coastal Company shall negotiate for the payment terms of the extra fee.

## **REASONS FOR AND BENEFITS OF THE EXISTING CONTINUING TRANSACTIONS**

The Operation Development Company and the Engineering Development Company are all principally engaged in, among other things, the provision of services required under the relevant Existing Continuing Transactions and possess the relevant expertise and experience. By continuing with the Existing Continuing Transactions after Completion, the Coastal Company will continue to enjoy the operational and maintenance services provided by the relevant members of the Shenzhen Expressway Group, and can ensure uninterrupted and smooth services received by them after Completion.

The Board is of the view that the Existing Continuing Transactions were entered into on normal commercial terms and will be in the ordinary course of the business of the Group after Completion, and are therefore fair and reasonable and in the interests of the Company and Shareholders as a whole.

## **INFORMATION ON THE PARTIES TO THE EXISTING CONTINUING TRANSACTIONS**

The Operation Development Company is a company incorporated in the PRC which is indirectly wholly owned by the Shenzhen Expressway. Its principal business is the provision of highway operation, maintenance management services and intelligent transportation business.

The Engineering Development Company is a company incorporated in the PRC which is indirectly owned as to 60% by Shenzhen Expressway and directly owned as to 40% by Cui Gangxian\*, an independent third party of the Group. Its principal business is the provision of services of road maintenance, electrical and mechanical maintenance, tow truck rescue, cleaning, landscaping maintenance and property maintenance.

## **LISTING RULES IMPLICATIONS OF THE EXISTING CONTINUING TRANSACTIONS**

Upon Completion, the Coastal Company will become an indirect non wholly-owned subsidiary of the Company. The Operation Development Company and the Engineering Development Company are subsidiaries of Shenzhen Expressway and thus connected persons of the Company within the meaning of the Listing Rules by virtue of being the associates of Shenzhen Expressway, the controlling shareholder of the Company. Therefore, the Existing Continuing Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion. Pursuant to Rule 14A.60(1) of the Listing Rules, the Company is required to comply with the annual review and disclosure requirements including publishing announcement and annual reporting if the Group continues to conduct the transactions under the Existing Continuing Transactions after Completion.

## **EXPERTS AND CONSENTS**

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

<b><u>Name</u></b>	<b><u>Qualifications</u></b>
Pengxin Appraisal	an independent qualified valuer in the PRC engaged in valuation
CICC	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Deloitte	Certified Public Accountants

As at the date of this announcement, so far as the Directors are aware, none of the aforesaid experts has any shareholding in any member of the Group, nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Pengxin Appraisal, CICC and Deloitte is an independent third party of the Company.

Each of Pengxin Appraisal, CICC and Deloitte has given and has not withdrawn its consent to the publication of this 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.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee comprising all the independent non-executive directors of the Company has been formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder.

The Company has also appointed Lego Corporate Finance Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

The Company will convene the EGM to consider and, if thought fit, to approve the Subscription Agreement and the transactions contemplated thereunder. Shareholders with a material interest in the Subscription Agreement and the transactions contemplated thereunder will be required to abstain from voting at the EGM. The voting at the EGM will be conducted by way of a poll whereby Shenzhen Expressway and its associates will abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Subscription Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the financial information of the Coastal Company; (v) the unaudited pro forma financial information of the enlarged Group; (vi) the Pengxin Appraisal Valuation Report; (vii) a traffic study report; (viii) other information required to be disclosed under the Listing Rules; and (ix) the notice of EGM, is expected to be despatched to the Shareholders on or before 23 September 2022 in order to allow sufficient time for preparation of the relevant information for inclusion in the circular.

**Shareholders and potential investors of the Company should note that the Subscription is subject to a number of conditions which may or may not be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Amended Articles”	the amended articles of association of the Coastal Company to be effected pursuant to the Subscription Agreement
“associate”	shall have the meaning ascribed to it under the Listing Rules
“Base Date”	30 April 2022
“Board”	the board of Directors
“Capital Reduction”	has the meaning as defined under the section headed “THE SUBSCRIPTION AGREEMENT” in this announcement
“CICC”	China International Capital Corporation Hong Kong Securities Limited, the, qualifications of which are set out under the section headed “EXPERTS AND CONSENTS” in this announcement, the financial adviser to the Company in respect of the Subscription
“Coastal Company”	Shenzhen Guangshen Coastal Expressway Investment Company Limited* (深圳市廣深沿江高速公路投資有限公司), a company incorporated in the PRC with limited liability, which is wholly owned by the Shenzhen Expressway as at the date of this announcement
“Coastal Loan”	Company has the meaning as defined under the section “INFORMATION ON THE COASTAL COMPANY AND THE COASTAL EXPRESSWAY (SHENZHEN SECTION)” in this announcement
“Coastal Expressway (Shenzhen Section)” or “Coastal Project”	the Shenzhen section of Guangshen Coastal Expressway, which comprises of Coastal Phase I and Coastal Phase II

“Coastal Phase I”	Phase I of Coastal Expressway (Shenzhen Section), on the main line of Coastal Expressway (Shenzhen Section), the toll mileage is approximately 30.9 km and was opened to traffic on 28 December 2013
“Coastal Phase II”	Phase II of Coastal Expressway (Shenzhen Section) which includes two parts, being the construction of the interchange of the International Convention and Exhibition Center which was completed and opened to traffic in 2019 and the construction of the connection lane on the Shenzhen side of Shenzhen-Zhongshan Channel which has total length of approximately 5.7 km and is currently under construction
“Company”	Shenzhen Investment Holdings Bay Area Development Company Limited (深圳投控灣區發展有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (Stock Codes: 737 (HKD Counter) and 80737 (RMB Counter))
“Completion”	completion of the payment of the Consideration by the Subscriber to the Coastal Company and the registration of the change of the registered capital, shareholders and directors of the Coastal Company as a result of the Subscription with the relevant government authority in the PRC
“Conditions”	the condition precedents as set out under the section headed “THE SUBSCRIPTION AGREEMENT– Conditions” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB2,998,000,000, being the consideration for the payable by the Subscriber to the Coastal Company to obtain 51% of the enlarged equity interest in the Coastal Company pursuant to the Subscription Agreement
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Deloitte”	Deloitte Touche Tohmatsu, the reporting accountants and auditor of the Company
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company to consider, amongst others, the Subscription Agreement and the transactions contemplated thereunder

“Engineering Development Company”	Shenzhen Expressway Engineering Development Limited* (深圳高速工程發展有限公司), a company incorporated in the PRC and a non-wholly owned subsidiary of Shenzhen Expressway
“Entrusted Coastal Expressway Construction Management Agreement”	an agreement dated 11 August 2022 entered into between the Coastal Company and Shenzhen Expressway in relation to the entrusted management of the construction of the Coastal Project
“Entrusted Coastal Expressway Daily Maintenance, Electrical and Mechanical Maintenance and Towing Services Agreement”	the agreement dated 11 August 2022 entered into between the Coastal Company and the Engineering Development Company in relation to the provision of daily maintenance, electrical maintenance and towing services for the Coastal Expressway (Shenzhen Section)
“Entrusted Coastal Expressway Operation and Maintenance Management Agreement”	an agreement dated 26 July 2022 entered into between the Coastal Company and the Operation Development Company in relation to provision of operational and maintenance management services for Coastal Expressway (Shenzhen Section)
“Existing Continuing Transactions”	the transactions contemplated under the Entrusted Coastal Expressway Operation and Maintenance Management Agreement and the Entrusted Coastal Expressway Daily Maintenance, Electrical and Mechanical Maintenance and Towing Services Agreement, the particulars of which are set out under the section headed “EXISTING CONTINUING TRANSACTIONS OF THE COASTAL COMPANY” in this announcement
“Existing Shareholder”	Shenzhen Expressway, being the sole shareholder of the Coastal Company prior to Completion
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission for carrying out Type 6 (advising on corporate finance) regulated activity under the SFO



“Independent Shareholders”	Shareholders who are independent within the meaning of the relevant provisions of the Listing Rules, and, in relation to the approval of the Subscription Agreement at the EGM, means Shareholders other than Shenzhen Expressway and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Measures”	Measures for the Supervision of Changes in Property rights of State-owned Enterprises in Shenzhen (Revised in 2021)* (《深圳市屬國有企業產權變動監管辦法（2021年修訂）》)
“Operation Development Company”	Shenzhen Expressway Operation Development Limited* (深圳高速運營發展有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of Shenzhen Expressway
“Party(ies)”	the Subscriber, the Existing Shareholder and the Coastal Company, each being a “Party”
“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 Coastal Company issued by Pengxin Appraisal on 15 August 2022
“Pledge”	the pledge over the toll-collection rights and income arising from the operation of the Coastal Expressway (Shenzhen Section) by the Coastal Company in favour of the syndicate under the Shenzhen Expressway Syndicated Loan
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenwan Infrastructure”	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建（深圳）有限公司), a company established by the Company in the PRC with limited liability

“Shenzhen Expressway”	Shenzhen Expressway Corporation Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00548) and the A shares of which are listed on the Shanghai Stock Exchange (Security Code: 600548) which is ultimately controlled by State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipality
“Shenzhen Expressway Group”	Shenzhen Expressway and its subsidiaries from time to time
“Shenzhen Expressway Syndicated Loan”	has the meaning as defined under the section “INFORMAITON ON THE COASTAL COMPANY AND COASTAL EXPRESSWAY (SHENZHEN SECTION)” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	the subscriber under the Subscription Agreement, being Shenwan Infrastructure
“Subscription”	the capital injection to obtain 51% enlarged equity interest in the Coastal Company upon Completion by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	a conditional subscription agreement entered into between the Subscriber, the Existing Shareholder and the Coastal Company on 18 August 2022 in respect of the capital injection to the Coastal Company by the Subscriber
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“working days”	statutory working days in the PRC, except Saturdays, Sundays and statutory holidays in the PRC
“%”	per cent

By Order of the Board  
**Shenzhen Investment Holdings Bay Area Development  
Company Limited**  
Ji LIU\*  
*Executive Director and Deputy General Manager*

Hong Kong, 18 August 2022

*As at the date of this announcement, the Board comprises five Executive Directors namely, Mr. Wei HU\* (Chairman), Mr. Tianliang ZHANG\* (General Manager), 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, Mr. Junye CAI\* and Mr. Weiguo ZONG\*; and four Independent Non-executive Directors namely, Mr. Brian David Man Bun LI, Mr. Yu Lung CHING, Mr. Tony Chung Nin KAN and Mr. Peng XUE\*.*

\* For identification purpose only

## APPENDIX I - LETTER FROM THE FINANCIAL ADVISER ON PROFIT FORECAST PURSUANT TO RULE 14.62(3) OF THE LISTING RULES

*The following is the text of a letter from China International Capital Corporation Hong Kong Securities Limited, the financial adviser to the Company, for inclusion in this announcement.*



**China International Capital Corporation Hong Kong Securities Limited**

29th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

The Board of Directors  
**Shenzhen Investment Holdings Bay Area Development Company Limited**  
Room 63-02, 63/F, Hopewell Centre,  
183 Queen's Road East,  
Wan Chai,  
Hong Kong

18 August 2022

Dear Sirs,

We refer to the valuation report dated 15 August 2022 (the “**Valuation Report**”) in respect of the valuation of the shareholders’ equity of Shenzhen Guangshen Coastal Expressway Investment Company Limited (深圳市廣深沿江高速公路投資有限公司\*, the “**Target Company**”) as at 30 April 2022, prepared by Shenzhen Pengxin Appraisal Limited (“**Pengxin**”). The Target Company is a company incorporated in the PRC which is wholly owned by Shenzhen Expressway Corporation Limited (深圳高速公路集團股份有限公司\*). Its principal business is the investment, construction and operation of Coastal Expressway Shenzhen Section (“**Coastal Expressway**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as defined in the announcement of Shenzhen Investment Holdings Bay Area Development Company Limited (the “**Company**”) dated 18 August 2022 in connection with, among others, (1) MAJOR ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION OF 51% ENLARGED EQUITY INTEREST IN SHENZHEN GUANGSHEN COASTAL EXPRESSWAY INVESTMENT COMPANY LIMITED and (2) CONTINUING CONNECTED TRANSACTIONS PURSUANT TO RULE 14A.60(1) OF THE LISTING RULES (the “**Announcement**”).

We understand that the Valuation Report has been provided to you in connection with the Company’s proposed subscription of 51% enlarged equity interest in the Target Company.

We note that the Valuation Report has been prepared partly based on, among other things, the income approach, an appraisal approach to identify the value of the target of evaluation by discounted cash flows, and is therefore regarded as profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

We are not reporting on the arithmetical calculations of the Forecast and the adoption of the accounting policies thereof, and our work does not constitute any valuation or fairness opinion of the shareholders’ equity of the Target Company. We have assumed, without independent verification, the accuracy of the parameters stated in the Valuation Report. We have assumed that all information, materials, opinions and/or representations supplied, including all information, materials, opinions and/or representations referred to or contained in the Announcement, for which the Directors are solely responsible, were true, accurate, complete and not misleading at the time they were supplied or made and continued to be so up to the date of this letter and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our assessment and review. In addition, the qualifications, bases and assumptions adopted by Pengxin are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Pengxin and the Company.

We have reviewed the Forecast of the Target Company included in the Valuation Report, for which you as the Directors are solely responsible. We have attended discussions involving the management of the Company, Pengxin and Target Company, where (i) the historical performance of Coastal Expressway, (ii) the traffic flow forecast of Coastal Expressway, (iii) the calculations of the Forecast, and (iv) the qualifications, bases and assumptions set out in the Valuation Report were discussed. We have also considered the report to the Directors from Deloitte as set out in Appendix II to the Announcement on the calculations of the discounted cash flows on which the Forecast is based. The Forecast is based on a number of bases and assumptions. As the relevant bases and assumptions are about future events which may or may not occur, the actual financial performance of the businesses of the Target Company may or may not achieve as expected and the variation may be material.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by Pengxin, for which Pengxin and the Company are responsible, we are satisfied that the Forecast included in the Valuation Report and disclosed in the Announcement, for which you as the Directors are solely responsible, has been made after due and careful enquiry by you.

The work undertaken by us in giving the above view has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) 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 or this letter.

Yours faithfully,  
For and on behalf of  
**China International Capital Corporation**  
**Hong Kong Securities Limited**

CHEN Feng  
*Executive Director*

\* *For identification purposes only.*

## **APPENDIX II – LETTER FROM DELOITTE IN RELATION TO PROFIT FORECAST PURSUANT TO RULE 14.62(2) OF THE LISTING RULES**

*The following is the text of a report received from the Company’s reporting accountants, Deloitte, Certified Public Accountants, for inclusion in this announcement.*

### **INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ENTIRE EQUITY INTEREST IN SHENZHEN GUANGSHEN COASTAL EXPRESSWAY INVESTMENT COMPANY LIMITED TO THE DIRECTORS OF SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED**

Shenzhen Guangshen Coastal Expressway Investment Company Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Shenzhen Pengxin Appraisal Limited dated 15 August 2022 of the entire equity interest in Shenzhen Guangshen Coastal Expressway Investment Company Limited (the “**Target Company**”) as at 30 April 2022 (the “**Valuation**”) is based. The Target Company is a limited liability company incorporated in the People’s Republic of China, which is principally engaged in toll road management business. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement dated 18 August 2022 to be issued by Shenzhen Investment Holdings Bay Area Development Company Limited (the “**Company**”) in connection with the subscription of 51% equity interest in the Target Company by an indirect subsidiary of the Company (the “**Announcement**”).

#### **Directors’ Responsibility for the Discounted Future Estimated Cash Flows**

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedure as relevant to the preparation of the discounted future estimated 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 Control**

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 (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' Responsibility**

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000(Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions.

Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Company. Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

## **Opinion**

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong  
18 August 2022