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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)

**JOINT ANNOUNCEMENT  
MAJOR TRANSACTION  
INVESTMENT IN JIHE EXPRESSWAY RECONSTRUCTION AND  
EXPANSION PROJECT**

**JIHE EXPRESSWAY R&E PROJECT**

In order to meet the growing traffic demand and allow Jihe Expressway to better play its role as an influential expressway and an important infrastructure in the core area of the Guangdong-Hong Kong-Macao Greater Bay Area, the government plans to reconstruct and expand Jihe Expressway and SZ Expressway (a subsidiary owned as to approximately 52% by SZ International) is selected as the social capital partner of the Jihe Expressway R&E Project. SZ Expressway shall invest approximately RMB12.987 billion in the Jihe Expressway R&E Project.

**REASONS FOR AND BENEFITS OF INVESTMENT IN JIHE EXPRESSWAY R&E PROJECT**

The investment, construction and operation and management of toll roads and expressway are within the scope of SZ Expressway's general and ordinary business. In recent years, the revenue and profit contributed by Jihe Expressway were amounted to approximately 20% and 30% of SZ Expressway's revenue and profit, respectively. It has become an important cornerstone of SZ Expressway's sustainable development. With the economic development of Shenzhen and its surrounding areas, together with the improvement of the surrounding road network, the traffic demand has grown expeditiously, which has brought great pressure on Jihe Expressway to perform its function as an expressway. The total investment amount of the Jihe Expressway R&E Project is approximately RMB43.29 billion. With the investment subsidy of RMB15 billion provided by the government, as well as the investment fund of approximately RMB15.3 billion, the actual amount to be invested by SZ Expressway is restrained at approximately RMB12.987 billion, while SZ Expressway can obtain the asset usage right and the corresponding right to investment return throughout the expected concession period of 25 years upon completion of the reconstruction and expansion of the project. Based on the parties' reasonable estimation of future traffic flow and toll revenue, the Investment and Financing Plan of the Jihe Expressway R&E Project has established a mechanism which involves government subsidy and introduction of cooperative investor(s), which effectively reduces the capital expenditure burden of SZ Expressway. The distribution mechanism of the project revenue also reflects the principle of risk and profit sharing on equal basis, which is fair and reasonable.

After reconstruction and expansion, the existing two-way six-lane of Jihe Expressway will be upgraded to a compound fast channel with two-way "8+8" lanes. It will significantly improve traffic organisation, effectively enhance the capacity of existing traffic routes, and meet the traffic needs of the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the integration of the Pearl River Delta. Through the Jihe Expressway R&E Project, SZ Expressway can effectively improve the asset quality of Jihe Expressway, extend the remaining comprehensive concession period of the expressway project, expand the scale of SZ Expressway's expressway assets, enlarge the room for future development of SZ Expressway's principal business of expressway, and further consolidate SZ Expressway's core advantages in investment, construction and operation of expressways.

Investment in the Jihe Expressway R&E Project is also in line with SZ International's strategy of consolidating high-quality infrastructure project resources. As SZ Expressway is a subsidiary of SZ International, the further consolidation of its core advantages is beneficial to the overall development of SZ International.

The boards of directors of each of SZ International and SZ Expressway are of the view that the proposal of investment in Jihe Expressway R&E Project and the terms and conditions thereunder are arrived after arm's length negotiation, on normal commercial terms and fair and reasonable. The implementation of the Jihe Expressway R&E Project is in the interests of each of SZ International, SZ Expressway and their respective shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Jihe Expressway R&E Project and the transactions contemplated thereunder is more than 25% but all lower than 100%, the Jihe Expressway R&E Project and the transactions contemplated thereunder constitute a major transaction for each of SZ International and SZ Expressway, and both companies are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

#### **SPECIAL GENERAL MEETING OF SZ INTERNATIONAL**

SZ International will convene the special general meeting, at which resolution(s) will be proposed to consider and, if thought fit, approve the Jihe Expressway R&E Project and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Jihe Expressway R&E Project and the transactions contemplated thereunder; (ii) the notice convening the special general meeting of SZ International; and (iii) other information required under the Listing Rules will be despatched by SZ International to its shareholders on or before 21 November 2022. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

#### **EXTRAORDINARY GENERAL MEETING OF SZ EXPRESSWAY**

SZ Expressway will convene the extraordinary general meeting, at which resolution(s) will be proposed to consider and, if thought fit, approve the Jihe Expressway R&E Project and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Jihe Expressway R&E Project and the transactions contemplated thereunder; (ii) the notice convening the extraordinary general meeting of SZ Expressway; and (iii) other information required under the Listing Rules will be despatched by SZ Expressway to its shareholders on or before 21 November 2022. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

## **JIHE EXPRESSWAY R&E PROJECT**

In order to meet the growing traffic demand and allow Jihe Expressway to better play its role as an influential expressway and an important infrastructure in the core area of the Guangdong-Hong Kong-Macao Greater Bay Area, the government plans to reconstruct and expand Jihe Expressway and SZ Expressway is selected as the social capital partner of the Jihe Expressway R&E Project.

Accordingly, on 30 September 2022, the Transport Commission and SZ Expressway entered into the PPP Contract. As the implementing party of the Jihe Expressway R&E Project, the Transport Commission will grant the entire concession operation right of Jihe Expressway during the cooperation period to SZ Expressway in accordance with the laws, while SZ Expressway will be responsible for the investment and construction of the Jihe Expressway R&E Project, as well as the operation and maintenance of the expressway upon completion of the construction work. SZ Expressway will receive the toll revenue, non-toll revenue, and financial feasible subsidy during the operation period. At the expiration or early termination of the cooperation period of the Jihe Expressway R&E Project, SZ Expressway shall hand over the Jihe Expressway to Shenzhen Municipal People's Government or its designated party. The total investment amount of the Jihe Expressway R&E Project is approximately RMB43.29 billion. The investment and financing structure is as follows:

- (1) Shenzhen Municipal People's Government will provide an investment subsidy of RMB15 billion during the construction period (including land use fees and demolition compensation fees), which will be managed by the Transport Commission;
- (2) As the social capital partner, SZ Expressway is responsible for raising the remaining amount of approximately RMB28.29 billion construction funds through its own funds and other marketised methods (including introduction of cooperative investors, establishment of investment funds, bank loans, issuance of bonds, etc.), of which SZ Expressway must contribute no less than 30% of the total project investment (approximately RMB12.987 billion) from its own fund as the project capital.

SZ Expressway will introduce SZCDTI as the cooperative investor of the Jihe Expressway R&E Project. On 30 September 2022, SZ Expressway and SZCDTI entered into the strategic cooperation framework agreement (I), pursuant to which the parties agreed to cooperate in investment in the Jihe Expressway R&E Project, and jointly fulfil the investment obligation under the PPP Contract. SZCDTI intends to raise fund of RMB1.4935 billion for investment in the Jihe Expressway R&E Project through policy-based and developed financial instruments or other legal methods, and obtain asset usage fee in return. Specific commercial conditions and implementation details with regards to the above are still under negotiation by the parties.

Moreover, SZ Expressway also selected the cooperative investor(s) to raise the investment fund of RMB13.809 billion through marketised selection, and has confirmed SZCDTI as the bid-winner and become the cooperative investor. On 30 September 2022, SZ Expressway and SZCDTI entered into the strategic cooperation framework agreement (II), pursuant to which the parties agreed to cooperate in investment in the Jihe Expressway R&E Project, jointly fulfil the investment obligations under the PPP Contract. SZCDTI intended to further raise fund of RMB13.809 billion (exclusive of the aforementioned RMB1.4935 billion) to invest in the Jihe Expressway R&E Project, and obtain asset usage fee in return. Specific commercial conditions and implementation details with regards to the above are still under negotiation by the parties.

The annualised expected rate of return for the investment by SZCDTI, the cooperative investor, in the Jihe Expressway R&E Project, is approximately 4%. SZ Expressway and SZCDTI will enter into a formal joint investment and construction agreement after the parties have reached agreement on the specific commercial conditions and implementation details. SZ International and SZ Expressway will make further announcement in compliance with the requirements under the Listing Rules as soon as practicable upon signing of the said joint investment and construction agreement.

Based on the aforesaid contract and agreements, SZ Expressway will invest approximately RMB12.987 billion in the Jihe Expressway R&E Project.

**PPP CONTRACT**

- Date : 30 September 2022
- Parties : Transport Commission; and SZ Expressway
- Investment amount : The total investment amount of the Jihe Expressway R&E Project is approximately RMB43.28993 billion, among which Shenzhen Municipal People's Government shall subsidise RMB15 billion, and SZ Expressway shall be responsible for raising the investment amount of RMB28.28993 billion. SZ Expressway may raise the fund through its own funds and other marketised methods (including introduction of cooperative investors, establishment of investment funds, bank loans, issuance of bonds, etc.). Nonetheless, SZ Expressway shall ensure not less than RMB12.98698 billion is financed by its self-owned fund.

SZ Expressway will pay the said amount in cash according to the construction progress determined jointly with Transport Commission. It is expected that all the fund will be paid in 5 to 7 years.

- Reconstruction and expansion : The scope of the Jihe Expressway R&E Project starts from Hezhou Interchange in the west (which is connected to Shenzhen-Zhongshan Corridor Shenzhen side connection and Guangzhou-Shenzhen Expressway), passes through Bao'an District, Longhua District, Fenggang Town in Dongguan, Longgang District, and ends at He'ao Interchange (which is connected to Huiyan Expressway).

SZ Expressway will be responsible for the implementation of the Jihe Expressway R&E Project. The project will be constructed pursuant to the standard of the composite three-dimensional two-way eight-lane expressway. The total length of the ground floor layer will be 41.434 km, and the total length of the upper layer will be 41.426 km.

Cooperation Period : The cooperation period comprises two phases being the construction period and the operation period: the construction period will commence from the date stated in the construction commencement notice issued by the project supervisor and shall be no more than 4 years unless extended or postponed as agreed by the parties. If the Jihe Expressway R&E Project cannot be completed before the said deadline due to SZ Expressway, the Transport Commission may allow a grace period of not more than one year. The operation period is tentatively set to be 25 years from the date when the project has passed the inspection and opened to traffic for toll , and the length of such period is subject to approval of the People's Government of Guangdong Province.

Ownership, operation rights and other rights of the Jihe Expressway R&E Project : The Transport Commission agreed to grant SZ Expressway the exclusive and complete concession operation right of the Jihe Expressway R&E Project during the cooperation period, which includes: toll collection right, advertising right, and the right to operate service facilities. SZ Expressway shall be responsible for raising fund of approximately RMB28.29 billion for the construction of the project and complete the construction works of the Jihe Expressway R&E Project within the agreed construction period and up to the standards.

The ownership of all expressway assets constructed under the Jihe Expressway R&E Project shall belong to the government and held by the Transport Commission on its behalf. SZ Expressway will have the right to use the expressway assets and the right to the corresponding investment income. SZ Expressway shall ensure that the assets are in good condition for use and hand over the Jihe Expressway R&E Project (including the expressway, the ancillary facilities and related materials) to Shenzhen Municipal People's Government or its designated party free of charge upon the expiration of the cooperation period.

During the construction period of the Jihe Expressway R&E Project, SZ Expressway may, in accordance with the law, finance from financial institutions for the construction of the Jihe Expressway R&E Project by pledging the right of expected income, etc. However, the amount of financing obtained by such pledge(s) shall not exceed RMB15.302953 billion, and period of such pledge(s) shall not exceed the cooperation period of the Jihe Expressway R&E Project.

The property right of the project is vested in the government and will be provided to SZ Expressway for the construction, operation and maintenance of the Jihe Expressway R&E Project without charge.

- Performance guarantee : SZ Expressway shall provide the Transport Commission with a construction performance guarantee of RMB500 million, an operation and maintenance guarantee of RMB260 million, and a handover and maintenance guarantee of RMB220 million during the relevant periods as guarantee for SZ Expressway to perform its specific obligations during the cooperation period.
- Overlapped toll collection period : If the construction work of the Jihe Expressway R&E Project completed and commenced the operation period prior to the expiry of the existing operation period of Jihe Expressway, the toll revenue of the first 100,000 standard cars/day (inclusive of such number) (being approximately RMB955 million/year) shall be treated as revenue generated from the Jihe Expressway before the reconstruction and expansion during the overlapped period from the operation commencement date of the Jihe Expressway R&E Project up to the expiry date of the existing operation period. The toll revenue corresponding to the part exceeding 100,000 standard cars/day shall be treated as revenue generated from the Jihe Expressway R&E Project, and accounted as revenue of the concession operation right of the Jihe Expressway R&E Project.
- Feasible subsidy : The Jihe Expressway R&E Project shall adopt a "feasible subsidy" return mechanism. In addition to the user-paid income (mainly comprises toll income), SZ Expressway will receive a feasible subsidy from the government every year during the operation period. The benchmark value of feasible subsidy is RMB1.265 billion, and the actual amount of feasible subsidy receivable by SZ Expressway every year will be determined in accordance with the results of the performance evaluation conducted by the Transport Commission on SZ Expressway. The feasible subsidy will be granted in full if the performance evaluation reaches the specified score or above. Otherwise, SZ Expressway needs to carry out rectification within the time limit as required by the Transport Commission. If the results of the performance evaluation is still below the specified score after the rectification, the feasible subsidy will be reduced by a proportion according to the contract. If there is any change in the valued added tax rate during the operation period, the government will adjust the basis of the feasible subsidy to eliminate the impact of the tax rate change, while the amount of the feasible subsidy shall not exceed RMB1.289 billion.
- Dynamic adjustment and distribution mechanism of toll revenue : Taking the expected annual toll revenue estimated by the Feasibility Report (revised) as benchmark, if the annual toll revenue of the Jihe Expressway R&E Project is lower than 90% of the estimated revenue stated in the Feasibility Report (revised), based on the difference between the actual toll revenue and 90% of the estimated revenue of the corresponding year, the government will evaluate the performance of SZ Expressway in the way mentioned above and determine the actual payment amount of the subsidy according to the results of the performance evaluation. If the annual toll revenue of the Jihe Expressway R&E Project is higher than 110% of the estimated revenue stated in the Feasibility Report (revised), the part

of revenue ranges from 110% to 120% shall be shared by the government and SZ Expressway at the ratio of 1:1, and any part of revenue which is higher than 120% (if any) will be solely belong to the government.

**Recalculation** : If the final approved operation period of the Jihe Expressway R&E Project is shorter than 25 years, Shenzhen Municipal People's Government will conduct recalculation based on the “resuming the same economic status” principle, and make adjustment such as increase the amount of the feasible subsidy or adjust the dynamic toll revenue distribution amount, etc. according to the results of its recalculation.

**Effectiveness** : The PPP Contract shall take effect upon signing and sealing by both parties. In the event SZ Expressway fails to complete the procedures and obtain approval from its shareholders at its general meeting (except for circumstances where SZ Expressway was slack in performing the relevant procedures) within 6 months from the effective date of the PPP Contract, the PPP Contract shall be terminated and the parties shall negotiate on follow-up matters to safeguard their respective legal rights and interests base on the principle of fairness.

## INFORMATION OF JIHE EXPRESSWAY

Jihe Expressway is an integral part of G15 Shenhai National Expressway. It starts from He’ao Interchange in Longgang District, Shenzhen (connecting to Huiyan Expressway) in the east, and passes through Longgang District of Shenzhen City, Fenggang Town of Dongguan City, Longhua District of Shenzhen City, and Bao’an District of Shenzhen City, ends at Hezhou Interchange in Bao'an District (connected to Shenzhen-Zhongshan Corridor Shenzhen side connection and Guangzhou-Shenzhen Expressway) in the west. Currently, Jihe Expressway is a two-way, six-lane expressway with a total length of approximately 43 km, including the Jihe East Section (Qinghu to He’ao) and the Jihe West Section (Airport to Qinghu), which were completed and opened to traffic in 1997 and 1999, respectively.

Currently, Jihe Expressway is wholly-owned, operated and managed by SZ Expressway. The operating data of Jihe Expressway and its contribution to SZ Expressway’s performance for the latest three years is as follows:

Year	2019	2020	2021
Average daily mixed traffic volume (number of vehicles in ten thousand)	49	50	55
Average daily toll revenue (RMB0’000)	403	294 <sup>Note</sup>	363
Proportion to SZ Expressway’s revenue (%)	22	17	17
Proportion to SZ Expressway’s net profit (before tax) (%)	38	31	28

Note: Toll free policy was implemented for 79 days in the COVID-19 pandemic prevention and control period in 2020, during which no toll was collected from all vehicles which used the expressway in compliance with the laws.

Jihe Expressway is an important east-to-west channel in Shenzhen's expressway network. It is also the core channel which provides speedy connection among the eastern, central and western regions of Shenzhen. It has been in operation for more than 23 years. With the economic development of Shenzhen and its surrounding areas, traffic demand has grown expeditiously, which has brought great pressure on Jihe Expressway to perform its function as an expressway. In addition, the Shenzhen-Zhongshan Corridor connecting with Jihe Expressway is expected to be completed in the second half of 2024, which will further increase the pressure on Jihe Expressway for traffic diversion.

## **INFORMATION OF THE JIHE EXPRESSWAY R&E PROJECT**

In order to meet the growing traffic demand and allow Jihe Expressway to better play its role as an influential expressway and an important infrastructure in the core area of the Guangdong-Hong Kong-Macao Greater Bay Area, the “14<sup>th</sup> Five-Year Plan” outlines of Guangdong Province and Shenzhen City classified the reconstruction and expansion of Jihe Expressway as a major project.

According to the Feasibility Report (revised), the Jihe Expressway R&E Project will adopt a three-dimensional composite channel model for the reconstruction and expansion. The construction period will be 4 years with grace period not exceeding 1 year. The construction works will be divided into ground layer and upper layer, both of which will be constructed pursuant to the standard of two-way eight-lane expressway. The expressway will have a length of approximately 41.4 km with a designated speed of 100 km per hour. The ground layer is mainly composed of the existing Jihe Expressway and the width on both sides will be extended, and it will also be supplemented by partial separated and newly constructed lines. The original 6-lane expressway will be rebuilt and expanded to 8 lanes, and the 13 interchanges among the expressway such as He'ao interchange will be renovated and expanded to connect with the major urban lines. The construction of the upper layer will focus on new construction, pursuant to which 4 interchanges will be built to connect the road network. After the reconstruction and expansion, the upper layer of Jihe Expressway will mainly serve medium and long-distance traffic, and the ground layer (the expanded existing expressway) will mainly serve medium and short-distance traffic. SZ Expressway will reasonably arrange the construction works and traffic organization to minimise the impact on the operation of Jihe Expressway during the construction period.

To cooperate with the government's overall planning and arrangement of its expressway construction work, enhance road safety and quality and improve the traffic environment, the board of directors of SZ Expressway approved the preliminary design and other preliminary work of the Jihe Expressway R&E Project in January 2018, and approved the commencement of the relocation work related to the first section and high-voltage power of Jihe Expressway in 2020. SZ Expressway is promoting the tender for the construction work of the Jihe Expressway R&E Project. Such construction works contracts are in the ordinary business of SZ Expressway.

SZ Expressway is the major entity for the construction and operation of the Jihe Expressway R&E Project. It is fully responsible for the overall operation and management of the construction, toll collection, facilities, road assets and finance of the Jihe Expressway R&E Project. SZ Expressway shall operate independently and be responsible for its profits and losses. Pursuant to the PPP Contract, SZ Expressway will be entitled to the operation right and interests of the existing lines and the newly constructed lines of Jihe Expressway, and shall bear the costs, taxes, responsibilities and risks related to its operation during the cooperation period.

## **BASIS OF DETERMINATION OF THE INVESTMENT AMOUNT CONTRIBUTED BY SZ EXPRESSWAY IN THE JIHE EXPRESSWAY R&E PROJECT**

The investment, construction, operation and cooperation plan and related provisions of the Jihe Expressway R&E Project were negotiated among SZ Expressway and the Transport Commission on arm's length negotiation and normal commercial terms. In reaching the plan and provisions, SZ Expressway had based on its investment and operation experience in its previous expressway projects and considered the location advantage of the Jihe Expressway R&E Project, investment scale of the Jihe Expressway R&E Project, expectation on its operation after the expressway is open to traffic, its strategic significance to SZ Expressway, and referred to the valuation report prepared by Pengxin Appraisal as one of the major consideration factors for its investment in the Jihe Expressway R&E Project.

## **VALUATION OF THE JIHE EXPRESSWAY R&E PROJECT**

SZ Expressway has appointed Pengxin Appraisal to conduct valuation and consultation on the market value of the asset group which contains the concession operation right of the Jihe Expressway R&E Project as at 31 December 2027. The asset group which contains the concession operation right of the Jihe Expressway R&E Project, as well as the corresponding input tax during the construction period. As such the said two assets in the asset group were valued separately.

Valuation of the concession operation right of the Jihe Expressway R&E Project has adopted the income approach, the basic idea is to estimate the value of the concession operation right by estimating the free operating cash flow before tax (FCFFBT) created by the concession operation right and adopting an appropriate discount rate. For the input tax assets during the construction period, the deductible input tax cash flow that can be realised after the base date of the input tax during the construction period is discounted to the base date accordingly. Principal assumptions (including business assumptions) for the subject valuation include:

- (1) Assuming as at the base date, the subject being assessed or all assets being assessed is in the trading process in the market, and the trading market is an open market;
- (2) Assuming as at the base date, the business entity in relation to the subject being assessed continues to operate in accordance with its existing business objectives, and all assets of the subject being assessed continue to be used according to their current purpose and conditions of use;
- (3) Assuming there be no material change in future economic environment, market environment, social environment (such as national macroeconomic policies, market supply and demand, fiscal and taxation policies, domestic and foreign trade policies, environmental protection policies, financial and monetary policies, etc.);
- (4) Assuming there be no material change in the tax and tax policy currently applicable to business entity of the asset group being assessed;
- (5) Assuming after the base date, there be no force majeure has a material adverse effect on the asset group being assessed;
- (6) Assuming after the base date, the accounting policy adopted by the asset group being assessed will remain consistent in all material aspects;
- (7) Within the forecast period, the construction and road network layout of the project are basically consistent with the senior-level planning, and there are no material adjustments;

- (8) Assuming the Jihe Expressway R&E Project will complete its construction and open to traffic on 1 January 2028, and the toll collection period is 25 years commencing from 1 January 2028 to 31 December 2052;
- (9) Assuming after completion of the construction of the Jihe Expressway R&E Project, the toll rate will be same as the toll rate of the expressways in Guangdong Province as at 30 June 2022 and will remain unchanged during its 25-year operation;
- (10) Assuming all parameters in relation to the discount rate are consistent with or similar to those as at the base date. For the calculation of the discount rate, the selected time point of all parameters in relation to the discount rate is 30 June 2022;
- (11) The total amount required to be invested by SZ Expressway is approximately RMB12.987 billion;
- (12) Assuming the feasible subsidy and the asset usage fee during the operation period of the Jihe Expressway R&E Project is RMB1.265 billion (tax inclusive) per year and RMB1.123 billion (tax inclusive) per year.

Pengxin Appraisal calculates the future operation and cash flow of the asset group which contains the concession operation right of the Jihe Expressway R&E Project based on the specific analysis of the future operating data forecast, operating environment, macro economy and industry of the asset group which contains the concession operation right of the Jihe Expressway R&E Project.

Based on the above prerequisites and assumptions, the valuation of the asset group which contains the concession operation right of the Jihe Expressway R&E Project as at the base date of 31 December 2027 is RMB13.916 billion.

The boards of directors of each of SZ International and SZ Expressway have reviewed the principal assumptions adopted in the valuation and consultation, and are of the view that the valuation and consultation have been made after due and careful enquiries. The calculation of discounted future estimated cash flows on which the valuation and consultation of Pengxin Appraisal is based has been reviewed by Deloitte Touche Tohmatsu, the auditor of SZ International, and Deloitte LLP, the auditor of SZ Expressway. The relevant letters from the respective boards of directors of SZ International and SZ Expressway, as well as the letters from Deloitte Touche Tohmatsu and Deloitte LLP are included in Appendices I, II, III and IV of this announcement, respectively.

## **REASONS FOR AND BENEFITS OF INVESTMENT IN JIHE EXPRESSWAY R&E PROJECT**

The investment, construction and operation and management of toll roads and expressway are within the scope of SZ Expressway's general and ordinary business. Jihe Expressway is part of the G15 Shenhai National Expressway, which is an important east-to-west channel in Shenzhen's expressway network, and also a major transportation artery between the Guangdong-Hong Kong-Macao Greater Bay Area and the core area of the Pearl River Delta. Jihe Expressway is one of the best quality projects of SZ Expressway in the Guangdong-Hong Kong-Macao Greater Bay Area. Since its construction and opening to traffic, its traffic flow has grown rapidly. In recent years, the revenue and profit contributed by Jihe Expressway were amounted to approximately 20% and 30% of SZ Expressway's revenue and profit, respectively. It has become an important cornerstone of SZ Expressway's sustainable development and its concession period will expire in 2027. With the economic development of Shenzhen and its surrounding areas, together with the improvement of the surrounding road network, the traffic demand has grown expeditiously, which has brought great pressure on Jihe Expressway to perform its function as an expressway. As such, the "14<sup>th</sup> Five-Year Plan" outlines of Guangdong Province and Shenzhen City classified the reconstruction and

expansion of Jihe Expressway as a major project. Pursuant to the Feasibility Report (revised) approved by the Department of Transport of Guangdong Province and the Implementation Plan approved by Shenzhen Municipal People's Government, the total investment amount of the Jihe Expressway R&E Project is approximately RMB43.29 billion. With the investment subsidy of RMB15 billion provided by the government, as well as the investment fund of approximately RMB15.3 billion, the actual amount to be invested by SZ Expressway is restrained at approximately RMB12.987 billion, while SZ Expressway can obtain the asset usage right and the corresponding right to investment return throughout the expected concession period of 25 years upon completion of the reconstruction and expansion of the project. Based on the parties' reasonable estimation of future traffic flow and toll revenue, the Investment and Financing Plan of the Jihe Expressway R&E Project has established a mechanism which involves government subsidy and introduction of cooperative investor(s), which effectively reduces the capital expenditure burden of SZ Expressway. The distribution mechanism of the project revenue also reflects the principle of risk and profit sharing on equal basis, which is fair and reasonable. Following the implementation of the Jihe Expressway R&E Project, the government's plan on transportation will be achieved, and the society and public transportation demands will be guaranteed, and SZ Expressway will obtain a reasonable investment return. As such, this is a win-win project which has taken the government, the society and private enterprise into consideration.

After reconstruction and expansion, the existing two-way six-lane of Jihe Expressway will be upgraded to a compound fast channel with two-way "8+8" lanes. It will significantly improve traffic organisation, effectively enhance the capacity of existing traffic routes, and meet the traffic needs of the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the integration of the Pearl River Delta. Through the Jihe Expressway R&E Project, SZ Expressway can effectively improve the asset quality of Jihe Expressway, extend the remaining comprehensive concession period of the expressway project, expand the scale of SZ Expressway's expressway assets, enlarge the room for future development of SZ Expressway's principal business of expressway, and further consolidate SZ Expressway's core advantages in investment, construction and operation of expressways.

Investment in the Jihe Expressway R&E Project is also in line with SZ International's strategy of consolidating high-quality infrastructure project resources. As SZ Expressway is a subsidiary of SZ International, the further consolidation of its core advantages is beneficial to the overall development of SZ International.

The boards of directors of each of SZ International and SZ Expressway are of the view that the proposal of investment in Jihe Expressway R&E Project and the terms and conditions thereunder are arrived after arm's length negotiation, on normal commercial terms and fair and reasonable. The implementation of the Jihe Expressway R&E Project is in the interests of each of SZ International, SZ Expressway and their respective shareholders as a whole.

## **INFORMATION OF THE PARTIES TO THE R&E CONTRACTS**

### *Transport Commission*

Transport Commission is a PRC governmental body under the Shenzhen Municipal People's Government overseeing the transport industry. It is primarily responsible for policy formulation, development planning, supervision and coordination in relation to the transport industry of Shenzhen, as well as the construction, maintenance and management of relevant facilities. To the best of the knowledge, information and belief of the respective directors of SZ International and SZ Expressway, having made all reasonable enquiries, the Transport Commission is an Independent Third Party.

## *SZCDTI*

SZCDTI is a limited company incorporated in the PRC which principally engages in investment activities, property management, engineering management services, municipal facilities management, expressway management and maintenance, roadbed and road maintenance, etc., SZCDTI is indirectly wholly-owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality, a PRC governmental body. To the best of the knowledge, information and belief of the respective directors of SZ International and SZ Expressway, having made all reasonable enquiries, SZCDTI and its ultimate beneficial owner are Independent Third Parties.

## *SZ International*

SZ International is a company incorporated in Bermuda. SZ International and its subsidiaries defines the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei areas as well as other major logistics gateway cities as key strategic regions. Through investment, mergers & acquisitions, restructuring and consolidation, the Group focuses on the investment, construction and operation of logistics infrastructure in the four major areas of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure" (including inland ports, urban integrated logistics parks, air cargo terminals and railway logistics terminals) and toll roads.

## *SZ Expressway*

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

## **LISTING RULES IMPLICATIONS**

As one or more applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Jihe Expressway R&E Project and the transactions contemplated thereunder is more than 25% but all lower than 100%, the Jihe Expressway R&E Project and the transactions contemplated thereunder constitute a major transaction for each of SZ International and SZ Expressway, and both companies are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **SPECIAL GENERAL MEETING OF SZ INTERNATIONAL**

SZ International will convene the special general meeting, at which resolution(s) will be proposed to consider and, if thought fit, approve the Jihe Expressway R&E Project and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the directors of SZ International, having made all reasonable enquiries, none of the shareholders of SZ International is required to abstain from voting on the resolution(s) approving the Jihe Expressway R&E Project and the transactions contemplated thereunder at the special general meeting.

A circular containing, among others, (i) further details of the Jihe Expressway R&E Project and the transactions contemplated thereunder; (ii) the notice convening the special general meeting of SZ International; and (iii) other information required under the Listing Rules will

be despatched by SZ International to its shareholders on or before 21 November 2022. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

**EXTRAORDINARY GENERAL MEETING OF SZ EXPRESSWAY**

SZ Expressway will convene the extraordinary general meeting, at which resolution(s) will be proposed to consider and, if thought fit, approve the Jihe Expressway R&E Project and the transactions contemplated thereunder. To the best of the knowledge, information and belief of the directors of SZ Expressway, having made all reasonable enquiries, none of the shareholders of SZ Expressway is required to abstain from voting on the resolution(s) approving the Jihe Expressway R&E Project and the transactions contemplated thereunder at the extraordinary general meeting.

A circular containing, among others, (i) further details of the Jihe Expressway R&E Project and the transactions contemplated thereunder; (ii) the notice convening the extraordinary general meeting of SZ Expressway; and (iii) other information required under the Listing Rules will be despatched by SZ Expressway to its shareholders on or before 21 November 2022. As additional time is required to collate the relevant information to be included in the circular, the expected date of despatch of the circular is more than 15 business days after the publication of this announcement.

**EXPERTS AND CONSENTS**

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

<i>Name</i>	<i>Qualifications</i>
Pengxin Appraisal	an independent qualified valuer in the PRC engaged in valuation
Deloitte LLP	Certified Public Accountant, the PRC
Deloitte Touche Tohmatsu	Certified Public Accountant, Hong Kong

To the best of knowledge, information and belief of the respective directors of SZ International and SZ Expressway, having made all reasonable enquiries, each of the above experts is an Independent Third Party of SZ International and SZ Expressway, respectively.

As at the date of this announcement, none of the above experts has any shareholding in any member of SZ International or SZ Expressway, nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of SZ International or SZ Expressway.

Each of the above experts 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.

## DEFINITIONS

“Feasibility Report (revised)”	<i>the feasibility study report (revised version) on the Jihe Expressway R&amp;E Project</i> approved by Department of Transportation of Guangdong Province
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	individuals or companies independent from SZ International and SZ Expressway and their respective connected persons (as defined in the Listing Rules)
“Jihe Expressway”	the expressway from Shenzhen International Airport to He’ao, which forms part of the Shenhai Expressway and comprises Jihe East section (Qinghu to He’ao) and Jihe West section (Airport to Qinghu)
“Jihe Expressway R&E Project”	the reconstruction and expansion project of the section from He’ao to Shenzhen International Airport of the Shenyang to Haikou Expressway, pursuant to which reconstruction and expansion of the standard of composite three-dimensional two-way eight-lane expressway will be carried out on the original lines of Jihe Expressway. The total length of the ground layer will be 41.434 km, and the total length of the upper layer is 41.426 km.
“Implementation Plan”	<i>the implementation plan of the PPP reconstruction and expansion project of the section from He’ao to Shenzhen International Airport of the Shenyang to Haikou Expressway</i> approved by Shenzhen Municipal People’s Government
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PPP”	Public-Private-Partnership, a partnership formed between the government and private entities based on the concession agreement for the purpose of constructing urban infrastructure or providing public goods and services
“PPP Contract”	<i>the contract in relation to the PPP reconstruction and expansion project of the section from He’ao to Shenzhen International Airport of the Shenyang to Haikou Expressway</i> entered into between Transport Commission and SZ Expressway on 30 September 2022 in respect of the Jihe Expressway R&E Project
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ 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 Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“SZCDTI”	Shenzhen SEZ Construction and Development of Transportation and Investment Co., Ltd. (深圳市特區建發交通投資有限公司), a limited liability company incorporated in the PRC
“Transport Commission”	Transport Commission of Shenzhen Municipality (深圳市交通運輸局)
“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)
“Deloitte LLP”	Deloitte Touche Tohmatsu Certified Public Accountants LLP
“Deloitte Touche Tohmatsu”	Deloitte Touche Tohmatsu

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*

30 September 2022

*As at the date of this joint announcement, the board of directors of SZ International consists of Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming as executive directors, Mr. Hu Wei and Dr. Zhou Zhiwei as non-executive directors and Mr. Pan Chaojin, Dr. Zeng Zhi and Dr. Wang Guowen as independent non-executive directors.*

*As at the date of this joint announcement, the directors of SZ Expressway are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. LIAO Xiang Wen (Executive Director and President), Mr. WANG Zeng Jin (Executive Director), Mr. WEN Liang (Executive Director), Mr. DAI Jing Ming (Non-executive Director), Ms. LI Xiao Yan (Non-executive Director), Mr. LÜ Da Wei (Non-executive Director), Mr. BAI Hua (Independent non-executive Director), Mr. LI Fei Long (Independent non-executive Director), Mr. MIAO Jun (Independent non-executive Director) and Mr. XU Hua Xiang (Independent non-executive Director).*

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

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

30 September 2022

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

Dear Sirs,

### **Rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**

Reference is made to the joint announcement (the “**Announcement**”) of Shenzhen International Holdings Limited (the “**Company**”) and Shenzhen Expressway Corporation Limited dated 30 September 2022, which mentioned the valuation and consultation (the “**Valuation**”) carried out by 深圳市鵬信資產評估土地房地產估價有限公司 (Shenzhen Pengxin Appraisal Limited) (“**Pengxin Appraisal**”) on the value of the asset group which contains the concession operation right of the Jihe Expressway R&E Project.

As the Valuation is prepared using the discounted future estimated 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 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 auditor, Deloitte Touche Tohmatsu, dated 30 September 2022 addressed to us regarding the discounted future estimated cash flows on which the Valuation is based, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the principal assumptions.

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

Yours faithfully,

By Order of the Board  
**Shenzhen International Holdings Limited**  
**Li Haitao**  
*Chairman*

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

30 September 2022

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

Dear Sirs,

**Rule 14.62 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**

Reference is made to the joint announcement (the “**Announcement**”) of Shenzhen International Holdings Limited and Shenzhen Expressway Corporation Limited (the “**Company**”) dated 30 September 2022, which mentioned the valuation and consultation (the “**Valuation**”) carried out by 深圳市鵬信資產評估土地房地產估價有限公司 (Shenzhen Pengxin Appraisal Limited) (“**Pengxin Appraisal**”) on the value of the asset group which contains the concession operation right of the Jihe Expressway R&E Project.

We have reviewed the Valuation for which Pengxin Appraisal is responsible, and discuss with Pengxin Appraisal on relevant matters (including the part of bases and assumptions upon which the Valuation has been prepared). We have also considered the letter from our auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, dated 30 September 2022 addressed to us regarding the discounted future estimated cash flows on which the Valuation is based, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the principal assumptions.

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

Yours faithfully,

By Order of the Board  
**Shenzhen Expressway Corporation Limited**  
**HU Wei**  
*Chairman*

## APPENDIX III

The following is the text of a report received from Shenzhen International Holdings Limited's auditor, Deloitte Touche Tohmatsu, 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 ASSET GROUP WHICH CONTAINS THE CONCESSION OPERATION RIGHT OF THE JIHE EXPRESSWAY R&E PROJECT**

#### **TO THE DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED**

We have examined the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") prepared by Shenzhen Pengxin Appraisal Limited dated 30 September 2022 of the asset group which contains the concession operation right of the Jihe Expressway R&E Project (as defined in the joint announcements (the "Announcement") dated 30 September 2022 to be issued by Shenzhen International Holdings Limited (the "Company") and Shenzhen Expressway Corporation Limited (a non wholly-owned subsidiary of the Company) in connection with the major transaction regarding investment in Jihe Expressway Reconstruction and Expansion Project) as at 31 December 2027 is based. 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 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 principal assumptions determined by the directors and set out in the Announcement (the "Principal Assumptions"). This responsibility includes carrying out appropriate procedures 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 Principal 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 all material respects, in accordance with the Principal Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and Principal 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 asset group which contains the concession operation right of the Jihe Expressway R&E Project.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Principal 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 Principal 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 Principal Assumptions.

Deloitte Touche Tohmatsu  
Certified Public Accountants  
Hong Kong

30 September 2022

## APPENDIX IV

The following is the text of a report received from Shenzhen Expressway Corporation Limited's auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, for inclusion in this announcement.



### **INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE ASSET GROUP WHICH CONTAINS THE CONCESSION OPERATION RIGHT OF THE JIHE EXPRESSWAY R&E PROJECT**

#### **TO THE DIRECTORS OF SHENZHEN EXPRESSWAY CORPORATION LIMITED**

We have examined the calculations of the discounted future estimated cash flows on which the valuation (the "Valuation") prepared by Shenzhen Pengxin Appraisal Limited dated 30 September 2022 of the asset group which contains the concession operation right of the Jihe Expressway R&E Project (as defined in the joint announcement (the "Announcement") dated 30 September 2022 to be issued by Shenzhen Expressway Corporation Limited (the "Company") and Shenzhen International Holdings Limited (the holding company of the Company) in connection with the major transaction regarding investment in Jihe Expressway Reconstruction and Expansion Project) as at 31 December 2027 is based. 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 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 principal assumptions determined by the directors and set out in the Announcement (the "Principal Assumptions"). This responsibility includes carrying out appropriate procedures 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 Principal 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 all material respects, in accordance with the Principal Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and Principal 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 asset group which contains the concession operation right of the Jihe Expressway R&E Project.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Principal 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 Principal 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 Principal Assumptions.

Deloitte Touche Tohmatsu  
Certified Public Accountants LLP  
Shanghai, China  
30 September 2022