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If you have sold or transferred all your shares in **Shenzhen Investment Holdings Bay Area Development Company Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected, for transmission to the purchaser(s) or the transferee(s).

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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)

MAJOR AND CONNECTED TRANSACTION

**DISPOSAL OF 22.5% AND 37.5% EQUITY INTEREST
IN THE PROJECT COMPANY AND
THE CORRESPONDING SHAREHOLDERS' LOANS
BY THE GROUP AND THE GPCG RESPECTIVELY**

A letter from the Board containing details of the Transaction Documents is set out on pages 6 to 18 of this circular.

The Company has obtained written Shareholders' approval for the Transaction Documents and the transaction contemplated thereunder pursuant to rule 14.44 of the Listing Rules from the relevant Shareholder who holds more than 50% of the issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be held to approve the Transaction Documents pursuant to rule 14.44 of the Listing Rules.

This circular is being despatched to the Shareholders for information only.

20 October 2020

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DEFINITIONS

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

“2019 Annual Report”	the annual report of the Company for the financial year ended 31 December 2019
“Amended JV Articles”	the amended articles of the Project Company dated 10 September 2020 entered into and adopted by the Parties
“Board”	the board of Directors
“Business Day”	a day on which banks in the PRC are generally open for normal banking business
“China Vanke”	China Vanke Co., Limited* (萬科企業股份有限公司), a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (Stock Code: 2202) and the A shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000002)
“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 Disposal
“Conditions”	shall have the meaning as defined under the section headed “(2) THE NEW JV AGREEMENT AND THE AMENDED JV ARTICLES — The maximum amount of contribution by the Parties” in the “LETTER FROM THE BOARD” of this circular
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the Subject Interests under the Disposal
“COVID-19 pandemic”	coronavirus disease (COVID-19) pandemic
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Subject Interests in accordance with the terms of the Transaction Agreement
“Exiting Party”	shall have the meaning as defined under the section headed “(2) THE NEW JV AGREEMENT AND THE AMENDED JV ARTICLES — Exit mechanism” in the “LETTER FROM THE BOARD” of this circular

DEFINITIONS

“GPCG”	Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司) and its subsidiaries collectively (including Guangdong Highway Construction, Lealu Investment, Leatop Real Estate and Leaxin Investment) as a group
“Greater Bay Area”	Guangdong-Hong Kong-Macao Greater Bay Area
“Group”	the Company and its subsidiaries from time to time
“Group’s 22.5% Disposed Equity Interest”	representing 22.5% equity interest owned by Shenwan Infrastructure to be disposed of under the Disposal
“Group’s Remaining Contribution”	shall have the meaning as defined under the section headed “(2) THE NEW JV AGREEMENT AND THE AMENDED JV ARTICLES — The maximum amount of contribution by the Parties” in the “LETTER FROM THE BOARD” of this circular
“GS Superhighway”	Guangzhou-Shenzhen Superhighway
“GS Superhighway JV”	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (廣深珠高速公路有限公司), a joint venture established by the Group in partnership with Guangdong Highway Construction for the operation and management of the GS Superhighway
“GuangDong Exchange”	GuangDong United Assets and Equity Exchange* (廣東聯合產權交易中心)
“Guangdong Highway Construction”	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), the PRC joint venture partner of GS Superhighway JV and a company established in the PRC with limited liability and a non wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being a state-owned enterprise established in the PRC
“GZ West Superhighway”	Guangzhou-Zhuhai West Superhighway, also known as the Western Delta Route
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	14 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Lealu Investment”	Guangzhou Lealu Investment Company Limited* (廣州利路實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Highway Construction

DEFINITIONS

“Leatop Real Estate”	Guangdong Leatop Real Estate Investment Co., Ltd.* (廣東利通置業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being a state-owned enterprise established in the PRC
“Leaxin Investment”	Guangzhou Leaxin Investment Company Limited* (廣州利新實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Leatop Real Estate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New JV Agreement”	the joint venture agreement dated 10 September 2020 entered into among the Parties in relation to the Project Company
“Parties”	collectively, Shenwan Infrastructure, Lealu Investment, Leaxin Investment and the Purchaser, and each a “Party”
“Post-Valuation Date Interests”	shall have the meaning as defined in sub-paragraph (b) under the section headed “(1) THE TRANSACTION AGREEMENT — Consideration” in the “LETTER FROM THE BOARD” of this circular
“Post-Valuation Date Period”	the period from 1 January 2020 up to the date of full settlement of the Consideration
“Post-Valuation Date Shareholders’ Loans and Interests”	shall have the meaning as defined in sub-paragraph (c) under the section headed “(1) THE TRANSACTION AGREEMENT — Consideration” in the “LETTER FROM THE BOARD” of this circular
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Valuation Report”	the valuation report dated 10 May 2020 issued by an independent valuer, GuangDong Union Trust Evaluation Co., Ltd.* (廣東聯信資產評估土地房地產估價有限公司), in respect of the value of the Subject Interests as at 31 December 2019, being the date of valuation
“Project”	the residential project on the Project Land by the Project Company

DEFINITIONS

“Project Company” or “Zhentong”	Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司), a joint venture established in the PRC for the development of the Project Land, the equity interest of which is originally held as to 37.5%, 37.5%, 20% and 5% by Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment respectively before the Disposal. After the Disposal, the equity interest of the joint venture is held as to 15%, 20%, 5% and 60% by Shenwan Infrastructure, Lealu Investment, Leaxin Investment and the Purchaser respectively
“Project Land”	the land (plot number: 83101203A19206) located at the Xintang interchange on both sides of the GS Superhighway, the details of which were disclosed in the announcement of the Company dated 29 November 2019
“Property Valuation Report”	the property valuation report dated 29 September 2020 issued by an independent property valuer, Cushman & Wakefield Limited, in respect of the value of the Project Land as at 27 August 2020
“Public Tender”	a public tender process carried out through GuangDong Exchange, Southern United Assets and Equity Exchange* (南方聯合產權交易中心) and Shenzhen United Property and Share Rights Exchange* (深圳聯合產權交易所)
“Purchaser” or “Shenzhen Run Investment”	Shenzhen Run Investment Consulting Co., Ltd.* (深圳市潤投諮詢有限公司), a company established in the PRC with limited liability
“Purchaser Group”	shall have the meaning as defined under the section headed “INFORMATION ON THE PARTIES” in the “LETTER FROM THE BOARD” of this circular
“Respective Party’s Limit”	shall have the meaning as defined under the section headed “(2) THE NEW JV AGREEMENT AND THE AMENDED JV ARTICLES — The maximum amount of contribution by the Parties” in the “LETTER FROM THE BOARD” of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Date”	17 September 2020
“SFO”	the Securities and Futures Ordinance (Chapter 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 the Share(s)

DEFINITIONS

“Shenwan Infrastructure”	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司), a company established in the PRC with limited liability by the Company for the purpose of investing into the Project Company
“SIICHIC”	Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (深圳投控國際資本控股基建有限公司), incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Equity Interest”	an aggregate of 60% equity interest in the Project Company (representing 22.5% equity interest owned by Shenwan Infrastructure and 37.5% equity interest owned by Guangdong Highway Construction) to be disposed of under the Disposal
“Subject Interests”	the Subject Equity Interest and the Subject Shareholders’ Loans and Interests to be disposed of under the Disposal
“Subject Shareholders’ Loans and Interests”	the shareholders’ loans advanced by Shenwan Infrastructure and Guangdong Highway Construction to the Project Company corresponding to their respective percentages of Subject Equity Interest (including the outstanding interests accrued thereon) to be disposed of under the Disposal
“Total Upper Limit”	shall have the meaning as defined under the section headed “(2) THE NEW JV AGREEMENT AND THE AMENDED JV ARTICLES — The maximum amount of contribution by the Parties” in the “LETTER FROM THE BOARD” of this circular
“Transaction Agreement”	the agreement in respect of the Disposal dated 10 September 2020 entered into among Shenwan Infrastructure, Guangdong Highway Construction and the Purchaser
“Transaction Documents”	the Transaction Agreement, the New JV Agreement and the Amended JV Articles collectively
“Valuation Date”	31 December 2019, being the date of valuation under the PRC Valuation Report
“Vendors”	Shenwan Infrastructure and Guangdong Highway Construction, and each a “Vendor”
“%”	per cent

* For identification purpose only

**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)

Executive Directors:

Mr. Tianliang ZHANG* (*General Manager*)
Mr. Cheng WU* (*Deputy General Manager*)
Mr. Ji LIU* (*Deputy General Manager and
secretary to the Board*)

Registered office:

P.O. Box 309
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Grand Cayman KY1-1104
Cayman Islands

Non-executive Directors:

Mr. Zhengyu LIU* (*Chairman*)
Mr. Junye CAI*
Mr. Weiguo ZONG*

***Head office and principal
place of business:***

Room 63-02, 63rd Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Independent Non-executive Directors:

Mr. Brian David Man Bun LI JP
Mr. Yu Lung CHING
Mr. Tony Chung Nin KAN SBS, JP

20 October 2020

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

**DISPOSAL OF 22.5% AND 37.5% EQUITY INTEREST
IN THE PROJECT COMPANY AND
THE CORRESPONDING SHAREHOLDERS' LOANS
BY THE GROUP AND THE GPCG RESPECTIVELY**

INTRODUCTION

Reference is made to the announcement of the Company dated 10 September 2020 relating to the Disposal and the entering into of the Transaction Documents. The purpose of this circular is to provide you with, among other things, (i) further information on the Transaction Documents; (ii) the financial information of the Group; and (iii) other information as required to be disclosed under the Listing Rules.

THE PUBLIC TENDER

Reference is made to the announcements of the Company dated 12 June 2020 and 19 July 2020 in relation to the potential disposal of 22.5% and 37.5% equity interest in the Project Company and the corresponding shareholders' loans by the Group and the GPCG respectively through the Public Tender. The online bidding procedure under the Public Tender in relation to

LETTER FROM THE BOARD

the Disposal has ended, and Shenzhen Run Investment, a wholly-owned subsidiary of China Resources Land Limited (Stock Code: 1109), has been confirmed by GuangDong Exchange as the successful bidder of the Public Tender.

The transaction price of RMB1,985,689,026.68 for the Subject Equity Interest and Subject Shareholders' Loans and Interests as at 31 December 2019 is the highest bidding price obtained through the online bidding process under the Public Tender, among which RMB744,633,385.01 had been paid to Shenwan Infrastructure and RMB1,241,055,641.67 had been paid to Guangdong Highway Construction. In addition to the payment of the transaction price mentioned above, (i) the Post-Valuation Date Interests and (ii) the Post-Valuation Date Shareholders' Loans and Interests (on a dollar-for-dollar basis) had also been paid by the Purchaser to the Vendors as part of the total consideration for the Subject Interests.

THE TRANSACTION DOCUMENTS

On 10 September 2020, the following Transaction Documents were entered into which together constitute a connected transaction of the Company at the subsidiary level under Chapter 14A of the Listing Rules and a major transaction of the Company under Chapter 14 of the Listing Rules, the details of which are set out below.

(1) THE TRANSACTION AGREEMENT

Date

10 September 2020

Parties

- (1) Shenwan Infrastructure, as the Vendor;
- (2) Guangdong Highway Construction, as the Vendor; and
- (3) Shenzhen Run Investment, as the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are independent third parties and are not connected with the Company or its connected persons.

Subject Interests

Pursuant to the terms and conditions of the Transaction Agreement, the Vendors agree to sell and assign, and the Purchaser agrees to purchase and take the assignment of, (i) an aggregate of 60% equity interest (representing 22.5% equity interest owned by Shenwan Infrastructure and 37.5% equity interest owned by Guangdong Highway Construction) in the Project Company (the major asset of which is the land use right of the Project Land) and (ii) the corresponding Subject Shareholders' Loans and Interests held by Shenwan Infrastructure and Guangdong Highway Construction as at the date of full settlement of the Consideration.

LETTER FROM THE BOARD

The equity-holding structures of the Project Company before and after Completion are illustrated below:

	Before Completion	After Completion
Shenwan Infrastructure	37.5%	15%
Guangdong Highway Construction	37.5%	—
Lealu Investment	20%	20%
Leaxin Investment	5%	5%
The Purchaser	—	60%

Consideration

The Consideration consists of:

- (a) the transaction price of RMB1,985,689,026.68 in respect of the Subject Equity Interest and the Subject Shareholders' Loans and Interests as at 31 December 2019, which is the highest bidding price obtained through the Public Tender, among which RMB744,633,385.01 shall be paid to Shenwan Infrastructure and RMB1,241,055,641.67 shall be paid to Guangdong Highway Construction by the Purchaser.

The minimum bidding price in the Public Tender of RMB1,225,689,026.68 was determined with reference to the PRC Valuation Report issued by an independent qualified appraisal institution in the PRC in respect of the valuation of the Subject Interests (taking into account the assets (major asset being the interest in the Project Land) and the liabilities of the Project Company) as at 31 December 2019, being the Valuation Date, among which, (i) the valuation for the 22.5% equity interest in the Project Company and the corresponding shareholder's loan (together with the outstanding interests accrued thereon) (on a dollar-for-dollar basis) held by Shenwan Infrastructure were approximately RMB272,898,700 and RMB186,734,700 respectively; and (ii) the valuation for the 37.5% equity interest in the Project Company and the corresponding shareholder's loan (together with the outstanding interests accrued thereon) (on a dollar-for-dollar basis) held by Guangdong Highway Construction were approximately RMB454,831,100 and RMB311,224,500 respectively;

- (b) the interests further accrued on the Subject Shareholders' Loans and Interests as at 31 December 2019 at the rate of 8 per cent per annum during the Post-Valuation Date Period (the "**Post-Valuation Date Interests**") shall be paid by the Purchaser to the Vendors on a dollar-for-dollar basis. As at the Settlement Date, the Post-Valuation Date Interests payable to Shenwan Infrastructure and Guangdong Highway Construction amounted to RMB10,789,117.16 and RMB17,981,861.93 respectively; and
- (c) the shareholders' loans further advanced by Shenwan Infrastructure and Guangdong Highway Construction to the Project Company during the Post-Valuation Date Period corresponding to their respective percentages of equity interest in the Project Company to be transferred to the Purchaser under the Disposal together with interests accrued thereon at the rate of 8 per cent per annum from the date of advancement of such shareholders' loans up to the date of full settlement of the Consideration (the "**Post-Valuation Date**");

LETTER FROM THE BOARD

Shareholders' Loans and Interests”) shall be paid by the Purchaser to the Vendors on a dollar-for-dollar basis. As at the Settlement Date, the Post-Valuation Date Shareholders' Loans and Interests payable to Shenwan Infrastructure and Guangdong Highway Construction amounted to RMB335,010,000.00 and RMB558,350,000.00 respectively.

As disclosed on page 36 of the 2019 Annual Report, as the shareholders' loans provided by the shareholders of the Project Company to the Project Company in December 2019 bore interest at the rate of 8 per cent per annum, the Subject Shareholders' Loans and Interests as at the Valuation Date (i.e. 31 December 2019) and the further shareholders' loans advanced by the Vendors to the Project Company after the Valuation Date also bore interest at the rate of 8 per cent for the Post-Valuation Date Period under the Transaction Agreement.

As at 31 December 2019, the audited net book value of the Group's 22.5% Disposed Equity Interest was approximately RMB1.1 million, therefore, the excess of the corresponding portion of the Consideration for the Group's 22.5% Disposed Equity Interest over the audited net book value of the Group's 22.5% Disposed Equity Interest is approximately RMB556.8 million.

As the Subject Shareholders' Loans and Interests have been disposed of and transferred to the Purchaser on a dollar-for-dollar basis, the consideration for the Subject Shareholders' Loans and Interests represents the net book value of the Subject Shareholders' Loans and Interests.

According to the Property Valuation Report, the market value of the Project Land as at 27 August 2020 was RMB6,593,000,000. Having considered the PRC Valuation Report and the Property Valuation Report, the Board considers that the Consideration has taken into account the market value of the Project Land, and thus is fair and reasonable and on normal commercial terms.

Payment terms

The Consideration shall be paid in cash in the following manner:

- (a) within 5 Business Days from the effective date of the Transaction Agreement, part of the Consideration in the amount of RMB1,617,982,318.68 (being the amount of the transaction price deducting the earnest money of RMB367,706,708.00 already paid by the Purchaser to Guangdong Exchange in the Public Tender process) shall be payable in lump sum by the Purchaser to the Vendors through a custodian account designated by Guangdong Exchange;
- (b) within 3 Business Days from the date of receipt of the payment mentioned in (a) above from the Purchaser by Guangdong Exchange and the settlement of the transaction service fees by the Vendors and the Purchaser to Guangdong Exchange, Guangdong Exchange shall transfer to the Vendors the respective amounts of the transaction price (including the earnest money) payable to them, being RMB744,633,385.01 to Shenwan Infrastructure and RMB1,241,055,641.67 to Guangdong Highway Construction; and
- (c) the consideration for the Post-Valuation Date Interests and Post-Valuation Date Shareholders' Loans and Interests shall be payable in cash by the Purchaser to the respective Vendors directly in lump sum on the same date on which the Purchaser makes the payment as mentioned in sub-paragraph (a) above.

The Consideration was fully settled on the Settlement Date.

LETTER FROM THE BOARD

Completion of the Disposal

Within 30 days after the issuance of a transaction certificate to the Vendors and the Purchaser by Guangdong Exchange, the Vendors and the Purchaser shall proceed to complete all necessary filing and registration procedures with the relevant government authorities to give effect to the transfer of the Subject Equity Interest, the Amended JV Articles and the appointments of the directors and other senior management as required under the New JV Agreement.

(2) THE NEW JV AGREEMENT AND THE AMENDED JV ARTICLES

On 10 September 2020, the Parties also entered into the New JV Agreement and the Amended JV Articles to regulate their respective rights and obligations in relation to the management, operation and affairs of the Project Company after the Purchaser becomes a shareholder of the Project Company, the principal terms of which are set out below.

The Project Company

Upon Completion, the Project Company shall be owned as to 15%, 20%, 5% and 60% by Shenwan Infrastructure, Lealu Investment, Leaxin Investment and the Purchaser respectively. The Project Company's scope of business shall include real estate development and operation, self-owned real estate operating activities, car park operation, investment consulting service, property leasing operation, venue leasing operation (excluding warehouses), property management, property agency and property consultancy. The Project Company shall continue to be engaged in the development of residential project on the Project Land.

Registered capital of the Project Company

The registered capital of the Project Company is RMB10,000,000, among which RMB1,500,000 is owned by Shenwan Infrastructure, RMB2,000,000 is owned by Lealu Investment, RMB500,000 is owned by Leaxin Investment and RMB6,000,000 is owned by the Purchaser, representing their respective percentages of equity interest in the Project Company upon Completion.

The maximum amount of contribution by the Parties

The maximum amount of contribution (whether by way of registered capital, shareholders' loans, or in any other nature) by the Parties to the Project Company shall not exceed RMB6,800,000,000 in total (the "**Total Upper Limit**"), among which the maximum contribution by Shenwan Infrastructure shall not exceed RMB1,020,000,000, the maximum contribution by Lealu Investment shall not exceed RMB1,360,000,000, the maximum contribution by Leaxin Investment shall not exceed RMB340,000,000 and the maximum contribution by the Purchaser shall not exceed RMB4,080,000,000 (each Party's respective maximum contribution amount, the "**Respective Party's Limit**").

*(Note: As registered capital and shareholder's loan have been injected by Shenwan Infrastructure to the Project Company prior to the Disposal, part of which will be transferred to the Purchaser under the Transaction Agreement, the remaining amount of contribution which may become payable by Shenwan Infrastructure to the Project Company after Completion will only be approximately RMB682,000,000 (the "**Group's Remaining Contribution**").)*

LETTER FROM THE BOARD

Any increase of the Respective Party's Limit is subject to the fulfilment of the following conditions (the "**Conditions**"):

- (i) the Parties shall have obtained the approvals or authorisations from their internal regulatory units and relevant regulatory authorities, and fulfilled the relevant regulatory requirements in relation to foreign investment in real estate, foreign exchange, source of funding for bidding of land and disclosures of listed companies, etc.;
- (ii) in respect of Shenwan Infrastructure, the listing rules applicable to the Company must have been complied with, and the relevant approvals of the Stock Exchange (if applicable) and shareholders' approval of the Company (if applicable) must have been obtained; and
- (iii) the written consent of the Parties must have been obtained.

The total investment amount of the Project Company is not bound by the Total Upper Limit. The Project Company may arrange financing from banks or other third parties for the cost of development of the Project Land with the use of its own credit and assets.

In the event where (i) the Project Company fails to obtain financing from banks and/or other third parties for investment and construction of the Project, and (ii) the amount of contribution by the Parties has reached the Total Upper Limit and the Parties cannot reach an agreement to increase the Respective Party's Limit, the Purchaser is responsible for the financing of the investment and construction of the Project.

Information on the Project Land

The land premium for the land use rights of the Project Land is RMB4,124,000,000, which has to be paid by the Project Company in two instalments. The Project Company has already settled the first instalment in the amount of RMB2,062,000,000. According to the terms of the land grant contract and subsequent approval by the relevant government authority, the second instalment in the amount of RMB2,062,000,000 shall be paid by 25 January 2021, which shall be funded by the Parties by way of shareholders' loans to the Project Company on a pro rata basis as part of the Respective Party's Limit.

Shareholders' loans by the Parties

Before the Project Company is capable of obtaining financing from external source or if the financing obtained by the Project Company is insufficient to meet the funding needs for development of the Project Land, the Parties shall provide shareholders' loans to the Project Company in proportion to their respective equity interest in the Project Company. The provision of any shareholder's loan by the Parties shall be subject to the Respective Party's Limit or the fulfilment of the Conditions if the provision of any shareholder's loan exceeds the Respective Party's Limit.

Prior to the provision of any shareholder's loan to the Project Company, the lending Party and the Project Company shall enter into a shareholder's loan agreement, specifying, among other things, the loan interest rate, loan term, repayment date and liabilities for default, etc., such terms being the same for all lending Parties in respect of the same batch of shareholders' loans. The repayment of the same batch of shareholders' loans (or any part thereof) by the Project Company shall be made among the lending shareholders on a pro rata basis.

LETTER FROM THE BOARD

External financing of the Project Company

Upon attaining the necessary financing conditions, the Project Company shall first meet its funding needs for subsequent development and construction of the Project Land through financing obtained from banks and/or other financial institutions with its own credit and assets.

In the event that the registered capital of the Project Company does not meet the financing requirements of banks and/or other financial institutions, the Parties shall, subject to the limit of the Total Upper Limit and the fulfilment of the Conditions, increase the registered capital of the Project Company according to the requirements of the banks and/or other financial institutions to meet the financing needs.

Any request for provision of shareholders' guarantee for the Project Company's financing shall be subject to the approvals or authorisations from their internal regulatory units and relevant regulatory authorities.

Exit mechanism

After 95% of the total saleable area of the residential project on the Project Land has been sold, Shenwan Infrastructure, Lealu Investment and Leaxin Investment may exit from their investment in the Project Company by transferring their respective equity interest in the Project Company through equity exchange centres. The Purchaser shall participate in the public tender and make a valid bid according to the appraised price of the Project Company at that time.

However, before 95% of the total saleable area of the residential project on the Project Land has been sold, the Parties should in principle not exit from their investment in the Project Company unless the New JV Agreement provides otherwise. During the development and construction stage of the Project Land, if a Party proposes to transfer its equity interest in the Project Company (the "**Exiting Party**") which is agreed by the other Parties, the other Parties shall have the pre-emptive right to purchase the equity interest of the Exiting Party in the Project Company on the same terms. If the other Parties do not exercise their pre-emptive right, the Exiting Party may transfer its equity interest in the Project Company to a third party. The Exiting Party shall ensure that the transferee unconditionally take up all the rights, obligations and responsibilities of the Exiting Party under the New JV Agreement.

Restriction on transfer, mortgage, pledge, etc.

The Parties may not directly or indirectly transfer, mortgage, pledge or create any encumbrance on any part of their equity interest in the Project Company except with the unanimous consent of all the Parties (save for permitted intra-group transfer of the respective Parties).

Default mechanism

Failure to provide shareholder's loan or capital contribution to the Project Company as agreed in accordance with the New JV Agreement will constitute a breach of contract and the defaulting Party shall compensate the Project Company and non-defaulting Party for all losses arising therefrom, including but not limited to the forfeiture of the Project Land by the government authority, penalty and damages payable to the government authority as a result of delay in payment of the land premium and related taxes and any other penalties and damages relating to failure of settlement of development costs in relation to the development of the Project Land.

LETTER FROM THE BOARD

Overdue capital contribution/shareholders' loans

If the defaulting Party fails to provide its shareholder's loan in full by the stipulated time according to the New JV Agreement, other non-defaulting Parties will have the right to advance the relevant shareholder's loan not provided by the defaulting Party to the Project Company and such advancement will be treated as shareholders' loans advanced by the non-defaulting Parties to the Project Company. In this connection, the non-defaulting Parties advancing the shareholders' loans will also be entitled to take up a corresponding pro rata portion of the registered capital of the Project Company held by the defaulting Party calculated in accordance with the New JV Agreement without payment of any consideration to the defaulting Party, and the Parties' respective percentage of equity interest in the Project Company shall be adjusted accordingly. The non-defaulting Parties shall also have the option to exit the Project Company by (i) transferring their equity interest to third party(ies) or (ii) requiring the defaulting Party to acquire the non-defaulting Parties' equity interest or (iii) dissolving the Project Company with the non-defaulting Parties having the priority to receive distribution of assets.

The defaulting Party shall pay a penalty amounting to 0.05% of the overdue payment per day to the non-defaulting Parties (i) until it has fulfilled its obligation of providing the capital contribution/shareholder's loan to the Project Company; or (ii) if other non-defaulting Parties have provided to the Project Company the relevant capital contribution/shareholder's loan not provided by the defaulting Party, until the non-defaulting Parties have taken up the corresponding pro rata portion of the registered capital of the Project Company held by the defaulting Party upon completion of the registration and filing procedures with the government authorities, or (iii) until the non-defaulting Parties have ceased to be shareholders of the Project Company.

Development and Management of the Project

The Purchaser shall be responsible for appointing or engaging an experienced and capable project management team to be in charge of the development and management of the Project, while Shenwan Infrastructure, Lealu Investment and Leaxin Investment shall be entitled to supervise, inspect and enquire about the financial and operational information of the Project and the Project Company.

Profits distribution

The profits of the Project Company, after repayment of shareholders' loans (including interests accrued thereon), discharge of other liabilities due for payment, retaining of the relevant statutory reserve funds and payment of related taxes, may be distributed to the shareholders of the Project Company on a pro rata basis in accordance with their respective percentages of the paid-up registered capital of the Project Company (subject to adjustments in accordance with the New JV Agreement). Profits distribution plan is subject to unanimous approval by the shareholders of the Project Company.

Management structure of the Project Company

Composition of the board of directors

The board of directors of the Project Company shall consist of seven directors, of which Shenwan Infrastructure shall appoint one director, Lealu Investment shall appoint one director, Leaxin Investment shall appoint one director, and the Purchaser shall appoint four directors. The chairman of the Project Company shall be a director appointed by Leaxin Investment.

LETTER FROM THE BOARD

Supervisors

The Project Company shall have two supervisors, one appointed by Shenwan Infrastructure and one by Leaxin Investment. Directors and senior management of the Project Company may not concurrently serve as supervisors.

Senior management

The Project Company shall have (i) one general manager (who shall also serve as the legal representative of the Project Company) appointed by the Purchaser, (ii) two deputy general managers, one appointed by Shenwan Infrastructure and one by Leaxin Investment, (iii) one financial controller appointed by Leaxin Investment, and (iv) one finance manager appointed by the Purchaser.

Matters requiring unanimous consent of shareholders of the Project Company

The following matters shall require unanimous consent of the shareholders of the Project Company: (i) to appoint and replace the directors and supervisors in accordance with the nominations of the respective shareholders; (ii) to examine and approve the profit distribution plans, loss recovery plans, surplus fund withdrawal plans and other fund allocation plans; (iii) to adopt resolutions on the increase or reduction of registered capital of the Project Company; (iv) to adopt resolutions on the Project Company's financing arrangements (including obtaining shareholders' loans and issuing corporate bonds), external mortgage of its assets and external guarantees provided by the Project Company (except mortgage guarantees provided to home buyers); (v) to adopt resolutions on the transfer or pledge of equity interest in the Project Company by its shareholders to third parties; (vi) to adopt resolutions on matters such as merger, division, dissolution, liquidation and change in corporate form of the Project Company; (vii) to adopt amendment of the articles of association of the Project Company; (viii) to approve the plans concerning the purchase/disposal of material assets (except the sale of commodity apartments, commercial properties, parking spaces and other properties developed and constructed on the Project Land); (ix) to examine and approve the Project Company's related party transactions with related parties; (x) to examine and approve the results of the Project Company's audited annual financial report; and (xi) to examine and approve the results of asset appraisals.

Matters requiring unanimous consent of the board of directors of the Project Company

The following matters shall require unanimous consent of the board of directors of the Project Company: (i) to formulate and to revise the overall and annual operating policies of the Project; (ii) to formulate and to revise the investment plans of the Project Company; (iii) to prepare annual financial budgets and financial statements; (iv) to formulate the profit distribution plans, loss recovery plans, surplus fund withdrawal plans and other fund allocation plans; (v) to formulate plans on the increase or reduction of registered capital of the Project Company; (vi) to formulate plans on the Project Company's financing arrangements (including obtaining shareholders' loans and issuing corporate bonds), external mortgage of its assets and external guarantees provided by the Project Company (except mortgage guarantees provided to home buyers); (vii) to formulate plans for the merger, division, dissolution, liquidation and change in corporate form of the Project Company; (viii) to formulate the Company's basic management system (including salary system, personnel management system, financial management system, tender and bidding system, system of using company chop) and rights and responsibilities system; (ix) to formulate the plans concerning the purchase/disposal of material assets (except the sale of commodity apartments, commercial properties, parking

LETTER FROM THE BOARD

spaces and other properties developed and constructed on the Project Land); and (x) to examine and approve major adjustments to the operating plans of the Project as stated in the Amended JV Articles.

UNDERTAKING BY CONTROLLING SHAREHOLDER OF PURCHASER

China Resources (Shenzhen) Company Limited* (華潤(深圳)有限公司), an indirect controlling shareholder of the Purchaser, has also separately provided an undertaking to Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment (i) that the shareholding structure of the Purchaser shall remain unchanged (unless otherwise agreed by all the shareholders of the Project Company) during the period when the Purchaser holds equity interest in the Project Company, and (ii) to assume the obligations and responsibilities of the Purchaser under the Transaction Agreement and the New JV Agreement should the Purchaser fail to perform such obligations and responsibilities.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION DOCUMENTS

As disclosed in the 2019 Annual Report, the Project Company intends to introduce professional property developer as strategic partner to optimise its shareholder structure and to take advantage of the strategic partner's professionalism in developing large-scale premium residential project. The Disposal by way of Public Tender has provided the opportunity to the Project Company to select the most appropriate strategic partner among the bidders with the best available terms in the market.

The Purchaser Group is experienced in developing large-scale premium residential projects in the PRC. The Company believes that it is in the interest of the Group and the Project Company to leverage on the Purchaser Group's expertise, experience and resources in planning the development and managing the construction works of the Project, which in turn will facilitate the development of the Project Land and enhance the reputation and overall benefit of the Project.

FINANCIAL EFFECTS OF THE TRANSACTION DOCUMENTS

The Disposal is expected to realise a gain on disposal before tax of approximately RMB543.9 million for the Group upon Completion, which is estimated based on the Consideration received from the Disposal of approximately RMB1,090.4 million less corresponding shareholder's loan (together with the outstanding interest accrued thereon) (on a dollar-for-dollar basis) held by Shenwan Infrastructure as at 31 December 2019 of approximately RMB186.7 million less Post-Valuation Date Interests held by Shenwan Infrastructure of approximately RMB10.8 million less Post-Valuation Date Shareholders' Loans and Interests held by Shenwan Infrastructure of approximately RMB335.0 million and less related fees of approximately RMB14.0 million and taking into consideration that the unaudited net book value of the Group's 22.5% Disposal Equity Interest at the date of Completion amounted to zero. It will result in an increase in profit after tax of approximately RMB407.7 million after considering the corresponding income tax expenses of approximately RMB135.9 million. Shareholders are reminded that the actual profits will be recognised in the financial statements of the Company upon Completion and subject to audit by the auditor of the Company, therefore the actual profit may differ from the abovementioned amount.

The Group expected to receive a net proceed of approximately RMB940.5 million from the Disposal, which is estimated based on the Consideration received from the Disposal of approximately RMB1,090.4 million less related fees of approximately RMB14.0 million and income tax expenses of approximately RMB135.9 million.

LETTER FROM THE BOARD

In the event of Completion, the amount due from a joint venture will decrease whereas the bank balances and cash of the Group will increase. The net assets position of the Group is expected to increase by approximately RMB407.7 million.

Upon Completion, the Group will hold 15% equity interest in the Project Company and the Project Company remains the joint venture of the Group, and its results will continue to be equity-accounted for by the Group.

USE OF PROCEEDS

The proceeds from the Disposal of approximately RMB1,090.4 million will, after deducting all relevant expenses, charges and taxes, be used for the payment of the Group's Remaining Contribution, future potential investments and general working capital.

LISTING RULES IMPLICATIONS

Guangdong Highway Construction, being a substantial shareholder of GS Superhighway JV (a deemed subsidiary of the Company), is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Disposal, being a joint disposal by Shenwan Infrastructure and Guangdong Highway Construction, and the New JV Agreement and the Amended JV Articles entered into among Shenwan Infrastructure, Lealu Investment (being a subsidiary of Guangdong Highway Construction), Leaxin Investment (being an indirect subsidiary of the holding company of Guangdong Highway Construction) and the Purchaser, together constitute a connected transaction of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) have approved the Transaction Documents and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Transaction Documents are fair and reasonable, on normal commercial terms (though not in the ordinary and usual course of business of the Group) and in the interests of the Company and the Shareholders as a whole. By reason of the aforesaid, the Transaction Documents are subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios in relation to the Transaction Documents exceed 25% but all of them are less than 75%, the transaction contemplated thereunder also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As none of the Directors has any material interest in the Transaction Documents, none of the Directors was required to abstain from voting on the board resolutions approving the Transaction Documents.

WRITTEN SHAREHOLDERS' APPROVAL

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder or any of their respective associates has any material interest in the Transaction Documents and thus none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction Documents.

A written shareholders' approval from SIICHIC with respect to the Transaction Documents and the transaction contemplated thereunder has been obtained on 10 September 2020. As at the date of such approval and as at the Latest Practicable Date, SIICHIC holds

LETTER FROM THE BOARD

2,213,449,666 Shares, representing approximately 71.83% of the issued share capital of the Company. Accordingly, no Shareholders' meeting of the Company is required to be convened for the approval of the Transaction Documents pursuant to rule 14.44 of the Listing Rules.

INFORMATION ON THE PROJECT COMPANY

The Project Company, incorporated on 29 November 2019, is principally engaged in the property development business. Set out below is the key audited financial information of the Project Company for the period from its incorporation on 29 November 2019 to 31 December 2019 prepared in accordance with the International Financial Reporting Standards as disclosed on pages 124 to 125 of the 2019 Annual Report:

**For the period from
its incorporation on
29 November 2019
to 31 December 2019**
RMB'000

Loss before taxation and extraordinary items	5,030
Loss for the period	5,030

(Note: No tax expenses were recorded in the period)

As disclosed in the 2019 Annual Report, the audited net asset value of Project Company as at 31 December 2019 (based on the International Financial Reporting Standards) amounted to approximately RMB4,971,000.

The original acquisition cost of the Group's 22.5% equity interest in the Project Company disposed of under the Disposal was RMB2,250,000.

INFORMATION ON THE PARTIES

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

Shenwan Infrastructure, an indirect non-wholly owned subsidiary of the Company held by the Company as to 97.5%, is principally engaged in infrastructure and correlated businesses and set up for the potential development and utilisation of the land along the GS Superhighway. The ultimate holding company of the Company is Shenzhen Investment Holdings Co., Ltd (深圳市投資控股有限公司), a company established in the PRC with limited liability and wholly-owned by Shenzhen Municipal State-owned Assets Supervision and Administration Commission.

The Project Company, a joint venture established in the PRC for the development of the Project Land, is principally engaged in the property development business.

LETTER FROM THE BOARD

The GPCG is principally engaged in construction and operation of expressways and related financing operation, transportation and logistics, ancillary resources comprehensive operations and related services, operations of expressways facilities, research and development, design and supervisory and management services, which is ultimately controlled by the People's Government of Guangdong Province.

Guangdong Highway Construction, a non wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), is principally engaged in development, investment and operation of expressways in Pearl River Delta, which is the PRC joint venture partner of GS Superhighway JV.

Lealu Investment, a wholly-owned subsidiary of Guangdong Highway Construction, is principally engaged in commercial service businesses and set up for the potential development of the Project Land.

Leaxin Investment, a wholly-owned subsidiary of Leatop Real Estate, which is a wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), is principally engaged in commercial service businesses and set up for the potential development of the Project Land.

Shenzhen Run Investment, a wholly-owned subsidiary of China Resources Land Limited, is principally engaged in consultancy services. China Resources Land Limited, the shares of which are listed on the Stock Exchange (Stock Code: 1109), together with its subsidiaries (the “**Purchaser Group**”), is principally engaged in property development and property investment. China Resources Land Limited is indirectly held as to 59.55% by China Resources Company Limited, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

RECOMMENDATIONS

As the Board (including the independent non-executive Directors) considered that the terms of the Transaction Documents are on normal commercial terms, and are fair and reasonable, and in the best interests of the Group and the Shareholders as a whole, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the Transaction Documents if the Company were to convene a general meeting for the approval of the same.

ADDITIONAL INFORMATION

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

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

* For identification purpose only

1. FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the two financial years ended 30 June 2017 and 2018 is disclosed in the annual reports of the Company for the financial years ended 30 June 2017 and 2018 respectively, the audited financial information of the Group for the six months ended 31 December 2018 is disclosed in the annual report of the Company for the six months ended 31 December 2018, and the audited financial information of the Group for the financial year ended 31 December 2019 is disclosed in the 2019 Annual Report, all of which have been published and are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sihbay.com):

- the annual report 2016/2017 of the Company for the financial year ended 30 June 2017 published on 20 September 2017 (see pages 107 to 160)
(available on: <http://www.hkexnews.hk/listedco/listconews/sehk/2017/0920/ltn20170920609.pdf>);
- the annual report 2017/2018 of the Company for the financial year ended 30 June 2018 published on 26 September 2018 (see pages 79 to 123)
(available on: <http://www.hkexnews.hk/listedco/listconews/sehk/2018/0926/ltn20180926055.pdf>);
- the annual report 2018 of the Company for the six months ended 31 December 2018 published on 26 March 2019 (see pages 83 to 138)
(available on: <http://www.hkexnews.hk/listedco/listconews/sehk/2019/0326/ltn20190326408.pdf>); and
- the 2019 Annual Report published on 16 April 2020 (see pages 85 to 145)
(available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041600251.pdf>)

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2020, being the latest practicable date for the purpose of indebtedness statement of the Group prior to the printing of this circular, the Group had the following outstanding indebtedness:

	<i>RMB'000</i>
Bank loans	
Unsecured and guaranteed	<u>1,113,576</u>

The Group's guaranteed bank loans were guaranteed by the Company.

Save as aforesaid, and apart from the intra-group liabilities, the Group did not have any debt securities issued and outstanding, any authorised or otherwise created but unissued, term loans, other borrowings, indebtedness in nature of borrowings including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase

commitments, debentures, mortgages, charges, recognised lease liabilities which are either guaranteed, unguaranteed, secured, or unsecured, or other material contingent liabilities or guarantees outstanding at the close of business on 31 August 2020.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the announcements of the Company dated 17 February 2020 and 29 April 2020 respectively, the 2019 Annual Report and the interim report 2020 of the Company for the six months ended 30 June 2020 relating to the waiver of tolls on toll roads during the prevention and control of epidemic caused by the COVID-19 pandemic from 17 February 2020 to 5 May 2020 (both days inclusive), which was applicable to the GS Superhighway and the GZ West Superhighway operated by the Group's joint ventures, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the existing cash and bank balances, available banking facilities and other financial resources available to the Group including internally generated funds, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group currently operates two expressways namely, the GS Superhighway and the GZ West Superhighway and engages in the development of residential project on the Project Land, which all are located at the core area of the Greater Bay Area.

As a measure of prevention and control of the COVID-19 pandemic, tolls of toll roads in the PRC were waived nationwide from 17 February 2020 to 5 May 2020. During the aforesaid period, tolls of the GS Superhighway and the GZ West Superhighway were waived for 79 days in total and brought negative impact on the business performance of the Group in the first half of 2020. Since toll collection for toll roads nationwide resumed from 6 May 2020, toll revenue and traffic volume of the GS Superhighway and the GZ West Superhighway have been recovering gradually. In August 2020, the average daily toll revenue of the GS Superhighway and the GZ West Superhighway increased by 3% year-on-year and decreased by 7% year-on-year respectively.

Developing the Greater Bay Area is a crucial development strategy of the PRC. After launching the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (“**Outline Plan**”) in February 2019, the Central Committee of the Communist Party of China and the State Council of the PRC released the Opinion on Building Shenzhen into a Pilot Demonstration Area of Socialism with Chinese Characteristics (《中共中央國務院關於支援深圳建設中國特色社會主義先行示範區的意見》) in August 2019, creating an unprecedented opportunity with synergies of two areas. With effective control of the COVID-19 pandemic by the Guangdong provincial and local governments, economic and social activities resumed in an

orderly manner and operation and production activities in cities across Guangdong Province fully resumed, which contributed to domestic economic recovery and boosted the rebound of transportation demand. It is expected that the short-term economic shock caused by the COVID-19 pandemic will not change the general favourable trend of the economy within the area led by the development of the Greater Bay Area.

In order to progressively drive the objectives set out in the Outline Plan, local governments are expected to further enhance infrastructure construction and urban land planning. Therefore, studies on the planning of land along the GS Superhighway have been included in the feasibility studies on the expansion of the GS Superhighway as a special topic, aiming to integrate the expansion with development and utilisation of the land and seeking a win-win solution that is in line with the land planning of the local government so as to realise the value of land along the GS Superhighway. Engagement in the development of residential project on the Project Land and the proceeds brought from the Disposal have demonstrated the positive outcome of this business strategy preliminarily.

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the Project Land held by the Project Company as at 27 August 2020.



16/F
Jardine House
1 Connaught Place
Central
Hong Kong

20 October 2020

The Directors
Shenzhen Investment Holdings Bay Area Development Company Limited
Room 63-02, 63rd Floor,
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

Re: The Project Land (land plot number: 83101203A19206) in land use of Type II residential located at the Xintang interchange on both sides of the GS Superhighway in Nan'an Village* and Xindun Village* of the Xintang Town, Zengcheng District, Guangzhou Municipality, Guangdong Province, the People's Republic of China (the "**Project Land**") 位於中華人民共和國廣東省廣州市增城區新塘鎮南安村及新墩村之廣深高速公路兩側的新塘立交用地性質為二類居住用地(地塊編號: 83101203A19206)的項目土地

INSTRUCTIONS, PURPOSE AND VALUATION DATE

In accordance with your instructions for us to value the Project Land held by Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司*) (the "**Project Company**"), a joint venture of Shenzhen Investment Holdings Bay Area Development Company Limited (referred to as the "**Company**") and its subsidiaries (together referred to as the "**Group**") in the People's Republic of China (the "**PRC**") (as more particularly described in the valuation report), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Project Land as at 27 August 2020 (the "**Valuation Date**").

DEFINITION OF MARKET VALUE

Our valuation of the Project Land represents its Market Value which in accordance with HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors (“HKIS”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION BASIS AND ASSUMPTIONS

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In valuing the Project Land, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, and The HKIS Valuation Standards 2017 published by HKIS.

In the course of our valuation of the Project Land in the PRC, we have relied on the information and advice given by the Group and its legal advisor, Beijing Dentons Law Offices, LLP (Shenzhen), regarding the title of the Project Land and the interest of the Group’s joint venture in the Project Land. In valuing the Project Land, we have prepared our valuation on the basis that the Group’s joint venture has an enforceable title to the Project Land and has free and uninterrupted rights to use, occupy or assign the Project Land for the whole of the unexpired land use term as granted.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Project Land nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Project Land is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

In respect of the Project Land situated in the PRC, the status of title and grant of major certificates, approvals and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation report.

METHOD OF VALUATION

In valuing the Project Land which is held by the Group’s joint venture for development in the PRC, we have valued the Project Land on the basis that it will be developed and completed in accordance with the latest development proposals provided to us by the Group (if any). We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been or will be obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuation, we have adopted the Direct

Comparison Approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the developments. The “estimated Market Value as if completed” represents our opinion of the aggregate selling prices of the development assuming that it was completed as at the Valuation Date.

Direct comparison approach is the best approach for property valuation in theory because it is a market approach showing what price levels that the buyers really paid for the properties in the market. However, this approach has limitation for application especially in the event that relevant property transactions are few and the nature of properties are not uniform. Direct comparison approach is a method of valuation based on comparing the property to be assessed directly with other comparable properties which recently changed hands. These premises are generally located in the surrounding areas or in another market which is comparable to the property. However, because of the heterogeneous nature of properties, appropriate adjustments are usually required to allow for any qualitative and quantitative difference that may affect the price likely to be achieved by the property under consideration. The Project Land under valuation has sufficient transactions in the relevant market and direct comparison approach is a suitable method for valuing the Project Land.

SOURCES OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group regarding the title of the Project Land and the interests of the Group’s joint venture in the Project Land. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, proposed development scheme including scheduled date of commencement and completion of construction works, particulars of occupancy, site and floor areas, interest attributable to the Group’s joint venture and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the title of the Project Land in the PRC but no searches have been made in respect of the Project Land. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Project Land in the PRC and we have therefore relied on the advice given by the Group and the PRC legal opinion prepared by the Company’s legal advisor regarding the interests of the Group’s joint venture in the PRC Project Land.

SITE INSPECTION

We have inspected the Project Land on 14 September 2020. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the Project Land and we have assumed that the area shown on the documents handed to us are correct. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

The following are the information of our valuers who have inspected the Project Land.

Name of valuer	Qualification of the valuer	No. of year experience in property valuation in the PRC
Mr. Adam Zeng	MRICS, Registered China Real Estate Appraiser	20
Mr. Jeff Ou	MRICS, Registered China Real Estate Appraiser	18

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi, the official currency of the PRC.

We enclose herewith our valuation report.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Limited
Philip C Y Tsang
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MRICS, MHKIS
Director
Valuation & Advisory Services

Note: Mr. Philip C Y Tsang is a Registered Professional Surveyor who has over 27 years of experience in the valuation of properties in the PRC.

This valuation report is prepared by Mr. Peter W. C. Loi, MRICS, MHKIS, RPS (General Practice), Registered China Real Estate Appraiser who has over 26 years of experience in the valuation of properties in the PRC, under the supervision of Philip C Y Tsang.

VALUATION REPORT

The Project Land held by the Group's joint venture for development in the PRC

The Project Land	Description and tenure	Particulars of occupancy	Market value in existing state as at 27 August 2020										
The Project Land (land plot number: 83101203A19206) in land use of Type II residential located at the Xintang interchange on both sides of the GS Superhighway in Nanan Village* and Xindun Village* of the Xintang Town, Zengcheng District, Guangzhou Municipality, Guangdong Province, the PRC	<p>The Project Land comprises two parcels of land with a total site area of approximately 199,781.98 sq. m.</p> <p>The two parcels of land are situated on the both side of the junction of two expressways, i.e. Xintang Interchange.</p> <p>As advised by the Group, a medium scale residential development with ancillary commercial, communal and car parking facilities is planned to be developed on the Project Land with proposed gross floor area as follows:</p>	As at the Valuation Date, the Project Land was land pending development.	No commercial value.										
	<table border="0"> <thead> <tr> <th>Use</th> <th>Planned Approximate Gross Floor Area (sq. m.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>579,568</td> </tr> <tr> <td>Commercial</td> <td>19,778</td> </tr> <tr> <td>Underground car park and ancillary facilities</td> <td><u>260,000</u></td> </tr> <tr> <td>Total</td> <td><u><u>859,346</u></u></td> </tr> </tbody> </table>	Use	Planned Approximate Gross Floor Area (sq. m.)	Residential	579,568	Commercial	19,778	Underground car park and ancillary facilities	<u>260,000</u>	Total	<u><u>859,346</u></u>		
Use	Planned Approximate Gross Floor Area (sq. m.)												
Residential	579,568												
Commercial	19,778												
Underground car park and ancillary facilities	<u>260,000</u>												
Total	<u><u>859,346</u></u>												

As advised by the Group, the proposed development is scheduled to be commenced in June 2021 and completed in June 2024.

The immediate locality of the Project Land is a sub-urban area in Guangzhou where are predominated by residential developments with commercial and communal facilities.

The Project Land is held with land use rights with terms of 70 years for residential use, 40 years for commercial use and 50 years for other uses from 25 December 2019.

Notes:

- (1) According to a Grant Contract of State-owned Land Use Rights No. 440183-2019-000052 entered into between 廣州市規劃和自然資源局 (Guangzhou Municipal Bureau of Planning and Natural Resources) (the “Grantor”) and the Project Company (the “Grantee”) on 25 December 2019, the Grantor has granted the land use rights of the Project Land to the Grantee with the particulars as follows:

Location	:	Nanan Village* and Xindun Village* of Xintang Town, Zengcheng District, Guangzhou, Guangdong Province, the PRC
Plot number	:	83101203A19206
Site Area	:	199,781.98 sq. m.
Maximum Permitted Developable Gross Floor Area	:	599,346.00 sq. m. plus underground basement floor area of 260,000.00 sq. m for car parking and ancillary facilities uses.
Uses	:	Residential
Land Use Term	:	70 years for residential use, 40 years for commercial use and 50 years for other use from 25 December 2019.
Land Premium	:	RMB4,124,000,000
Building covenant	:	The proposed development should be completed within 48 months after delivery of the possession of the Project Land.
Land use covenant	:	The Grantee is required to sign contract with Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited for renovation and building the designated construction works on the junction of the two expressways, i.e. Xintang Interchange and a sky park for the public at the cost borne by the Grantee.

As advised by the Group, part of the land premium of RMB2,062,000,000 had been paid to the Grantor.

We have ascribed no commercial value to the Project Land as valid State-owned Land Use Rights Certificates have not been obtained by the Group’s joint venture. For illustrative purpose, had the Group’s joint venture obtained valid State-owned Land Use Rights Certificates for the Project Land, the market value of the Project Land as at Valuation Date would be RMB6,593,000,000.

As advised by the Group, the Project Company and 廣東省公路建設有限公司 (Guangdong Provincial Highway Construction Company Limited) had entered into a contract on 30 March 2020 in relation to the construction and management of certain ancillary works required by the local government in connection with the development of the land including the transformation of the Xintang Interchange, construction of a sky park for the public and transformation and construction of roads connecting the sky park and the residential development and construction of greenway, etc. at a fixed contract sum of RMB2,491,000,000.

- (2) According to the Business License dated 29 November 2019, the Project Company has been established on 29 November 2019 as a limited company with a registered capital of RMB10,000,000.
- (3) As advised by the Group, the total expended construction cost for the proposed development as at the Valuation Date was nil whilst the outstanding construction cost for completion of the proposed development as at the Valuation Date was approximately RMB4,296,730,000. We have taken into account such amounts in our valuation.
- (4) The market value of the proposed development when completed is estimated at approximately RMB16,029,000,000.

(5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, *inter alia*, the following information:

(i) According to joint venture agreement dated 29 November 2019, the Project Company, a joint venture established in the PRC for the development of the Project Land, the equity interest of which is originally held as to 37.5%, 37.5%, 20% and 5% by Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司) (“**Shenwan Infrastructure**”), an indirect non-wholly owned subsidiary of the Company, Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) (“**Guangdong Highway Construction**”), Guangzhou Lealu Investment Company Limited* (廣州利路實業投資有限公司) (“**Lealu Investment**”) and Guangzhou Leaxin Investment Company Limited* (廣州利新實業投資有限公司) (“**Leaxin Investment**”) respectively.

The contribution of the registered capital made by Guangdong Highway Construction, Lealu Investment, Leaxin Investment and Shenwan Infrastructure are determined with reference to their respective percentage of equity interest in the Project Company.

(ii) The Grant Contract of Stated-owned Land Use Rights of the Project Land is valid, legal and enforceable under the PRC laws;

(iii) After payment of the remaining land premium, the Project Company has no legal impediment to obtain State-owned Land Use Rights Certificates; and

(iv) After obtained the State-owned Land Use Rights Certificates, the Project Company has the rights to occupy, use, lease, mortgage and transfer the land use rights of the Project Land.

(6) The status of title and grant of major approvals and licenses in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	No
Grant Contract of Stated-owned Land Use Rights	Yes
Business License	Yes

(7) Our major assumptions in our valuation method are as follows:

Use of land	Adopted Accommodation Value (RMB/sq. m.)
Residential with ancillary commercial, communal and car parking facilities	11,000

In undertaking our valuation, we have made reference to various recent land sale transactions of similar land use within the same district. The achieved accommodation values of those similar land sale transactions range from approximately RMB9,684 per sq. m. to RMB13,770 per sq. m.

The above accommodation value adopted by us are consistent with the level of the recent land sale transactions of similar land use within the same district as mentioned above.

* For identification purposes only

The following is the summary of a valuation report prepared for the purpose of incorporation in this circular received from Guangdong Union Trust Evaluation Co., Ltd. (廣東聯信資產評估土地房地產估價有限公司), an independent valuer, in connection with its opinion on the value of the Subject Interests as at 31 December 2019.*

For the purposes of this Appendix III, in case of any inconsistency between the Chinese version and the English version of this circular, the Chinese version of this circular shall prevail.

This asset valuation report is prepared in accordance with the Asset Valuation Standards of China

**Asset Valuation Report on the Value of the Equity Interest in and
the Shareholders' Loans to
Guangzhou Zhentong Development Company Limited*
(廣州臻通實業發展有限公司) Held and to be Transferred Jointly
by Guangdong Provincial Highway Construction Company Limited*
(廣東省公路建設有限公司) and
Shenwan Bay Area Infrastructure (Shenzhen) Company Limited*
(深灣基建(深圳)有限公司)**

Lian Xin Ping Bao Zi [2020] No. Z0012
(聯信評報字[2020]第Z0012號)

Asset Valuation Report No.4444020005202000240

GUANGDONG UNION TRUST EVALUATION CO., LTD.*
(廣東聯信資產評估土地房地產估價有限公司)

10 May 2020

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- VIII. COPY OF PROOF OF MAJOR OWNERSHIP OF THE VALUATION OBJECT
- IX. COPY OF COMMITMENT LETTER OF THE CLIENTS (OWNERS)
- X. COPY OF COMMITMENT LETTER OF THE ASSET APPRAISERS
- XI. COPY OF BUSINESS LICENSE OF GUANGDONG UNION TRUST EVALUATION CO., LTD.
- XII. COPY OF FILING ANNOUNCEMENT ON ASSET VALUATION OF GUANGDONG UNION TRUST EVALUATION CO., LTD.
- XIII. COPIES OF QUALIFICATION CERTIFICATES OF ASSET APPRAISERS

PART I STATEMENT

We solemnly declare:

- (I) This Asset Valuation Report was prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Valuation and Code of Ethics for Asset Valuation issued by China Appraisal Society.
- (II) The clients or other users of this Asset Valuation Report shall use this report within the scopes as specified in it in accordance with the laws and administrative rules and regulations. We, the asset appraisal agency and its asset appraisers take no responsibility for any non-compliance of above-mentioned requirements for the use of this Asset Valuation Report by the clients or other users of this Report.

This Asset Valuation Report shall only be used by the clients, other users of this Asset Valuation Report specified in the engagement letter for valuation service, and users of the Asset Valuation Report as required by laws and administrative rules and regulations. Save for the above, this Asset Valuation Report shall not be used by any other agencies or individuals.

We, the asset appraisal agency and its asset appraisers advise that the users of this Asset Valuation Report should properly interpret the valuation results, which is not equivalent to the realizable value of the valuation object and should not be considered a guarantee for the realizable value of the valuation object.

- (III) We, the asset appraisal agency and its asset appraisers and other asset valuation professionals adhere to the principles of independence, objectivity and impartiality, comply with the requirements of relevant laws, regulations and asset Valuation Standards, and assume the corresponding legal responsibility for the issued valuation report.
- (IV) The assets and liabilities list and the future business plan of the valuation object have been reported and confirmed with signatures, seals or other ways as permitted under the laws by the clients and Zhentong. The clients and other parties concerned are legally responsible for the truthfulness, completeness and legality of the information provided.
- (V) We, the asset appraisal agency and its asset appraisers have no existing or expected relationship of interests with the valuation object in this Asset Valuation Report nor with the parties concerned and have no prejudice against the parties concerned.
- (VI) The asset appraisers have carried out on-site inspection on the valuation object in this Asset Valuation Report and its assets involved, given necessary attention to the legal titles of the valuation object and its assets involved, verified the information related to the legal titles of the valuation object and its assets involved, made proper disclosure in respect of the identified issues, and requested the clients and other parties concerned to perfect the titles in order to fulfil the requirements for the issuance of an asset valuation report.

- (VII) The analyses, judgments and results in this Asset Valuation Report issued by us, the asset appraisal agency, are subject to the assumptions and limitations in this Asset Valuation Report. The users of this Asset Valuation Report shall take into full account of the assumptions, limitations and explanatory notes to special matters specified in this Asset Valuation Report and their impacts on the valuation conclusion.
- (VIII) The asset appraisers and their valuation agencies have the professional qualifications and relevant professional valuation experiences required for valuation service. Except for the work of valuation agencies or experts disclosed in the valuation report, no other work results of other valuation agencies or experts were used during the valuation process.
- (IX) The valuation agency and its valuation professionals shall not be held responsible for the flaws in the appraised assets that may affect the appraised value of assets which are not generally discoverable with the professional experience of the valuation professionals and have not been specified in the engagement.

PART II SUMMARY

IMPORTANT

The content set out below is extracted from the text of the Asset Valuation Report. Please read the text of the Asset Valuation Report for details of this appraisal service and proper understanding of valuation conclusion.

Clients (owners): Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) (hereinafter referred to as “Guangdong Highway Construction”) and Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司) (hereinafter referred to as “Shenwan Infrastructure”)

Purpose of valuation: Guangdong Highway Construction and Shenwan Infrastructure intend to jointly transfer the 60% equity interest in Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure) and the 60% shareholders’ loans (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure). The asset valuation conclusion will provide reference for the calculation of related asset value in such economic behavior.

Pursuant to the Approval of the Bidding and Development of Land Plots of the Xintang Interchange on the GS Superhighway (Yue Jiao Ji Tou [2019] No. 145) issued by Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), such economic behavior of Guangdong Highway Construction had been approved by its superior authority.

Pursuant to the Letter to Authorise Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) to Engage an Asset Appraisal Agency (letter of Shenwan Infrastructure (2019) No. 02), Shenwan Infrastructure and Guangdong Highway Construction intend to jointly transfer their equity interest in Zhentong, and authorize Guangdong Highway Construction to be in charge of asset valuation of the Project.

Valuation object and scope of valuation: The valuation object and scope of the valuation in the Project cover the 60% equity interest in Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure) and the 60% shareholders’ loans (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure).

Type of value: The type of value used in this appraisal is market value. Market value refers to the estimated amount at which a willing purchaser and a willing vendor will carry out a normal transaction at arm’s length in respect of the valuation object on the valuation date under rational circumstances without any coercion or suppression.

Valuation benchmark date: 31 December 2019

Implementation process of valuation procedures: Acceptance of engagement, investigation of assets, valuation and estimation, summary of valuation and submission of report.

Major valuation methods: Adopting asset-based approach and income approach for valuation of long-term equity investments, whereas adopting cost approach for valuation of loans.

Valuation conclusion: The conclusion under cost approach is adopted as the valuation conclusion of the asset valuation. Based on the investigation, evaluation and estimation, as at the Valuation Benchmark Date of 31 December 2019, the carrying value of 37.5% equity interest in Zhentong being appraised (entrusted by Guangdong Highway Construction) amounted to RMB3,750,000, and the assessed value was RMB454,831,100, representing an increase of 12,028.83%; the carrying value of loans being appraised amounted to RMB311,224,500, and the assessed value was RMB311,224,500, with no increase or decrease; the carrying value of the equity interest and loans being appraised amounted to RMB314,974,500 in total, and the total assessed value was RMB766,055,600 (in words: RMB SEVEN HUNDRED AND SIXTY-SIX MILLION FIFTY-FIVE THOUSAND AND SIX HUNDRED ONLY), representing an increase of 143.21% (for details of the valuation conclusion, please refer to the evaluation details).

The carrying value of 22.5% equity interest in Zhentong being appraised (entrusted by Shenwan Infrastructure) amounted to RMB2,250,000, and the assessed value was RMB272,898,700, representing an increase of 12,028.83%; the carrying value of loans being appraised amounted to RMB186,734,700, and the assessed value was RMB186,734,700, with no increase or decrease; the carrying value of the equity interest and loans being appraised amounted to RMB188,984,700 in total, and the total assessed value was RMB459,633,400 (in words: RMB FOUR HUNDRED AND FIFTY-NINE MILLION SIX HUNDRED AND THIRTY-THREE THOUSAND AND FOUR HUNDRED ONLY), representing an increase of 143.21% (for details of the valuation conclusion, please refer to the evaluation details).

Explanation on special issues:

- (I) BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch* (立信會計師事務所(特殊普通合夥)廣東分所) conducted an audit on the financial position as at 31 December 2019 and the operating results and cash flow in 2019 of Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司), being the investee of the long-term equity investment, and issued a Special Audit Report on Asset and Capital Verification (Xin Kuai Shi Yue Bao Zi [2020] No. 50002) and an Audit Report without qualified opinion (Xin Kuai Shi Yue Bao Zi [2020] No. 20001). The valuation is based on audited and adjusted data, which shall be brought to the attention of the users of the report.

(II) According to the information provided by the clients, as at 30 April 2020, the carrying value of 37.5% shareholders' loans of Zhentong held by Guangdong Highway Construction amounted to RMB805,672,848.56, the carrying value of 22.5% shareholders' loans of Zhentong held by Shenwan Infrastructure amounted to RMB483,403,709.14, which shall be brought to the attention of the users of the report.

The analyses, judgments and conclusions in this Valuation Report issued by us are subject to the assumptions and limitations in this Valuation Report. The users of this Valuation Report shall take into full account of the assumptions, limitations and explanatory notes to special matters specified in this Valuation Report and their impacts on the valuation conclusion.

Validity of valuation conclusion: The validity for use of this valuation conclusion is one year from the Valuation Benchmark Date, i.e. the validity of the valuation conclusion is from 31 December 2019 to 30 December 2020.

Report date of valuation: The date of this Valuation Report is 10 May 2020, which is the date of forming the professional valuation opinion.

PART III TEXT

Asset Valuation Report

Lian Xin Ping Bao Zi [2020] No. Z0012

To: Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) and Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司)

Guangdong Union Trust Evaluation Co., Ltd. (hereinafter referred to as the “Company”) has accepted your engagement to conduct an valuation on the market value of the 60% equity interest in Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure) and the 60% shareholders’ loans (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure) regarding the intended transfer your equity interest and shareholders’ loans as at 31 December 2019, pursuant to the laws, administrative regulations and asset valuation standards, and by adhering to the principles of independence, objectivity and impartiality and adopting the income approach and cost approach in accordance with the necessary valuation procedures. The asset valuation conclusions are reported as follows:

I. INFORMATION ON THE CLIENTS (OWNERS) AND OTHER USERS OF THE VALUATION REPORT

(I) Information on the clients (Owners)

1. Client (Owner) 1:

Name:	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) (hereinafter referred to as “Guangdong Highway Construction”)
Unified social credit code:	91440000190335177J
Address:	Room No. 728, Wuyang Xincheng Plaza, No. 111-115 Si You Xin Ma Road, Yuexiu District, Guangzhou, Guangdong Province
Legal representative:	Kangchen WANG* (王康臣)
Registered capital:	RMB TEN BILLION EIGHT HUNDRED MILLION
Type of company:	Limited liability company (state-holding)

Scope of business:	Construction, investment and management of highway, bridge, tunnel and transportation infrastructure, technical consultation, leasing of road machines; sale of building materials and engineering machinery equipment; vehicle rescue service (operated by a subsidiary). (for business subject to approval as required by law, it can only be commence in accordance with the approval after being approved by the relevant authority)
Date of establishment:	16 April 1987
Operation period:	Long-term
2. <i>Client (Owner) 2:</i>	
Name:	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司) (hereinafter referred to as “Shenwan Infrastructure”)
Unified social credit code:	91440300MA5FUWGM29
Address:	9th Floor, Building A, 1st Floor, Wuzhou Guest House, No. 6001 Shennan Road, Xinsha Community, Shatou Street, Futian District, Shenzhen City
Legal representative:	Tianliang ZHANG* (張天亮)
Registered capital:	RMB1,500,000,000
Type of company:	Limited liability company (wholly foreign-owned enterprise from Taiwan, Hong Kong or Macau)
Scope of business:	Infrastructure engineering; real estate brokerage and real estate information consultancy; property management; leasing of self-owned property; import and export business; investment consultation.
Date of establishment:	16 October 2019
Operation period:	Long-term

(II) Relationship between the clients and the Owners

The clients and the Owners are the same.

(III) Users of the Report Other Than the clients

Except for the clients and users of the Valuation Report as specified in laws of the State, no other users of the Valuation Report are specified in the engagement letter for valuation service.

Except as stipulated by laws and regulations of the State, any institution or individual without acknowledgement from the appraisal agency or the clients shall not become a user of the Valuation Report by virtue of obtaining it.

II. PURPOSE OF VALUATION

Guangdong Highway Construction and Shenwan Infrastructure intend to jointly transfer of the 60% equity interest in Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure) and the 60% shareholders' loans (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure). The asset valuation conclusion will provide reference for the calculation of related asset value in such economic behavior.

Pursuant to the Approval of the Bidding and Development of Land Plots of the Xintang Interchange on the GS Superhighway (Yue Jiao Ji Tou [2019] No. 145) issued by Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), such economic behavior had been approved by its superior authority.

Pursuant to the Letter on Authorizing Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) to Engage An Asset Appraisal Agency (Letter of Shenwan Infrastructure (2019) No. 02), Shenwan Infrastructure and Guangdong Highway Construction intend to jointly transfer their equity interest in Zhentong, and authorize Guangdong Highway Construction to be in charge of asset valuation of the Project.

III. VALUATION OBJECT AND SCOPE OF VALUATION

The valuation object and scope of the valuation in the Project cover the 60% equity interest in Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure) and the 60% shareholders' loans (37.5% of which is held by Guangdong Highway Construction and 22.5% of which is held by Shenwan Infrastructure).

(I) 60% equity interest in Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) held by Guangdong Highway Construction and Shenwan Infrastructure — long-term equity investment

As at the Valuation Benchmark Date, the carrying value of 37.5% equity interest in Zhentong held by Guangdong Highway Construction amounted to RMB3,750,000.00, and was reported as long-term equity investment in the statements; the valuation object is the entire equity interest in Zhentong held and to be transferred by Guangdong Highway Construction, i.e. the 37.5% equity interest in Zhentong held by Guangdong Highway Construction, which falls within the scope of the valuation, with a carrying value of RMB3,750,000.00.

As at the Valuation Benchmark Date, the carrying value of 37.5% equity interest in Zhentong held by Shenwan Infrastructure amounted to RMB3,750,000.00, and was reported as long-term equity investment in the statements; the valuation object is part of the equity interest in Zhentong held and to be transferred by Shenwan Infrastructure, i.e. the 22.5% equity interest in Zhentong held by Shenwan Infrastructure, which falls within the scope of the valuation, with a carrying value of RMB2,250,000.00.

Particulars of Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) are as follows:

1. Basic information

Name of the enterprise:	Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) (hereinafter referred to as “Zhentong”)
Unified social credit code:	91440101MA5D2C9844
Address:	109-1, Block 12, No. 96 Lixin 12th Road, Xintang Town, Zengcheng District, Guangzhou
Legal representative:	Zhidong SU* (蘇志東)
Registered capital:	RMB TEN MILLION
Type of company:	Other limited liability company
Scope of business:	venue leasing operation (excluding warehouses); property leasing operation; self-owned real estate operating activities; real estate development and operation; car park operation; investment consulting service; property management; property agency; property consultancy (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws.) (Source: Guangzhou Information Disclosure Platform for Business Entities*)
Date of establishment:	29 November 2019
Operation period:	29 November 2019 to long term

2. History

Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司) was jointly established by Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), Guangzhou Lealu Investment Company Limited* (廣州利路實業投資有限公司), Guangzhou Leaxin Investment Company Limited* (廣州利新實業投資有限公司) and Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司), with a registered capital of RMB10 million, obtaining a business license with a unified social credit code 91440101MA5D2C9844 on 29 November 2019 under the approval of Market Supervision and Administration Bureau of Zengcheng District, Guangzhou* (廣州市增城區市場監督管理局).

3. Company profile

The registered address of Zhentong is 109-1, Block 12, No. 96 Lixin 12th Road, Xintang Town, Zengcheng District, Guangzhou. Its major project is the comprehensive land development at the Xintang Interchange on the GS Superhighway. Zhentong has not yet obtained the qualification for real property development.

4. Shareholders and shareholding percentage

As at the Valuation Benchmark Date, the shareholders of Zhentong and their shareholding percentage are set out as below:

No.	Name of Shareholder	Contribution to Registered Capital (RMB'000)	Percentage of Contribution (%)
1	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司)	3,750.0	37.50
2	Guangzhou Lealu Investment Company Limited* (廣州利路實業投資有限公司)	2,000.0	20.00
3	Guangzhou Leaxin Investment Company Limited* (廣州利新實業投資有限公司)	500.0	5.00
4	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司)	3,750.0	37.50
	Total	<u>10,000.0</u>	<u>100.00</u>

5. Financial and operating positions of the company

The financial and operating positions of Zhentong in 2019 are as follows:

Assets:	<i>Unit: RMB</i>
Item	31 December 2019
Total assets	4,168,769,448.26
Total liabilities	<u>4,158,769,448.26</u>
Net assets	<u><u>10,000,000.00</u></u>
Cash flow:	<i>Unit: RMB</i>
Item	January to December 2019
Net cash flow generated from operating activities	-824,739,896.16
Net cash flow generated from investing activities	0.00
Cash flow generated from financing activities	834,800,000.00
Effect of foreign exchange rate changes on cash and cash equivalents	<u>0.00</u>
Net increase in cash and cash equivalents	<u>10,060,103.84</u>
Balance of cash and cash equivalents at the end of the period	<u><u>10,060,103.84</u></u>

Note: BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch* (立信會計師事務所(特殊普通合夥)廣東分所) conducted an audit on the financial and operating positions as at 31 December 2019, and issued a Special Audit Report on Asset and Capital Verification (Xin Kuai Shi Yue Bao Zi [2020] No. 50002) and an Audit Report without qualified opinion (Xin Kuai Shi Yue Bao Zi [2020] No. 20001).

6. *The legal ownership, economic and physical status of asset portfolios that have significant impact on the value of the enterprise*

The following table sets out a summary of major assets and liabilities as at the Valuation Benchmark Date:

Unit: RMB

No.	Item	Carrying value	Major components
1	I. Total current assets	<u>4,168,769,448.26</u>	
2	Cash and cash equivalents	10,060,103.84	Bank deposits
3	Other receivables	66,000.00	Deposits and business petty cash
4	Inventories	4,158,643,344.42	The development costs of projects on the land plot (No. 83101203A19206) in Xindun Village* and Nanan Village* of the Xintang Town, Zengcheng District, Guangzhou
5	II. Total non-current assets	<u>0.00</u>	
6	III. Total assets	<u>4,168,769,448.26</u>	
7	IV. Total current liabilities	<u>3,328,837,359.38</u>	
8	Accounts payable	3,328,793,580.98	Advances, service charges and land premiums
9	Taxes payable	43,740.00	Stamp duties payable
10	Other payables	38.40	Other advanced payment payable
11	V. Total non-current liabilities	<u>829,932,088.88</u>	
12	Long-term payables	<u>829,932,088.88</u>	Shareholders' loans and interest
13	VI. Total liabilities	<u>4,158,769,448.26</u>	
14	VII. Net assets	<u><u>10,000,000.00</u></u>	

The subject and scope of valuation are consistent with the subject and scope of valuation involved in the relevant economic behavior, and have been audited by BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch* (立信會計師事務所(特殊普通合夥)廣東分所).

(1) Inventories

Inventories of Zhentong mainly represent the development costs, with a carrying value of RMB4,158,643,344.42, namely the land plot (No. 83101203A19206) in Xindun Village* and Nanan Village* of the Xintang Town, Zengcheng District, Guangzhou for development and construction.

1) Basic information

Inventories of Zhentong mainly represent the development cost, with a carrying value of RMB4,158,643,344.42, namely the land plot (No. 83101203A19206) in Xindun Village* and Nanan Village* of the Xintang Town, Zengcheng District, Guangzhou for development and construction. The Project Land has an area of 199,781.98 m², with a plot ratio-based gross construction area under planning ≤599,345.94 m².

2) Project rights

① Basic information

The Land Use Right Certificate for State-owned Land in respect of the land use rights for the development of Zhentong has yet to be obtained. According to the Grant Contract for the State-owned Construction Land Use Rights, the ownership of the valuation object is as follows:

Name of Land Plot	Location	Area (m ²)	No. of Land Use Right Certificate	Legal Land Use Rights (Year)	Land Use	Nature of Interests	Owner
Land plot No. 83101203A19206	Xindun Village* and Nanan Village* of the Xintang Town, Zengcheng District	199,781.98	Has yet to be obtained	70 years for residential use, 40 years for commercial use and 50 years for the other uses from 25 December 2019 onwards	Type 2 residential use (R2)	Grant	Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司)

The clients acquired the land plot on 26 December 2019 through an auction, with a total land premium of RMB4,124,000,000, which included the land premium for an underground parking garage and an equipment room with an area of 260,000.00 m². As at the Valuation Benchmark Date, Zhentong paid a land deposit of RMB824,800,000, which could be deducted from the land use right premium, and the remaining land premium would be paid in 2020. The date of utilization of land use rights started from 25 December 2019, namely the date of the land grant agreement. As at the Valuation Benchmark Date, the planning and approval procedures for the appraised land had yet to be completed.

- ② The following are the land development and construction requirements for the land plot as stipulated in the Grant Contract for the State-owned Construction Land Use Rights:

A. Requirements for commencement and completion

The Grantee shall complete all application procedures, among others, such as project approval, environmental impact assessment and planning, within 12 months from the handover date in respect of the land, and the Project shall be completed within 48 months from the handover date in respect of the land. The procedures for planning and building construction shall be completed, the Construction Land Planning Permit, Construction Work Planning Permit and Construction Permit shall be obtained, within 10 months from the handover date in respect of the land, and the development shall be commenced within 12 months from the handover date in respect of the land.

Commencement of development refers to the condition that, after the Construction Permit has been legally obtained, for projects that require deep excavating foundation of pit, the excavation of foundation pit has been completed; for projects which apply pile foundation, all foundation piles have been drilled; for other projects, one-third of foundation construction has been completed. Completion refers to the condition that all quantities required to be completed in the design drawing have been completed, and the Construction Work Planning Inspection and Clearance Certificate has been legally obtained.

B. Requirements for land utilization

- a. Any Grantee located outside the administrative region of Zengcheng District shall incorporate an independent project legal entity where the Grantee as the shareholder in the administrative region of Zengcheng District within 2 months after entering into the Transaction Confirmation; any Grantee located in the administrative region of Zengcheng District may incorporate another independent project legal entity where the Grantee as the shareholder in the administrative region of Zengcheng District with reference to the foregoing provisions. The land plot shall be registered for project development under the name of the newly established independent project legal entity.
- b. The Grantee and Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited* (廣深珠高速公路有限公司), being the operation and management entity of GS Superhighway, shall enter into a construction management cooperation agreement in relation to the design and construction, safety guarantee, traffic dispersion, construction organization and so on for the transformation work of Xintang interchange and a sky park above the Xintang interchange within 2 months after the deal of land grant. For any Grantee who does not enter into an agreement, the Grantor may unilaterally terminate the land grant contract.
- c. Pursuant to the land planning conditions and the requirements of its schedules, the Grantee shall be responsible for the optimization and transformation of existing highway interchanges in State Road G107 and Nanjian Road near the land plot and those within the land plot, and pay for the cost of transformation. The Project involves the following transformation and construction works: transformation of interchange ramp A (newly-built) with a length of approximately 1.5km, transformation of interchange ramp B

(newly-built) with a length of approximately 0.4km, transformation of interchange ramp C (newly-built) with a length of approximately 1.0km, transformation of interchange ramp D (newly-built) with a length of approximately 0.9km, transformation of interchange ramp E (newly-built) with a length of approximately 0.7km, transformation of interchange ramp F (newly-built) with a length of approximately 0.2km, an auxiliary road of State Road 107 with a length of approximately 1.4km, new construction of a tunnel of State Road 107 with a length of approximately 0.6km, transformation of Nanjian Road with a length of approximately 0.6km and new construction of a municipal road in the east side and the south side of the land plot with a length of approximately 1.2km. The transformation plan is subject to the final approval of transportation administration, and the implementation plan for construction can be optimized and improved with a construction quality not lower than that of the aforementioned construction works.

- d. To avoid the adverse effect of noises and dust arising from highways and interchanges on the development land and the surrounding area, the Grantee shall, in accordance with the land planning conditions and the requirements of its schedules, construct a closed cover plate above the transformed Xintang interchange as a noise and dust barrier. Meanwhile, in order to enrich the green landscape resources in the area, the Grantee of the land shall be responsible for construction of a green park above the cover plate, making it “a sky park above the Xintang interchange”, providing an entertainment and leisure place for residents living in the surrounding area. The scale of project is as follows: a total site area of approximately 155,000 m² (including a zone area of approximately 35,000 m² with thickness of soil layer for greening of 1.5m, a zone area of approximately 70,000 m² with thickness of soil layer for greening of 0.5m, an inaccessible cover plate with a zone area of approximately 32,000 m², a site area of approximately 17,000 m² covering areas such as a footpath in the extended flat roof of the park outside the cover plate of the interchange), park terrace with a highest absolute elevation of approximately 32m. The Grantee is also responsible for greenway construction from the park above the interchange to Shacun Station and Xintang Avenue (or bear the costs of construction) with a total length of approximately 1.3km. The implementation plan for construction of a sky park above the interchange can be optimized and improved with construction quality being not lower than that of aforementioned. Upon completion, the park should be opened to the public and handed over to the government for management.
- e. In order to reduce the adverse impact of the highway on the Project, fully utilize the sky park above the interchange and enhance the accessibility between the Project and the sky park above the interchange, in terms of vertical design of the Project, reasonable design is recommended to connect the sky park above the interchange, with appropriate level up in the planned site elevation based on the existing terrace elevation, the absolute terrace elevation of the first floor of the residential building should not exceed 27m, the gross floor area of the parking garage and the equipment room below the planned site elevation will be counted as underground facilities, and will not be included in the floor area.
- f. existing high voltage wires on the land shall be relocated and altered by the government.

- g. the Grantee shall use the land in a reasonable manner in accordance with the law. Its activities on the land to be granted shall in no way damage the environment or destroy the facilities in the surrounding area. If its activities cause damages or losses to the State or to any individual, the Grantee shall be held liable for damages.
- h. the government shall reserve its rights to adjust the zoning plan with respect to the land. If the existing zoning plan for original land is modified, the Grantee shall be obliged to execute the effective zoning plan, and shall complete relevant formalities for land use in accordance with the then prevailing requirements.
- i. with respect to the construction and development requirements for the Project, the Grantee shall strictly execute respective agreements made in the contract.
- j. all building designs shall be in compliance with the requirements of existing national architectural design standards and specifications.
- k. the Grantee shall follow the conditions of land-use planning and the requirements attached thereto for the use and development of the land, and shall make contributions to municipal greening construction for road access to and within the range of road retraction of the Project.
- l. the Grantee shall adopt the prefabricated construction method for the Project, with the proportion of floor space of prefabricated construction projects being no less than 30%, and shall comply with the requirements of national or provincial standard for assessment of prefabricated buildings in force.
- m. the design and use of building within the land red line must comply with the requirements of land use, development plan and green construction. Where issues such as planning designing, environmental protection, fire safety, landscaping, public health, civil air defense, civil aviation, flood control and drainage, electricity, transportation and heritage conservation are concerned, the Grantee shall, subject to compliance with the requirements of specific planning, obtain approval from the competent authorities for construction, and shall, upon completion of construction, gratuitously hand it over to relevant authorities within deadlines in accordance with the relevant requirements, and shall assist with the relevant handover procedures. Any costs arising therefrom shall be borne by the Grantee.

C. Public welfare projects

The land mentioned above will go through a public tender process on an “as is” basis, and the Grantee is deemed to have thorough knowledge about the land. The Grantee must agree that the following government planned structures are allowed to be constructed on or passed through the planned location and the stereoscopic space within the land red line, and in such case, it shall be reasonably compensated by the government or the public utility construction entities.

- a. pipes and lines, such as power lines, water pipes, gas pipes, communication facilities and sewage pipes.

- b. facilities such as city roads, divided roads within housing estates, green facilities and street lights.

Prior to commencement of construction or maintenance works, the Grantee shall identify the locations of communal open ditches, waterways (including water pipes), cables, electric wires and other facilities in the areas or neighboring areas, and shall submit the plan for handling such facilities to relevant authorities. The Grantee shall not start the construction without approval. Any costs arising in connection with the relocation and diversion, resurfacing or reinstallation shall be borne by the Grantee.

D. Construction and requirement of municipal facilities

- a. the Grantee shall gratuitously deliver the land and make contribution to the construction of all public supporting facilities and municipal facilities within the land red line.
- b. As stipulated under the Sui Business Letter of Resources Planning [2019] No. 12926* (穗規劃資源業務函[2019]12926號), the Grantee is required to build the public supporting facilities such as 24-class kindergartens (merged with nurseries), 30-class primary schools, cultural activity centers, community health centers, Starlight Homes for the Elderly, police service premises, public transportation terminals, garbage stations (including recycling stations for renewable resources), community day care centers, community neighborhood committees, resident fitness centers, public toilets, fresh food supermarkets (meat and vegetable markets), refuse collecting stations, property management premises (including property owners' committees), transformer substations, telecommunication equipment rooms. Common welfare supporting public service facilities such as kindergartens, primary schools, secondary schools, community public management centers, Starlight Homes for the Elderly, cultural centers, cultural rooms, neighborhood management centers, community service stations, police stations, public toilets, refuse collecting stations, waste compacting stations, recycling stations for renewable resources, fire stations and public transportation terminals shall be gratuitously handed over to the district housing and construction bureau after completion of construction. The kindergartens, primary schools, secondary schools, waste compacting stations, public toilets, transformer substations, fire stations, police stations and public transportation terminals shall be decorated according to the requirements of the Notice on Decoration Standard for Resident Supporting Public Service Facilities (Sui Jian Fang Chan [2017] No.499)* (《關於居住配套公共服務設施裝修標準的通知》) (穗建房產[2017] 499號) at the cost of the Grantee. The remaining supporting facilities which are mutually owned or shared by the owners as stipulated in the presale or sales contracts shall be transacted by the Grantee in accordance with the requirements of the Property Law of the People's Republic of China (《中華人民共和國物權法》), Guangdong Province Property Management Regulation* (《廣東省物業管理條例》) and the terms stipulated in the contract.
- c. municipal roads within the land red line, which are the municipal public facilities, shall not be mortgaged, leased, transferred or resold.

③ Status of other right

None.

3) Status of project plan

Pursuant to the Reply Letter in relation to Planning Parameters of Construction Land of 299.673 Mu in Xintang Town, Zengcheng District (Sui Business Letter of Resources Planning [2019] No. 12926)* (《關於增城區新塘鎮299.673畝建設用地規劃條件的復函》)(穗規劃資源業務函[2019]12926號), the comprehensive economic and technical indicators of the land are set out as below:

Item	Unit of Measurement	Total
Total requisition area	m ²	199,781.98
Planned construction land area	m ²	199,781.98
Plot ratio		≤3.0
Building density	%	≤30.00
Greening rate	%	≥30%
Plot ratio-based gross floor area (“GFA”)	m ²	≤599,345.94
GFA of the commercial portion for supporting services	m ²	≤19,778.00
Total GFA of underground garages and equipment rooms	m ²	≤260,000.00
Building height limit	m	≤150.00

Requirements for supporting public services:

Name of Project	Quantity	Land Area	GFA	Planning Compliance Requirements
		(m ²)	(m ²)	
Kindergarten (24 classes, merged with nurseries)	1.00	10,560.00	6,560.00	In compliance with the requirements of education authorities
Primary school (30 classes)	1.00	24,300.00	11,500.00	In compliance with the requirements of education authorities
Cultural activity centers	1.00		600.00	
Community health centers	1.00		600.00	
Starlight Homes for the Elderly	1.00		1,000.00	
Police service premises	1.00		1,000.00	
Public transportation terminals	1.00	3,000.00	300.00	
Garbage stations (including recycling stations for renewable resources)	3.00	300.00	150.00	
Community day care centers	1.00		800.00	
Community neighborhood committees	1.00		500.00	
Resident fitness centers		3,600.00	600.00	
Public toilets	4.00		100.00	To be built adjacent to the planned municipal roads or at the ground floor of public buildings, with easily identifiable access and at least a dedicated toilet cubicle for the disabled.
Fresh food supermarkets (meat and vegetable markets)	1.00		2,000.00	
Refuse collecting stations				To be built with a service radius of no more than 70m
Property management premises (including property owners' committees)				To be built with an area equivalent to 0.2% of GFA of the properties on the land
Transformer substations				To be built in compliance with the requirements of electricity supply authorities, and the transformer substations shall not be located adjacent to the residence
Telecommunication equipment rooms				To be built in compliance with the requirements of telecommunication authorities

This valuation assumes that the highest and best way to use the land parcel to be assessed hereunder is to pursue its ongoing development and construction in accordance with the abovementioned planning indicators. By referring to the Feasibility Study Report on the Secondary Development of Land Plots of the Xintang Interchange on the GS Superhighway* (《廣深高速公司新塘立交土地二級開發可行性研究報告》), the specific development requirements of the land parcel to be assessed hereunder are as follows:

Item		Unit of Measurement	Total	
Total planned land area		m ²	199,781.98	
Net land area		m ²	199,781.98	
Gross floor area		m ²	859,345.94	
Plot ratio-based GFA		m ²	599,345.94	
Ground plot ratio-based floor area		m ²	599,345.94	
Of which	Retail GFA	m ²	10,188.00	
	Residential GFA	m ²	557,587.94	
	Public facilities	m ²	31,570.00	
	Of which	Kindergarten (24 classes, merged with nurseries)	m ²	6,560.00
		Primary school (30 classes)	m ²	11,500.00
		Cultural activity centers	m ²	600.00
		Community health centers	m ²	600.00
		Starlight Homes for the Elderly	m ²	1,000.00
		Police service premises	m ²	1,000.00
		Public transportation terminals	m ²	300.00
		Garbage stations (including recycling stations for renewable resources)	m ²	150.00
		Community day care centers	m ²	800.00
		Community neighborhood committees	m ²	500.00
		Resident fitness centers	m ²	600.00
		Public toilets	m ²	100.00
		Fresh food supermarkets (meat and vegetable markets)	m ²	2,000.00
		Refuse collecting stations	m ²	560.00
		Property management premises (including property owners committees)	m ²	1,700.00
		Transformer substations	m ²	3,400.00
		Telecommunication equipment rooms	m ²	200.00
Total GFA not included in plot ratio		m ²	260,000.00	
Of which	Total GFA of underground garages and equipment rooms	m ²	260,000.00	
Base area of construction		m ²	59,934.59	
Building density		%	30.00	
Plot ratio			3.00	
Greening rate		%	30.00	
Total number of ancillary parking spaces		Number of parking spaces	6,793.00	

4) Progress and investigation of the Project

Based on site investigation conducted by the valuers, as of the Valuation Benchmark Date, the development progress of the land parcel to be assessed hereunder includes green space and facilities such as ramps and toll gates of GS Superhighway. The four boundaries of the land parcel are Xintang Automobile City and Taipingyang Industrial Park to east, green space to south, Nanjian Road to west, and Guangshen Avenue West to north. Based on the grant contract, “six connections” (being feed water, down water, electricity, road, communications, gas) outside the land parcel shall be built as supporting infrastructure of the land parcel. Currently, the construction of these infrastructure has yet to be commenced.

Based on the Document in relation to the Costs of Reconstruction Project of the Xintang Interchange on the GS Superhighway* (《廣深高速公路新塘立交改造工程造價檔》) provided by Zhentong, which was issued by Guangdong Province Communications Planning & Design Institute Co., Ltd. in August 2019, the reconstruction costs include the reconstruction of ramps, national highways and Nanjian Road, construction of a sky park (including superstructures, landscaping extension, air rings), park landscaping, the connection to the Xintang Metro Station, and the planning of municipal roads, with a total construction cost of RMB2,491,392,027.00. According to the Engagement Contract for Construction and Management in Respect of the Residential Project of the Xintang Interchange on the GS Superhighway in Xintang Town, Zengcheng District to be Funded and Constructed by the Successful Bidder of the Land* (《增城區新塘鎮廣深高速新塘立交居住項目由土地競得人負責出資建設工程委託建設管理合同》), Zhentong has commissioned the Project to Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) for its construction and management at a total contracting price of RMB2.491 billion.

7. *Intangible assets unrecorded in accounts as reported by the enterprise*

None.

8. *Off-balance-sheet assets as reported by the enterprise*

No other off-balance-sheet assets or liabilities were reported by Zhentong.

9. *Assets involved in the quotation of the conclusions of reports issued by other organizations*

This appraisal does not quote the conclusions of reports issued by other valuation agencies.

(II) Shareholders' loans — long-term receivables

As of the Valuation Benchmark Date, Guangdong Highway Construction intends to transfer its rights in the shareholders' loans advanced to Zhentong (recorded as the principal of long-term receivables and the interest accrued thereon in assets accounts) with a carrying amount of RMB311,224,533.33, together with its entire equity interest.

As of the Valuation Benchmark Date, Shenwan Infrastructure's total rights in the shareholders' loans advanced to Zhentong (recorded as the principal of long-term receivables and the interest accrued thereon in assets accounts) has a carrying amount of RMB311,224,533.33, and Shenwan Infrastructure intends to transfer a shareholder's loan in an amount of RMB186,734,720.00, together with its equity interest in Zhentong to be disposed of under this transaction.

The rights of Guangdong Highway Construction and Shenwan Infrastructure in the shareholders' loans advanced to Zhentong within the scope of this valuation represent the principal of long-term receivables and the interest accrued thereon, which are shareholders' loans of Zhentong and the corresponding interest payable. According to the Investment Cooperation Contract of Integrated Development Project of the Land at the Xintang Interchange on the GS Superhighway* (《廣深高速公路新塘立交土地綜合開發項目投資合作合同》), the Written Resolution of the First Board Meeting of Guangzhou Zhentong Development Company Limited in 2019* (《廣州臻通實業發展有限公司2019年度第一次董事會書面決議》) and the Letter in relation to the Shareholders' Loans Advanced by Guangzhou Zhentong Development Company Limited* (《廣州臻通實業發展有限公司投入股東借款的函》), the shareholders' loans were borrowed by Zhentong to pay the Bidding Deposit, the land premium and relevant taxes, repay the upfront disbursements, project construction expenditure, and company operating expenses. The loan interest rate was fixed at 8% per annum (with compounded interest rate from the second year onwards), the loan term was less than 3 years. The principal amount of the loan and the accrued interest shall be repayable at the date of maturity, and all corresponding outstanding interest shall be repaid together with the principal.

The breakdown of the amounts is as follows:

1. *Long-term receivables — principal*

Creditor	Name of Debtor (Settlement Party)	Nature of Transaction	Date of Transaction	Carrying Value (RMB)
Guangdong Highway Construction	Zhentong	Loans	2019.12.04	309,300,000.00
Shenwan Infrastructure	Zhentong	Loans	2019.12.04	185,580,000.00

2. *Long-term receivables — accrued interest*

Creditor	Name of Debtor (Settlement Party)	Date of Transaction	Principal (RMB)	Period in Which Interest Accrued	Interest Rate %	Carrying Value (RMB)
Guangdong Highway Construction	Zhentong	2019.12.04	309,300,000.00	2019.12.04–2019.12.31	8	1,924,533.33
Shenwan Infrastructure	Zhentong	2019.12.04	185,580,000.00	2019.12.04–2019.12.31	8	1,154,720.00

The entrusting parties of the above creditors have received confirmation from Zhentong as evidence of receipt of loans.

The subject and scope of the valuation are in line with those involved in economic behavior.

IV. TYPE OF VALUE

The type of value used in this appraisal is market value. Market value refers to the estimated amount at which a willing purchaser and a willing vendor will carry out a normal transaction at arm's length in respect of the valuation object on the valuation date under rational circumstances without any coercion or suppression.

V. VALUATION BENCHMARK DATE

(I) Valuation Benchmark Date

The Valuation Benchmark Date for this project is 31 December 2019.

(II) Major factors considered for determining the Valuation Benchmark Date

1. The Valuation Benchmark Date is determined upon mutual agreement among the entrusting parties;
2. The valuation and pricing standards of all assets which are denominated in RMB in this project are valid as at the Valuation Benchmark Date.

VI. BASIS OF VALUATION

(I) Basis of conduct

1. Approval of the Bidding and Development of Land Plots of the Xintang Interchange on the GS Superhighway (Yue Jiao Ji Tou [2019] No. 145);
2. Asset Valuation Engagement Contract and its supplemental agreement.

(II) Basis of laws

1. Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (Order No. 46 of the President of the People's Republic of China) (中華人民共和國主席令第四十六號) (adopted at the 21st Session of the Standing Committee of the 12th National People's Congress of the People's Republic of China on 2 July 2016);
2. Accounting Law of the People's Republic of China (《中華人民共和國會計法》) (Order of the President of the PRC ninth Session No. 24, 31 October 1999);
3. Property Law of the People's Republic of China (《中華人民共和國物權法》) (adopted at the 5th Session of the 10th National People's Congress of the People's Republic of China on 16 March 2007);
4. Enterprise State-owned Assets Law of the People's Republic of China (《中華人民共和國企業國有資產法》) (Order No. 5 of the President of the People's Republic of China) (中華人民共和國主席令第五號) (adopted at the 5th Session of the Standing Committee of the 11th National People's Congress of the People's Republic of China on 28 October 2008);

5. Company Law of the People's Republic of China (《中華人民共和國公司法》) (amended for the fourth time at the 6th Session of the Standing Committee of the 13th National People's Congress of the People's Republic of China on 26 October 2018);
6. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (adopted at the 5th Session of the 10th National People's Congress of the People's Republic of China on 16 March 2007);
7. Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (adopted at the 197th executive meeting of the State Council on 28 November 2007);
8. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (State Council Decree [1991] No. 91) (國務院[1991]91號令);
9. Rules for Implementation of Measures on the Administration of State-owned Assets (《國有資產管理辦法施行細則》) (Guo Zi Ban Fa [1992] No. 36) (國資辦發[1992]36號);
10. Rules on Certain Issues Relating to the Appraisal of State-owned Assets (《國有資產評估管理若干問題的規定》) (No. 14 Order from Ministry of Finance, 2001);
11. Interim Measures for the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (State Council Decree No.709, revised by the Decision of the State Council on Amending Some Administrative Regulations on 2 March 2019);
12. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (《企業國有資產評估管理暫行辦法》) (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council, considered and approved at the 31st Director Meeting of the State-owned Assets Supervision and Administration Commission of the State Council on 25 August 2005);
13. Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274) (國資委產權[2006]274號);
14. Notice on Relevant Matters Concerning the Examination of Appraisal Report on State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941) (國資產權[2009]941號);
15. Notice on Issuing Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (《關於印發〈企業國有資產評估項目備案工作指引〉的通知》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);
16. Measures on the Supervision and Management of the Transactions of State-owned Assets of Enterprises (《企業國有資產交易監督管理辦法》) (promulgated by SASAC and the Ministry of Finance on 24 June 2016, Decree No. 32);

17. Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) (Decree No. 50 of Ministry of Finance and State Administration of Taxation) (財政部、國家稅務總局令第50號);
18. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (second amendment at the 11th Session of the Standing Committee of the 10th National People's Congress on 28 August 2004);
19. Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (amended at the 29th Session of the Standing Committee of the 10th National People's Congress on 30 August 2007);
20. Regulations of the People's Republic of China on Granting and Transferring the Right to Use Urban State-Owned Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓條例》) (Order of the State Council No.55 (國務院令第55號), 19 May 1990);
21. Decision of the State Council on Deepening the Reform and Tightening Land Administration (《國務院關於深化改革嚴格土地管理的決定》) (Guo Fa [2004] No. 28 (國發[2004]28號), 21 October 2004);
22. Notice of the State Council on Issues Relating to Strengthening the Land Control (《國務院關於加強土地調控有關問題的通知》) (Guo Fa [2006] No. 31 (國發[2006]31號), 31 August 2006);
23. Interim Measures on the Management of Transaction Price of the Right to Use Urban State-Owned Land (《城市國有土地使用權交易價格管理暫行辦法》) (Ji Jia Ge [1995] No. 1628 (計價格[1995]1628號), 24 October 1995);
24. Circular of the Ministry of Land and Resources on Reforming the Measures for Confirmation of Land Valuation Results and Review and Approval of Disposal of Land Assets (國土資源部《關於改革土地估價結果確認和土地資產處置審批辦法的通知》) (Guo Tu Zi Fa [2001] No. 44 (國土資發[2001]44號), 13 February 2001);
25. Notice of the State Council on Promoting Saving and Intensive Use of Land (國務院《關於促進節約集約用地的通知》) (Guo Fa [2008] No. 3 (國發[2008]3號), 3 January 2008);
26. Interim Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》).

(III) Basis of standards

1. Accounting Standards for Enterprises (《企業會計準則》);
2. Basic Rules for Asset Appraisal (《資產評估基本準則》) (Cai Zi [2017] No. 43) (財資[2017]43號);
3. Code of Ethics for Asset Valuation (《資產評估職業道德準則》) (CAS [2017] No. 30) (中評協[2017]30號);
4. Practice Guidelines for Asset Valuation — Asset Valuation Procedures (《資產評估執業準則 — 資產評估程式》) (CAS [2018] No. 36) (中評協[2018]36號);
5. Practice Guidelines for Asset Valuation — Asset Valuation Report (《資產評估執業準則 — 資產評估報告》) (CAS [2018] No. 35) (中評協[2018]35號);
6. Practice Guidelines for Asset Valuation — Engagement Letter for Valuation Service (《資產評估執業準則 — 資產評估委託合同》) (CAS [2017] No. 33) (中評協[2017]33號);
7. Practice Guidelines for Asset Valuation — Asset Valuation Methods (《資產評估執業準則 — 資產評估方法》) (CAS [2019] No. 35) (中評協[2019]35號);
8. Practice Guidelines for Asset Valuation — Asset Valuation Files (《資產評估執業準則 — 資產評估檔案》) (CAS [2018] No. 37) (中評協[2018]37號);
9. Practice Guidelines for Asset Valuation — Enterprise Value (《資產評估執業準則 — 企業價值》) (CAS [2018] No. 38) (中評協[2018]38號);
10. Practice Guidelines for Asset Valuation — Intangible Assets (《資產評估執業準則 — 無形資產》) (CAS [2017] No. 37) (中評協[2017]37號);
11. Practice Guidelines for Asset Valuation — Real Estate (《資產評估執業準則 — 不動產》) (CAS [2017] No. 38) (中評協[2017]38號);
12. Guidelines for the Asset Valuation Report on State-owned Assets of Enterprises (《企業國有資產評估報告指南》) (CAS [2017] No. 42) (中評協[2017]42號);
13. Guidelines for Business Quality Control of Asset Appraisal Agencies (《資產評估機構業務質量控制指南》) (CAS [2017] No. 46) (中評協[2017]46號);
14. Guidance on Value Type for Asset Valuation (《資產評估價值類型指導意見》) (CAS [2017] No. 47) (中評協[2017]47號);
15. Guidance on Legal Ownership of Subject of Asset Valuation (《資產評估物件法律權屬指導意見》) (CAS [2017] No. 48) (中評協[2017]48號);

(IV) Basis of ownership

1. Business licenses of the clients;
2. JV Agreement in respect of Comprehensive Land Development of the Xintang Interchange on the GS Superhighway* (《廣深高速公路新塘立交土地綜合開發項目投資合作合同》);
3. Written Resolution of the First Board Meeting of Guangzhou Zhentong Development Company Limited in 2019* (《廣州臻通實業發展有限公司2019年度第一次董事會書面決議》);
4. Letter in relation to the Shareholders' Loans Advanced by Guangzhou Zhentong Development Company Limited* (《廣州臻通實業發展有限公司投入股東借款的函》);
5. Business license, articles of association, etc. of Zhentong;
6. Land Grant Contract, etc.

(V) Basis for pricing

1. Declaration Lists for Asset Valuation provided by the clients;
2. Balance sheet, Declaration List for Asset Valuation and other documents of the investee;
3. Audit Report as at the Benchmark Date of the investee;
4. Statistics on operation of the investee;
5. Analysis on costs and expenses of the investee;
6. Future development plans and forecasts provided by the investee;
7. Related information from the finance websites;
8. Statistical analysis data on the State's macro, industrial and regional markets and enterprises;
9. Manual of Data and Parameters Commonly Used in Assets Valuation published by Beijing Science and Technology Press and relevant information about risk factors;
10. Circular of the State Bureau of Commodity Prices and the Ministry of Finance on Issuing Administrative Charging Items and Standards for the Construction Systems Administered by the Central Government (國家物價局、財政部關於發佈中央管理的建設系統行政事業性收費項目及標準的通知) ([1992] Jia Fei Zi No. 179) ([1992]價費字179號);
11. Circular of the State Planning Commission on Issuing the Interim Measures on the Charging Administration of Bidding Agency Services (國家計委關於印發《招標代理服務收費管理暫行辦法》的通知) (Ji Jia Ge [2002] No. 1980) (計價格[2002]1980號);

12. Circular of the State Planning Commission and the Ministry of Construction on Issuing the Regulations on the Administration of Charging of Construction Survey and Design Fees (國家計委、建設部關於發佈《工程勘察設計收費管理規定》的通知) (Ji Jia Ge [2002] No. 10) (計價格[2002]10號);
13. Circular of the National Development and Reform Commission and the Ministry of Construction on Issuing the Regulations on the Management of Construction Project Supervision and Related Service Charges (國家發展改革委、建設部關於印發《建設工程監理與相關服務收費管理規定》的通知) (Fa Gai Jia Ge [2007] No. 670) (發改價格[2007]670號);
14. Circular of the Ministry of Finance and the National Development and Reform Commission on Issuing the Catalogue of Administrative Charging Items of National and Central Government Departments and Institutions in 2011 (財政部、國家發展改革委關於印發2011年全國性及中央部門和單位行政事業性收費項目目錄的通知) (Cai Zong [2012] No. 47) (財綜[2012]47號);
15. Code of Valuation with Bill Quantity of Construction Works (《建設工程工程量清單計價規範》) (GB50500-2003);
16. Comprehensive Calculation of Construction and Installation Works, Guangdong Province (《廣東省建築安裝工程綜合定額》), Comprehensive Calculation of Decoration and Installation Works, Guangdong Province (《廣東省裝飾裝修工程綜合定額》) and Pricing Basis of Construction Works in Guangdong Province (《廣東省建築工程計價依據》) and budget and expenses calculation of current installation works;
17. Information regarding trading price in local real estate market, land requisition and compensation;
18. Notice from the Guangzhou Municipal Planning and Natural Resources Bureau on Releasing the Results of Updating the Benchmark Land Price for the Land Use Right of State-owned Construction Land in Guangzhou for the year 2019 (《廣州市規劃和自然資源局關於公佈廣州市2019年國有建設用地使用權基準地價更新成果的通告》) (Sui Gui Hua Zi Yuan Zi [2020] No. 5) (穗規劃資源字[2020]5號);
19. Data published on the China's urban land price dynamic monitoring website (<http://www.landvalue.com.cn>);
20. Document in relation to the Costs of Reconstruction Project of the Xintang Interchange on the GS Superhighway* (《廣深高速公路新塘立交改造工程造價文件》);
21. Commissioned Construction and Management Contract for the Residential Project of the Xintang Interchange on the GS Superhighway in Xintang Town, Zengcheng District to be Funded and Constructed by the Successful Bidder of the Land* (《增城區新塘鎮廣深高速新塘立交居住項目由土地競得人負責出資建設工程委託建設管理合同》);
22. Standard Value for Evaluation of Corporate Performance;

23. The deposit and lending rate and exchange rate of financial institutions published by the People's Bank of China;
24. Relevant information collected through on-site inspection and market research.

VII. VALUATION METHODS

Different methods are applied to evaluate equity and related creditor's rights.

(I) Equity — long-term equity investments

After analysing on the long-term equity investment projects, the investee of long-term equity is evaluated as a whole by applying the asset-based approach and the income approach based on a number of factors, such as its specific assets and their influence on the value of the valuation object, and the valuation result has been analyzed. Finally, the estimated value of the investee, which is determined based on the result of the asset-based approach, is multiplied by the equity ratio to determine the estimated value of long-term equity investments.

1. *Summary of the valuation methods*

Three basic methods for enterprise value evaluation include the market approach, income approach and asset-based approach.

The market approach refers to the method of assessing the value of the target of evaluation by comparing the target of evaluation with comparable listed companies or comparable transaction cases. The prerequisites for the application of the market approach are as follows: (1) a well-developed and active assets market is available; (2) indicators and technical parameters of the reference company or case to be compared with the appraised enterprise are collectable.

The income approach refers to the method of assessing the value of the target of evaluation by capitalizing or discounting the anticipated income. The prerequisites for the application of income approach are as follows: (1) the valued assets must be individual or overall assets with an expected future income that can be measured in monetary terms; (2) the risks borne by the assets owners shall also be measurable in monetary terms; (3) the number of years of which the appraised assets will return a profit can be predicted.

The asset-based approach refers to the valuation approach to determine the value of the valuation target by reasonably assessing the value of the on-balance sheet and off-balance sheet assets and liabilities of an enterprise based on the balance sheet of the appraised enterprise as at the Valuation Benchmark Date. The prerequisites for the application of the cost approach are as follows: (1) historical information is available; (2) all costs incurred for forming asset value are necessary.

2. Selection and reasons for valuation approaches

This valuation is conducted for the purpose of equity transfer. The asset-based approach reflects the enterprise's value from the perspective of its purchase and construction and provides a basis for the enterprise's operation, management and evaluation after its economic behaviors have been realized. Therefore, we use the asset-based approach in this valuation.

As the profit and risk of Zhentong in the coming years can be reliably estimated, the basic condition for applying the income approach of valuation is satisfied. Therefore, the income approach is selected for this valuation.

Taking into account the current development of equity market in China, the specific situations of Zhentong and restrictions in terms of market information, reference objects or transaction cases with sufficient data, adequate quantity and high similarity in business is not available on the market. Therefore, we did not adopt the market approach for the valuation.

Therefore, the asset-based approach and the income approach are adopted in this valuation.

3. The application of valuation approaches and logical reasoning process

(1) Explanation of the asset-based approach

On the premise of continuous operation of the enterprise, each asset and liability should be evaluated respectively by using the assessment methods appropriate to the assets and liabilities assessed, and the appraised value of the net assets should be determined by the value of the assets after appraisal minus the value of liabilities. Among them, the characteristics of each asset and liability and the status of related information are assessed respectively by the following specific methods:

1) Valuation methods for current assets

Cash and cash equivalents in this valuation include bank deposits. The appraised values are determined on the basis of account-to-account verification, account-to-sheet verification and verification of the bank statement.

For other receivables, the appraisers specifically analyze the amount, time of occurrence, the reasons for amounts due, and recovery of amounts due, the capital, creditability and operation and management of the debtors, etc. on the basis that each item is verified in the view of historical data and current investigation. Depending on the specific conditions of each unit, we use the age analysis method to assess the risk of loss. We analyze the recoverability and determine the appraised value based on the reviewed and verified actual data.

Inventory in this valuation mainly refers to the development cost, which is related to the construction in progress in respect of property project under development. In this valuation, a hypothetical development method was selected to determine its estimated value.

2) Valuation method for liabilities

The actual liability amounts undertaken by Zhentong as at the Valuation Benchmark Date after the purpose of appraisal is achieved are determined as the appraised value of liabilities.

(2) *Explanation of the income approach*

Taking the enterprise as a whole, the income approach is used to estimate the value of shareholders' entire interests through discounting using an appropriate discount rate after analyzing, judging and predicting the enterprise's future income and considering the enterprise's operation risks and market risks centered on the enterprise's profitability.

Discounted Cash Flow (DCF) is a method of appraising an enterprise's value by discounting the expected net cash flow of the enterprise in future, that is, the appraisal value is reached by appraising the expected net cash flow of the enterprise in future and then discounting it into the present value with applicable discount rates. The basic conditions for the application of this method include the following: the enterprise possesses all bases and conditions to maintain its business as a going concern; there is a positive correlation between operation and income; and future income and risks are predictable and quantitative. The difficulties of using DCF lie in the prediction of future expected cash flow as well as the objectivity and reliability of data collection and processing. The valuation conclusion is considered to be more objective if and when the prediction on future expected cash flow can be relatively objective and fair, and the discount rate adopted is relatively reasonable.

There are two definitions for cash flow, namely the total cash flow generated by the enterprise (free cash flow of the enterprise) and the cash flow attributable to shareholders' equity (free cash flow to equity). Free cash flow of the enterprise refers to the cash flow attributable to all investors, including shareholders and creditors of interest-bearing debts. Free cash flow to equity refers to the cash flow attributable to shareholders, which is the remaining cash flow after repayment of debts (including interest), capital expenditure for maintaining current production and building up new assets required for future growth, and changes in working capital. The indirect method and direct method are applicable to the two types of cash flows above respectively. In this valuation, the discounted cash flow method is adopted, and the direct method is applicable. The corresponding cash flow is cash flow to equity.

Free cash flow to equity (free cash flow to equity = net profit after tax + depreciation and amortization + increase (or decrease) of interest-bearing debts – capital expenditure – net changes in working capital).

Based on the actual situation of the enterprise and assuming that enterprise is able to operate as a going concern, the basic model for this valuation is:

$$E = P + C_i$$

where:

E: capital value of shareholders' equity;

P: value of operating assets;

C_i : value of surplus and non-operating assets and liabilities as at the Benchmark Date;

of which: P is the value of operating assets

$$P = \sum_i^n \frac{R_i}{(1+r)^i} + \frac{R_{n+1}}{r(1+r)^n}$$

where:

R_i : free cash flow to equity in the i th year in the future;

R_{n+1} : free cash flow to equity in the $(n+1)$ th year in the future;

r : discount rate;

i : years of revenue obtained, $i=1, 2, 3, 4, \dots, n$

of which: R is the free cash flow to equity

$R = \text{net profit} + \text{depreciation and amortization} + \text{increase or decrease of interest-bearing debt} - \text{additional capital expenditure} - \text{additional working capital}$

For real estate development companies, the expected years in which revenue is obtained is determined as a specific period based on the development and construction period (including sales period) for projects under development or to be developed (with construction plans in place as at the Benchmark Date) as at the Valuation Benchmark Date. Upon completion of the projects under development or to be developed (with construction plans in place as at the Benchmark Date) on the Benchmark Date, neither the management nor the appraisers can make judgement on where will the company acquire what kind of land for what kind of projects in the future. Therefore, the years in which revenue is obtained in this valuation is defined as a limited term, i.e. the development period for projects existing as at the Benchmark Date. According to the investment and operation plan, property projects of Zhentong will be completed by the end of 2026, and the years in which revenue is obtained will be 7.00 years after the Benchmark Date.

In this valuation, the Capital Asset Pricing Model (CAPM) is used to determine the discount rate r

$$r = r_f + \beta \times ERP + r_c$$

where:

r : rate of return on equity capital;

r_f : rate of risk-free yield;

r_c : specific risk excess return of the target company;

β : expected market risk coefficient for the equity capital of the target company;

ERP: equity risk premium

(II) Rights in shareholders' loans — long-term receivables

The cost method is applied to evaluate the principal and accrued interest of long-term receivables.

The appraisers will first review the principal and accrued interest of long-term receivables on a case-by-case basis to check consistency between the accounts and statements. Check the relevant accounting vouchers and their attachments, and review the above-mentioned JV Agreement in Respect of Comprehensive Land Development of the Xintang Interchange on the GS Superhighway* (《廣深高速公路新塘立交土地綜合開發項目投資合作合同》), Written Resolution of the First Board Meeting of Guangzhou Zhentong Development Company Limited in 2019* (《廣州臻通實業發展有限公司2019年度第一次董事會書面決議》), Letter in relation to the Shareholders' Loans Advanced by Guangzhou Zhentong Development Company Limited* (《廣州臻通實業發展有限公司投入股東借款的函》) to verify the authenticity of the business; on the basis that verification has been duly carried out, the appraisers will, based on historical data and information learned from the investigation, determine the recoverability by analyzing the amount, time and reason for arrears, payment recovery, debtor's funds, credit and current status of operation and management, thereby confirm the appraised value with the verified carrying value.

VIII. IMPLEMENTATION PROCESS AND CIRCUMSTANCES OF VALUATION PROCEDURES

(I) Acceptance of the engagement

After the clients confirmed to carry out the asset valuation, the person-in-charge and the project manager of the Company have discussed matters relating to the project asset valuation with the clients. Staff of the company had been informed of the subject and scope of valuation through the introduction of the clients. As the clients clearly stated the intention of engagement and time schedule, both parties agreed on the purpose, subject and scope of valuation and the Valuation Benchmark Date, and signed the engagement letter for the asset valuation service and the supplementary agreement.

(II) Inspection of assets

After signing the asset appraisal entrustment contract and the supplemental agreement, the Company has established a project appraisal team based on the needs of the project and formulated a detailed appraisal proposal, arrangements of officers and time schedule and has carried out plenty of preliminary work. A special task force of the clients and Zhentong has conducted investigation of assets to facilitate appraisal work. Under the guidance of the appraisers of the Company, the appraisal declaration lists have been completed as required. Meanwhile, the asset ownership certificates and other information necessary for the appraisal, such as those reflecting performance, status and financial accounts and cards, have been collected and prepared by the appraisers.

After investigating the assets, the appraisers have carried out account audit, ownership verification, physical inspection, market research and appraisal method selection respectively: firstly, counting and checking of each item of the assets on account-to-account and account-to-sheet basis; secondly, checking of the accounts based on the verification of the accounts, and making on-site inspection on essential assets.

(III) Valuation and Estimation

Through asset examination and site inspection, the appraisers have obtained sufficient understanding of the particular conditions of the assets (including their quality, performance, remaining years of use, loss, change in asset function) and collected relatively objective data.

Depending on the type of assets and actual conditions, the appraisers apply all information collected and the relevant economic, technical and financial indicators and adopt appropriate appraisal method to determine the value and estimate the value of the assets.

(IV) Summary of Valuation

According to the appraised value of various assets, the appraisers consolidate the appraised results and create a complete set of detailed asset appraisal lists and consolidated tables, and carry out analysis on the reasonableness of the change in appraised value.

The findings of the current appraisal are formed after thorough discussion and analysis by the project team members of the Company and through assessments by the 3-tier review system of the Company.

IX. ASSUMPTIONS FOR THE VALUATION

This appraisal is carried out mainly based on the following important assumptions and restrictions. The appraisal conclusion should be adjusted accordingly when there are major changes in the following important assumptions and restrictions.

(I) General assumptions

1. It is assumed that Zhentong can continue operating during the development period after the Valuation Benchmark Date;
2. It is assumed that there is no material change in the national and local political, economic and social environments of the country and region where Zhentong is located after the Valuation Benchmark Date;
3. It is assumed that there is no material change in the national macroeconomic policies, industry policies and regional development policies after the Valuation Benchmark Date;
4. It is assumed that there is no material change in the interest rates, exchange rates, taxation bases, tax rates and policy levies related to Zhentong after the Valuation Benchmark Date;
5. It is assumed that the operator of Zhentong is responsible, and its management has the capacity to assume and perform the necessary duties. And it is assumed that the existing management, business, and technical team is relatively stable, or that changes in the management, business, and technical team would have no significant impact on the company's operation and management;
6. It is assumed that Zhentong complies with all the relevant laws and regulations;
7. It is assumed that there is no material adverse influence on the appraised assets caused by force majeure after the Valuation Benchmark Date.

(II) Special Assumptions

1. It is assumed that the accounting policies adopted by Zhentong after the Valuation Benchmark Date are consistent with the accounting policies adopted when preparing this Valuation Report in all the material aspects;
2. It is assumed that Zhentong can successfully obtain the qualifications for real estate development in the future, and such business qualifications could successfully pass the examination and approval by relevant authorities after the expiration of the validity period, and the business qualifications remain valid and in line with the development requirements. It is assumed that there is no obstacle to the development of real estate projects;
3. The valuation on long-term equity investments is based on the assumptions that all projects developed by Zhentong can be successfully completed as planned; the inspection and acceptance of the Project after completion of construction can be completed as scheduled; and the Projects can be delivered as scheduled according to the contracts with the owners. The possible construction quality problems, the increase in cost caused by the delay of the projects and the impact of contingent liability on the valuation conclusion were not taken into account when evaluating the assets value and value of shareholders' equity, and the development cost is effectively controlled within the budget;

4. This appraisal is based on the stock assets of Zhentong as of the Benchmark Date, and does not take into account the value generated by the development of new projects that may be acquired by the enterprise in the future, and assumes that the income period is the forecast period;
5. It is assumed that the business scope and operating mode of Zhentong are consistent with the current ones after the Valuation Benchmark Date based on the existing management mode and management level;
6. Based on the current situation of the property market where Zhentong's Project locates, this appraisal makes a proper and reasonable judgment on the expected sale price of the unsold property, and assumes that the property market where the Project locates remains stable in the future, without significant changes;
7. According to the indicators of project construction planning and other related information provided by Zhentong, as well as the agreement in the land transfer contract and the arrangement of the enterprise concerning the project construction plan and project progress, the construction period is 4.00 years. According to the "Report of Feasibility Study on the Secondary Development of Land Plots of the Xintang Interchange on the GS Superhighway", the development period is from 2020 to 2024, while the sales period is from 2021 to 2026;
8. This appraisal assumes that all development projects will record sales revenue in each period as scheduled according to the sales payment recovery plan estimated by Zhentong;
9. This appraisal is estimated based on the planning proposal obtained by Zhentong, and assumes that no adjustment to the planning proposal will be made by the enterprise in the future;
10. In this appraisal, save as otherwise specified, neither the effect of any security and guarantee over the equity interests or underlying assets of Zhentong on the appraised value, nor the effect of any changes in national macro-economic policies and occurrences of events of force of nature and other force majeure on the value of the assets, has been taken into consideration;

The valuation conclusions of this Valuation Report are established based on the above assumptions as at the Valuation Benchmark Date. When there is any significant change in the above assumptions, the signatory asset appraisers and the appraisal agency will not assume the responsibility for different valuation conclusions resulting from the change of assumptions.

X. VALUATION CONCLUSION

The conclusion under the cost method is adopted in this appraisal as the valuation conclusion of this asset valuation. Based on the investigation, evaluation and estimation, as at the Valuation Benchmark Date of 31 December 2019, the carrying value of 37.5% equity interest in Zhentong being appraised (entrusted by Guangdong Highway Construction) amounted to RMB3,750,000, and the assessed value was RMB454,831,100, representing an increase of 12,028.83%; the carrying value of loans being appraised amounted to RMB311,224,500, and the assessed value was RMB311,224,500, with no increase or decrease; the carrying value of equity interest and loans being appraised amounted to RMB314,974,500 in total, and the total assessed value was RMB766,055,600 (in words: RMB SEVEN HUNDRED AND SIXTY-SIX MILLION, FIFTY-FIVE THOUSAND AND SIX HUNDRED ONLY), representing an increase of 143.21% (for details of the valuation conclusion, please refer to the evaluation details).

The carrying value of 22.5% equity interest in Zhentong being appraised (entrusted by Shenwan Infrastructure) amounted to RMB2,250,000, and the assessed value was RMB272,898,700, representing an increase of 12,028.83%; the carrying value of loans being appraised amounted to RMB186,734,700, and the assessed value was RMB186,734,700, with no increase or decrease; the carrying value of equity interest and loans being appraised amounted to RMB188,984,700 in total, and the total assessed value was RMB459,633,400 (in words: RMB FOUR HUNDRED AND FIFTY-NINE MILLION, SIX HUNDRED AND THIRTY-THREE THOUSAND AND FOUR HUNDRED ONLY), representing an increase of 143.21% (for details of the valuation conclusion, please refer to the evaluation details).

XI. EXPLANATORY NOTES ON SPECIAL ISSUES

- (I) BDO China Shu Lun Pan Certified Public Accountants LLP Guangdong Branch* (立信會計師事務所(特殊普通合夥)廣東分所) conducted an audit on the financial position as at 31 December 2019 and the operating results and cash flow in 2019 of Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司), the long-term equity investment, and issued a Special Audit Report on Asset and Capital Verification (Xin Kuai Shi Yue Bao Zi [2020] No. 50002) and an Audit Report without qualified opinion (Xin Kuai Shi Yue Bao Zi [2020] No. 20001). The valuation is based on audited and adjusted data, which shall be brought to the attention of the users of the report.
- (II) According to the information provided by the clients, as at 30 April 2020, the carrying value of 37.5% shareholders' loans of Zhentong held by Guangdong Highway Construction amounted to RMB805,672,848.56, and the carrying value of 22.5% shareholders' loans of Zhentong held by Shenwan Infrastructure amounted to RMB483,403,709.14, which shall be brought to the attention of the users of the report.
- (III) In this valuation, it is assumed that the land held by Zhentong within the valuation scope could be used normally, are free from any serious geological defects or adverse effect on the value of the land caused by hazardous substances and harmful environment. In this valuation, the effects of force of nature or force majeure on the valuation conclusion are not considered.

- (IV) The valuation conclusion is the current market value of the long-term equity investment and the corresponding creditor's rights based on the purpose of this valuation and assumptions in the report, effects of increased or reduced price of special mode of transaction on its appraised value are not taken into consideration, nor the effect of any changes in macro-economic environment and occurrences of events of force of nature and other force majeure on the value of the assets.
- (V) When assessing the value of the total shareholders' equity of the long-term equity investment unit, we made and listed the assumptions in the Asset Valuation Report that we consider necessary and reasonable based on the current actual conditions. These assumptions are preconditions for our asset appraisal. When there are significant changes in the economic environment and the above assumptions in the future, the appraisers will not assume responsibility for different asset appraisal results resulting from the change of the preconditions.
- (VI) The valuation agency and its valuation professionals shall not be held responsible for the flaws in the appraised assets that may affect the appraised value of assets which are not generally discoverable with the professional experience of the valuation professionals and have not been specified in the engagement.
- (VII) The valuation professionals have carried out on-site inspection on the valuation object in this Valuation Report and its assets involved, given necessary attention to the legal titles of the valuation object, and verified the information related to the legal titles of the valuation object and its assets involved, but no guarantee is made in any form as to the legal titles of the valuation object. This report does not serve as a property title certificate of related assets, nor do it assume any responsibility for the title status of the assets. The clients and Zhentong shall be liable for any legal obligations in respect of the truthfulness, legality and completeness of the legal title information provided by them in respect of the valuation object. The above special matter shall be brought to the attention of the users of this report.
- (VIII) This valuation conclusion did not consider the potential change in tax obligation resulting from the increase or decrease in appraised value.
- (IX) This valuation conclusion did not take into account the discount or premium caused by factors such as controlling interest and minority interest, as well as the impact of liquidity on the assessed value.

XII. EXPLANATION NOTES ON LIMITATIONS ON THE USE OF THE ASSET VALUATION REPORT

- (I) The clients or other users of this Valuation Report shall use this Valuation Report within the scopes as specified in it in accordance with the laws and regulations.
- (II) The asset appraisal agency and its asset appraisers take no responsibility for any non-compliance of the laws and administrative rules and regulations, and for failure to use it within the scope of use as specified in this Asset Valuation Report by the clients or other users of this Asset Valuation Report.

- (III) Save for the clients, other users of this Asset Valuation Report specified in the engagement letter for valuation service, and users of the Asset Valuation Report as required by laws and administrative rules and regulations, this Asset Valuation Report shall not be used by any other agencies or individuals.
- (IV) The users of this Asset Valuation Report should properly interpret the valuation conclusion, which is not equivalent to the realizable value of the valuation object and should not be considered a guarantee for the realizable value of the valuation object.
- (V) Without consent from the asset appraisal agency that issued the Valuation Report, the contents of the Valuation Report shall not be extracted, reproduced or disclosed in public media, unless otherwise required by laws and regulations and agreed by the relevant parties.
- (VI) Validity of valuation conclusion: The validity for use of this valuation conclusion is one year from the Valuation Benchmark Date, i.e. the validity of the valuation conclusion is from 31 December 2019 to 30 December 2020.
- (VII) When adjustments to policies have material effects on the valuation conclusion, a new valuation benchmark date should be set for a new valuation.

XIII. REPORTING DATE OF THE ASSET VALUATION

The date of this Valuation Report is 10 May 2020, which is the date of forming the professional valuation opinion.

Asset Appraiser: **Shaoyun LIU***

GUANGDONG UNION TRUST EVALUATION
CO., LTD.*
(廣東聯信資產評估土地房地產估價有限公司)

Guangzhou, China

Asset Appraiser: **Huiliang ZHANG***

* For identification purpose only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) **Interests and short positions of directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation**

As at the Latest Practicable Date, so far as was known to the Directors and the chief executives of the Company, none of the Directors or chief executives of the Company was interested in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company.

(b) **Interests and short positions of the Shareholders in the Shares, underlying Shares of the Company**

As at the Latest Practicable Date, so far as is known to any Director or chief executives of the Company, the interests and short positions of the Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity of Shareholder	Number of Shares/ underlying Shares		Approximate percentage of total issued Shares as at the Latest Practicable Date ¹
		Long position	Short position	
SIICHIC	Beneficial owner	2,213,449,666 ²	—	71.83%
Shenzhen Investment International Capital Holdings Co., Limited (“深圳投控國際資本控股有限公司”)	Interests of controlled corporation	2,213,449,666 ²	—	71.83%
Shenzhen Investment Holdings Co., Ltd (“深圳市投資控股有限公司”) (“SIHC”)	Interests of controlled corporation	2,213,449,666 ²	—	71.83%
Golden Baycrest (BVI) Limited	Beneficial owner	305,087,338 ³	—	9.90%
China Vanke	Interests of controlled corporation	305,087,338 ³	—	9.90%
CMF Global Quantitative Multi-Asset SPC — CMF Global Quantitative Stable SP	Trustee	291,207,411 ⁴	—	9.45%
China Taiping Life Insurance (Hong Kong) Company Limited (“中國太平人壽保險(香港)有限公司”)	Beneficiary of a trust (other than a discretionary interest)	291,207,411 ⁴	—	9.45%
China Taiping Insurance Holdings Company Limited (“中國太平保險控股有限公司”)	Interests of controlled corporation	291,207,411 ⁴	—	9.45%

Notes:

1. The percentage was calculated based on 3,081,690,283 Shares in issue as at the Latest Practicable Date.
2. The 2,213,449,666 Shares were held by SIICHIC, a wholly-owned subsidiary of Shenzhen Investment International Capital Holdings Co., Limited which in turn was a wholly-owned subsidiary of SIHC. The interests of SIICHIC, Shenzhen Investment International Capital Holdings Co., Limited and SIHC in the 2,213,449,666 Shares represented the same block of Shares and were deemed under the SFO to have same interests with each other.
3. The 305,087,338 Shares were held by Golden Baycrest (BVI) Limited, an indirect wholly-owned subsidiary of China Vanke. The interests of Golden Baycrest (BVI) Limited and China Vanke in the 305,087,338 Shares represented the same block of Shares and were deemed under the SFO to have same interests with each other.

4. China Taiping Life Insurance (Hong Kong) Company Limited is a direct wholly-owned subsidiary of China Taiping Insurance Holdings Company Limited which in turn is directly owned as to 50.71% by China Taiping Insurance Group (HK) Company Limited, 2.41% by Taiping Golden Win Investment Limited, 4.68% by Easiwell Limited and 1.84% by Manhold Limited. Taiping Golden Win Investment Limited, Easiwell Limited and Manhold Limited are wholly-owned by China Taiping Insurance Group (HK) Company Limited which in turn is a direct wholly-owned subsidiary of China Taiping Insurance Group Ltd. The interests of China Taiping Life Insurance (Hong Kong) Company Limited, China Taiping Insurance Holdings Company Limited and CMF Global Quantitative Multi-Asset SPC — CMF Global Quantitative Stable SP in the 291,207,411 Shares represented the same block of Shares.

Saved as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than Directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO.

As at the Latest Practicable Date, save for Mr. Weiguo ZONG*, who is also the Executive General Manager of Shenzhen Vanke Development Company Limited* (深圳市萬科發展有限公司), a subsidiary of China Vanke, the holding company of Golden Baycrest (BVI) Limited which holds approximately 9.90% of the total issued Shares, no other Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. COMPETING INTERESTS

As at the Latest Practicable Date,

- (a) Mr. Zhengyu LIU* is a director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd* (深圳經濟特區房地產(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock codes: A000029 and B200029), which principally engages in the real estate development, engineering construction and property management of residential houses and other products in the PRC; and
- (b) Mr. Weiguo ZONG* is the Executive General Manager of Shenzhen Vanke Development Company Limited* (深圳市萬科發展有限公司), a subsidiary of China Vanke, which principally engages in property development and property services in relation to residential properties in the PRC.

Saved as disclosed above, as at the Latest Practicable Date, no other Director or his respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the date of this circular and which is or may be material:

- (a) the strategic cooperation framework agreement dated 18 June 2019 entered into between the Company and China Vanke, pursuant to which the parties agreed to carry out all-round strategic cooperation in relation to the development and utilisation study of the land and project cooperation along the GS Superhighway traffic route and other land development projects designated by the Company;
- (b) the joint venture agreement and the articles of the Project Company dated 29 November 2019 entered into amongst Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment in relation to the establishment of the Project Company and the management and operation of the Project Company, pursuant to which Shenwan Infrastructure agreed to contribute up to RMB2,550,000,000 to the Project Company, representing 37.5% of the total capital contributions to be provided by the shareholders of the Project Company;
- (c) the Transaction Agreement;
- (d) the New JV Agreement; and
- (e) the Amended JV Articles.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. EXPERTS' QUALIFICATION AND CONSENT

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

Name	Qualification
Cushman & Wakefield Limited	Independent property valuer
GuangDong Union Trust Evaluation Co., Ltd.* (廣東聯信 資產評估土地房地產估價有限公司)	Independent valuer

As at the Latest Practicable Date, each of the above experts does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

Each of the above experts has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its report/letter and the reference to its name included in this circular in the form and context in which they are respectively included.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

- (a) The registered office of the Company is at P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company in Hong Kong is at Room 63-02, 63rd Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Maples Fund Services (Cayman) Limited at P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands, and the Hong Kong share registrar and the

transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

- (c) The secretary of the Company is Ms. Ching Fan KOO. Ms. KOO is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in England and a fellow member of The Association of Chartered Certified Accountants. She has over 20 years of experience in company secretarial work.
- (d) Save as otherwise stipulated in this circular, the English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents (or copies thereof) will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 63–02, 63rd Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from the date of this circular up to and including 3 November 2020:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 30 June 2017 and 2018 respectively;
- (c) the annual report of the Company for the six months ended 31 December 2018;
- (d) the 2019 Annual Report;
- (e) the Property Valuation Report, the text of which is set out in Appendix II to this circular;
- (f) the PRC Valuation Report, the summary of which is set out in Appendix III to this circular;
- (g) the material contracts referred to in the section headed “MATERIAL CONTRACTS” in this appendix;
- (h) the circular of the Company dated 22 April 2020 in relation to the agreements relating to development of the Project Land and expansion on Xintang interchange main alignment; and
- (i) this circular.

* For identification purposes only