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深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00548)

CONNECTED TRANSACTION

ACQUISITION OF 89.93% INTEREST IN LONGDA EXPRESSWAY

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 9 November 2020, the Company entered into the Equity Transfer Agreement with Baotong Company, pursuant to which the Company shall acquire 89.93% equity interest in Longda Company from Baotong Company at the consideration of RMB405,388,000.

Upon completion of the transaction contemplated under the Equity Transfer Agreement, the Company will hold 89.93% equity interest in Longda Company, and Longda Company will become a subsidiary of the Company and consolidated into the Company's financial statements.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Investment, construction, operation and management of toll highways and roads is part of the ordinary and usual course of business of the Group. The Board is of view that, given Longda Expressway is located in the core region of the Guangdong-Hong Kong-Macao Greater Bay Area and is an important trunk line from Shenzhen to Dongguan and the Pearl River Delta, and Longda Expressway has a good operating record and a relatively low investment risk; the acquisition of 89.93% equity interest in Longda Company will help the Group to improve its future profitability and cash flow. The subject transaction will further consolidate the Group's core advantages in the investment, management and operation of toll highways, and is in line with the Company's development strategy and overall interests. In addition, as the controlling shareholder of the Company, SZ International has made non-competition commitments to the Company and undertaken to support the development of the Company's business, including injecting its highway assets into the Company if applicable conditions are met. The subject transaction has revealed SZ International's positive attitude to support the Company's development and strengthened its good image of keeping its promises. It is a win-win proposal that takes into account the interests of all parties.

IMPLICATIONS UNDER THE LISTING RULES

Since Baotong Company is a wholly-owned subsidiary of SZ International which holds

approximately 52% interest in the Company, Baotong Company is a connected person of the Company and the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the transaction under the Equity Transfer Agreement are more than 0.1% but less than 5%, pursuant to Chapter 14A of the Listing Rules, the Equity Transfer Agreement is subject to the reporting and announcement requirements but exempted from independent shareholders' approval requirement.

The Board is pleased to announce that on 9 November 2020, the Company entered into the Equity Transfer Agreement with Baotong Company, the principal terms of which are as follows:

Equity Transfer Agreement

Date: 9 November 2020

Parties: the Company (as purchaser) ;
Baotong Company (as vendor) °

Subject matter:

The Company agreed to acquire and Baotong Company agreed to sell its 89.93% equity interest in Longda Company to the Company.

Consideration and the basis of determination:

The consideration for the Company's acquisition of 89.93% equity interest in Longda Company is RMB405,388,000.

The consideration is arrived by the parties after arm's length negotiations on normal commercial terms.

Since the principal business of Longda Company is the construction, operation and management of Longda Expressway, the Company has based on its previous investment and management experiences and professional capabilities in toll highway projects, and comprehensively considered factors including the traffic flow, operation, policy environment, and the maturity of Longda Expressway, etc. in the estimation of the value of 89.93% equity interest in Longda Company. The Company has also referred to the valuation report prepared by Carea Assets as the major consideration factors in the negotiation of the consideration of the subject acquisition.

Pursuant to the valuation conducted by Carea Assets, the assessed value of the entire equity interest in Longda Company as at 31 December 2019 is RMB523,037,000, and accordingly, the value of 89.93% equity interest in Longda Company is RMB470,367,000. After the valuation base date, Longda Company distributed its profits in the aggregate amount of RMB72,218,000, among which Baotong Company is entitled to an amount of RMB64,946,000. Therefore, as at the date of the Equity Transfer Agreement, the corresponding value of 89.93% equity interest in Longda Company should be RMB405,421,000.

The income approach was adopted in the valuation of the equity interest in Longda Company by Carea Assets, which constitutes a profit forecast under Rule 14.61 of the Listing Rules. Details of the assumptions used for the profit forecast are set out under the section headed "Valuation" below.

Payment manner of the consideration:

The consideration of RMB405,388,000 shall be paid by the Company in two portions, among which RMB404,855,000 shall be settled in cash in an one-off manner by bank transfer to Baotong Company within 10 working days from the date of the Equity Transfer Agreement, and the remaining RMB533,000 shall be settled by the Company through assuming the debts of same amount owed by Baotong Company to Longda Company.

The consideration for the acquisition under the Equity Transfer Agreement will be financed by the Company by its internal resources and/or borrowings.

Conditions precedent:

The effectiveness of the Equity Transfer Agreement is subject to fulfillment (or written waiver by the relevant party) of all the following conditions:

1. Baotong Company having completed the relevant statutory procedures for the transfer of state-owned assets; and
2. Baotong Company having obtained approval of the subject transaction from all shareholders of Longda Company.

The above conditions are already fulfilled as at the date of this announcement.

Completion:

The completion of the subject transaction (the “**Completion Date**”) shall be the date when the date of the acceptance notice to be issued by the China Market Supervision Administration on the approval of the equity change of this transaction. Upon the Completion Date, the Company will hold 89.93% equity interest in Longda Company, and Longda Company will become a subsidiary of the Company and consolidated into the Company’s financial statements.

Reference is made to the continuing connected transaction announcement of the Company dated 30 December 2019 in relation to the entrusted management agreement entered between the Company and Baotong Company on even date, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interest in Longda Company for the period from 1 January 2020 to 31 December 2020. The parties agreed that the entrusted management agreement shall be terminated on the Completion Date accordingly. The Company shall waive the entrusted management fees for the period from 1 July 2020 up to the Completion Date, while the corresponding interests generated from the 89.93% equity interest in Longda Company for the period from 1 January 2020 to the Completion Date shall belong to the Company.

VALUATION

The Company has appointed Carea Assets to carry out the valuation of 100% interest in Longda Company. The valuation has adopted income approach with the base date set on 31 December 2019. As the valuation has adopted income approach which involves the use of discounted cash flow methodology and constitutes a profit forecast under Rule 14.61 of the Listing Rules, this announcement shall comply with the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

Pursuant to Rule 14.62 of the Listing Rules, the key assumptions of this valuation mainly include the followings:

1. Assuming there will be no material change in the current national laws, regulations and policies, national macro-economic situation, the political, economic and social environment of the regions where the parties to the transaction are located; and there will be no material adverse change caused by other unforeseeable or force majeure factors. Assuming the company under valuation fully complies with all relevant laws and regulations.
2. Assuming there will be no material change in credit interest rates, tax bases, tax rates and levy collected under government's policy.
3. Assuming the manager of the company under valuation is responsible, and its management team is capable to assume and perform its duties. Also assuming the company under valuation can maintain relative stability of its existing management, business, and technical teams, or there will be no significant impact on the management of the company under valuation after any change has been implemented to its management, business, and technical teams.
4. Assuming the accounting policies to be adopted by the company under valuation in future are basically same as those have been adopted when the valuation report is prepared in all material respects.
5. Assuming the company under valuation will remain consistent on the current direction of its business scope and method based on its existing management method and management level, and assuming the company under valuation will continue to operate with reference to the actual status of assets on the valuation base day.
6. Assuming the operating income and expenditures and other income and expenditures of the company under valuation in the future operating period will use the same operating model as at the valuation base date. Assuming the operating income and expenditure of the company under valuation and the purchase price of the assets of the company under valuation are compatible with the purchasing power of the local currency as at the valuation base date.
7. Calculation of the revenue is based on each financial year, and having assume the revenue realization date of the company under valuation is in the middle of each year.
8. Assuming the economic life of various fixed assets of the company under valuation are in line with the standard established by the "Manual of Asset Valuation Methods and Parameters" (資產評估常用方法與參數手冊) published by the Machinery Industry Press (機械工業出版社).

Meanwhile, the valuation is based on operating results over previous years of the company under valuation. Estimates on future operation and revenue of Longda Company are conducted through analysis over revenue, costs, financial structure, business development trends and growth movements, etc. The expected operating revenue and corporate free cash flow of Longda Company are as follows:

Unit: RMB'000

Duration (Year)	Operating Revenue	Corporate Free Cash Flow
2020	102,229.1	23,077.3
2021	139,055.3	64,126.7
2022	143,449.7	70,742.3
2023	147,199.9	74,723.5
2024	150,168.6	77,039.6
2025	152,708.5	64,686.0
2026	154,827.3	71,824.4
2027 (up to 8 October)	120,218.2	48,888.7

Based on the above premises and assumptions, value of 100% interest in Longda Company as at the valuation base date of 31 December 2019 was approximately RMB523,037,000.

The Board has reviewed the principal assumptions adopted in the valuation, and is of the view that the valuation has been made after due and careful enquiry. PwC, the reporting accountant of the Company, has reviewed the calculation of discounted future estimated cash flows adopted by Carea Assets on which the valuation is based. The letters from the Board and PwC are included in Appendices I and II to this announcement, respectively.

INFORMATION ON LONGDA COMPANY

Longda Company is a limited company incorporated in the PRC which owned as to 89.93% and 10.07% by Baotong Company and Donguan Dalingshan Town Asset Management Co., Ltd. (東莞市大嶺山鎮資產經營管理有限公司) as at the date of this announcement. To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Donguan Dalingshan Town Asset Management Co., Ltd. (東莞市大嶺山鎮資產經營管理有限公司) and its ultimate beneficial owner is independent third party of the Company and its connected persons.

Longda Company principally engages in the operation and maintenance of Longda Expressway (Longhua, Shenzhen – Dalingshan, Dongguan), a dual six-lane expressway measuring approximately 28 kilometres. Pursuant to the previous agreement between the Transport Commission of Shenzhen Municipality (the “**Commission**”, now being the Shenzhen Municipal Transportation Bureau) and Longda Company, the fee entitlement right of the 23.8 kilometres section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp (the “**Longda Shenzhen Section**”) was returned to the Commission since 1 January 2019 and the Commission has implemented toll-free for the Longda Shenzhen Section. Longda Company does not have the fee entitlement right of Longda Shenzhen Section and is not responsible for the management and maintenance of the Longda Shenzhen Section. As such, the section actually owned by Longda Company after 1 January 2019 is the remaining 4.4 kilometers of Longda Expressway (north of Songgang to Guanfo Expressway).

The table below sets out the financial information of Longda Company for the two years ended 31 December 2019 and the six months ended 30 June 2020 prepared in accordance with the PRC Accounting Standard for Business Enterprises:

Unit: RMB'000

	For the year ended 31 December 2018 <i>(audited)</i>	For the year ended 31 December 2019 <i>(audited)</i>	For the six months ended 30 June 2020 <i>(unaudited)</i>
Net profit (before tax)	2,406,875.40	96,379.09	14,561.46
Net profit (after tax)	1,804,866.59	72,175.77	10,789.80
	As at 31 December 2018 <i>(audited)</i>	As at 31 December 2019 <i>(audited)</i>	As at 30 June 2020 <i>(unaudited)</i>
Net assets	1,879,866.59	145,384.22	85,789.80

INFORMATION OF THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Company and its subsidiaries are principally engaged in the investment, construction, operation and management of toll highways and roads, as well as other urban and transportation infrastructure facilities.

Baotong Company is a limited company incorporated in the PRC, its only investment is the holding of 89.93% equity interest in Longda Company. The ultimate beneficial owner of Baotong Company is SZ International, a limited company incorporated in Bermuda, the shares of which are listed on the Stock Exchange. SZ International is a company principally engages in logistics and toll road business. SZ International together with its subsidiaries define the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Pan-Bohai Rim as strategic regions, endeavours to invest in, construct and operate logistic infrastructure projects including integrated logistics hubs and toll roads, and provides high-end and value-added logistic services to customers based on these infrastructures, and expanding its scope of business to various market segments including comprehensive development of lands related to the logistics industry as well as investment in and operation of environmental protection business.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Investment, construction, operation and management of toll highways and roads is part of the ordinary and usual course of business of the Group. The Board is of view that, given Longda Expressway is located in the core region of the Guangdong-Hong Kong-Macao Greater Bay Area and is an important trunk line from Shenzhen to Dongguan and the Pearl River Delta, and Longda Expressway has a good operating record and a relatively low investment risk; the acquisition of 89.93% equity interest in Longda Company will help the Group to improve its future profitability and cash flow. The subject transaction will further consolidate the Group's core advantages in the investment, management and operation of toll highways, and is in line with the Company's development strategy and overall interests. In addition, as the controlling shareholder of the Company, SZ International has made non-competition commitments to the Company and undertaken to support the development of the Company's business, including injecting its highway assets into the Company if applicable conditions are met. The subject transaction has revealed SZ International's positive attitude to support the Company's development and strengthened its good image of keeping its promises. It is a win-win proposal that takes into account the interests of all parties.

The Company had convened a Board meeting for consideration and approval of the transaction under the Equity Transfer Agreement. Mr. Hu Wei, Mr. Wang Zeng Jin, Ms. Chen Yan and Mr. Fan Zhi Yong, all being directors holding positions in SZ International and/or its subsidiaries (excluding the Group), had declared their interests in accordance with the requirements and did

not participated in voting on the relevant resolution. The resolution was unanimously approved by the other Directors.

The Directors (including all independent non-executive Directors) consider the terms in the Equity Transfer Agreement are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Since Baotong Company is a wholly-owned subsidiary of SZ International which holds approximately 52% interest in the Company, Baotong Company is a connected person of the Company and the transaction under the Equity Transfer Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios of the transaction under the Equity Transfer Agreement are more than 0.1% but less than 5%, pursuant to Chapter 14A of the Listing Rules, the Equity Transfer Agreement is subject to the reporting and announcement requirements but exempted from independent shareholders' approval requirement.

EXPERTS AND CONSENTS

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

Name	Qualifications
Carea Assets	an independent qualified valuer in the PRC engaged in valuation
PwC	Certified Public Accountants, the PRC

To the best of knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Carea Assets and PwC is an independent third party of the Company.

As at the date of this announcement, none of Carea Assets and PwC has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

DEFINITIONS

“Baotong Company”	Shenzhen Baotong Highway Construction and Development Company Limited (深圳市寶通公路建設開發有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of SZ International
“Board”	the board of directors of the Company
“Carea Assets”	Carea Assets Appraisal Co., Ltd. (開元資產評估有限公司), a qualified independent valuer engaged in valuation in the PRC

“Company”	Shenzhen Expressway Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 9 November 2020 entered into between the Company and Baotong Company in relation to the transfer of 89.93% equity interest in Longda Company by Baotong Company to the Company
“PwC”	PricewaterhouseCoopers Zhong Tian LLP
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longda Company”	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司), a limited company incorporated in the PRC which owned as to 89.93% by Baotong Company as at the date of this announcement
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ International”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange

Notes:

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

By Order of the Board
Gong Tao Tao
Joint Company Secretary

Shenzhen, PRC, 9 November 2020

As at the date of this announcement, the Directors of the Company are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. LIAO Xiang Wen (Executive Director and President), Mr. WEN Liang (Executive Director), Mr. WANG Zeng Jin (Executive Director), Ms. CHEN Yan (Non-executive Director), Mr. FAN Zhi Yong (Non-executive Director), Mr. CHEN Yuan Jun (Non-executive Director), Mr. CHEN Zhi Sheng (Non-executive Director), Mr. CAI Shu Guang (Independent non-executive Director), Mr. WAN Siu Wah Wilson (Independent non-executive Director), Ms. CHEN Xiao Lu (Independent non-executive Director) and Mr. BAI Hua (Independent non-executive Director).

APPENDIX I : LETTER FROM THE BOARD

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

Dear Sirs,

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

Reference is made to the announcement (the “Announcement”) of Shenzhen Expressway Company Limited (the “Company”) dated 9 November 2020, which mentioned the valuation (the “Valuation”) carried out by Carea Assets Appraisal Co., Ltd. (“Carea Assets”) on the value of 100% interest in Shenzhen Longda Expressway Company Limited.

We have reviewed the Valuation for which Carea Assets are responsible, and discuss with Carea Assets on relevant matters (including the part of bases and assumptions upon which the Valuation has been prepared). We have also considered the letter from the reporting accountant, PricewaterhouseCoopers Zhong Tian LLP dated 9 November 2020 addressed to us regarding whether the discounted cash flow forecast on which the Valuation is based was compiled properly so far as the calculations are concerned.

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

Yours faithfully,

By Order of the Board
Shenzhen Expressway Company Limited
LIAO Xiang Wen
Executive Director and President

9 November 2020

APPENDIX II

The following is the text of the report received from PricewaterhouseCoopers Zhong Tian LLP, Certified Public Accountants, the PRC, for the purpose of inclusion in this announcement.



普华永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SHENZHEN LONGDA EXPRESSWAY COMPANY LIMITED

普华永道中天特审字(2020)第 3184 号
(1/2)

TO THE BOARD OF DIRECTORS OF SHENZHEN EXPRESSWAY COMPANY LIMITED

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 28 October 2020 prepared by CAREA Assets Appraisal Co., Ltd. in respect of the appraisal of the fair value of the 100% equity interests in Shenzhen Longda Expressway Company Limited (the "Target Company") is based. The Valuation is set out in the announcement of Shenzhen Expressway Company Limited (the "Company") dated 9 November 2020 (the "Announcement") in connection with the acquisition of 89.93% equity interests in the Target Company by the Company. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set on pages 3 to 5 of the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibilities

It is our responsibility to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

We conducted our work in accordance with the China Standard on Other Assurance Engagements No.3101, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by Chinese Institute of Certified Public Accountant. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions as set out on pages 3 to 5 of the Announcement. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted cash flows do not involve the adoption of accounting policies. The discounted cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, has been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out on pages 3 to 5 of the Announcement.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant: Lin Chong Yun

Shanghai, the People's Republic of China
9 November 2020

Certified Public Accountant: Lin Yan Bin