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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 TRANSACTIONS

**AGREEMENTS RELATING TO
DEVELOPMENT OF THE PROJECT LAND AND
EXPANSION ON XINTANG INTERCHANGE MAIN ALIGNMENT**

A letter from the Board containing details of the Transaction Documents is set out on pages 5 to 13 of this circular.

The Company has obtained written Shareholders' approval for the Transaction Documents and the transactions 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 and the transactions contemplated thereunder pursuant to rule 14.44 of the Listing Rules.

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

22 April 2020

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DEFINITIONS

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

“Actual Costs”	the costs actually incurred for the construction and management of the Ancillary Works and the payment of the Indemnity
“Ancillary Works”	certain ancillary works required by the local government in connection with the development of the Project Land, including the transformation of the Xintang interchange, construction of a sky park above the Xintang interchange, transformation and construction of roads connecting the sky park and the residential project and construction of greenway, etc.
“Ancillary Works Construction and Management Agreement”	an agreement dated 30 March 2020 entered into among the Project Company, Guangdong Highway Construction and GS Superhighway JV in relation to the construction and management of the Ancillary Works and the Indemnity
“Ancillary Works Construction and Management Costs Sharing Agreement”	an agreement dated 30 March 2020 entered into between Hopewell China Development and Guangdong Highway Construction in relation to the sharing of the costs overrun and savings in relation to the construction and management of the Ancillary Works
“associate”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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))
“connected person”	shall have the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Contract Sum”	the fixed contract sum of RMB2,491,000,000 payable by the Project Company for the construction and management of the Ancillary Works (including the payment of the Indemnity) pursuant to the Ancillary Works Construction and Management Agreement
“Director(s)”	director(s) of the Company
“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 and Leaxin Investment)
“Greater Bay Area”	Guangdong-Hong Kong-Macao Greater Bay Area
“Group”	the Company and its subsidiaries (including GS Superhighway JV)
“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 Highway Construction”	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), a company established in the PRC with limited liability which is the PRC joint venture partner of GS Superhighway JV 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
“Hopewell China Development”	Hopewell China Development (Superhighway) Limited* (合和中國發展(高速公路)有限公司), a company established in Hong Kong with limited liability and a subsidiary of the Company

DEFINITIONS

“Indemnity”	the indemnity given by the Project Company to GS Superhighway JV under the Ancillary Works Construction and Management Agreement for indemnifying any operational loss sustained by GS Superhighway JV due to the construction of the Ancillary Works (including but not limited to any loss of toll fees, costs for demolition of fixtures and structures, costs for additional manpower, facilities, equipment and coordination required to maintain normal operation of the GS Superhighway, etc.)
“Latest Practicable Date”	17 April 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
“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
“PRC”	the People’s Republic of China which, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Project Company”	the project company established in the PRC to engage in the development of the Project Land, which is held as to 37.5% by the Group (through its subsidiary, Shenwan Infrastructure) and 62.5% by GPCG (through its subsidiaries, Guangdong Highway Construction, Lealu Investment and Leaxin Investment)

DEFINITIONS

“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
“RMB”	Renminbi, the lawful currency of the PRC
“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 Share(s)
“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
“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 established by the Company for the purpose of investing into the Project Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction Documents”	the Ancillary Works Construction and Management Costs Sharing Agreement and the Xintang Interchange Main Alignment Expansion Project Management Agreement
“Xintang Interchange Main Alignment Expansion Project”	the construction works for the expansion of the Xintang interchange main alignment of the GS Superhighway from a 6-lane to a 12-lane two-way superhighway
“%”	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*)

Non-executive Directors:

Mr. Zhengyu LIU* (*Chairman*)
Mr. Junye CAI*
Mr. Jiyang TANG*

Independent Non-executive Directors:

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

Registered office:

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

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

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

22 April 2020

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS

**AGREEMENTS RELATING TO
DEVELOPMENT OF THE PROJECT LAND AND
EXPANSION ON XINTANG INTERCHANGE MAIN ALIGNMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 30 March 2020 in relation to the entering into of the following agreements namely, (i) the Ancillary Works Construction and Management Costs Sharing Agreement entered into between Hopewell China Development and Guangdong Highway Construction, pursuant to which, Hopewell China Development and Guangdong Highway Construction agreed to the sharing of the costs overrun and savings between themselves with respect to the Actual Costs incurred in relation to the Ancillary Works; and (ii) Xintang Interchange Main Alignment Expansion Project Management Agreement entered into between GS Superhighway JV and Guangdong Highway Construction,

LETTER FROM THE BOARD

pursuant to which, GS Superhighway JV agreed to engage Guangdong Highway Construction to provide management services in relation to the Xintang Interchange Main Alignment Expansion Project at a management fee of not exceeding RMB150,000,000.

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.

BACKGROUND

References are made to (i) the announcement of the Company dated 29 November 2019 in relation to the formation of a joint venture among Shenwan Infrastructure (an indirect subsidiary of the Company) and certain subsidiaries within GPCG, to participate in the bidding for the land use rights of the Project Land, which constituted a discloseable and connected transaction of the Company under Chapters 14 and 14A of the Listing Rules; and (ii) the announcement of the Company dated 27 December 2019 in relation to the successful bid for the land use rights of the Project Land by the Project Company respectively.

As disclosed in the announcement of the Company dated 29 November 2019, the development of the Project Land by the Project Company will involve the construction of the Ancillary Works as required by the local government. On 30 March 2020, the Project Company entered into the Ancillary Works Construction and Management Agreement to engage Guangdong Highway Construction to provide construction and management services in relation to the Ancillary Works in accordance with the requirements of the grant contract for the state-owned construction land use rights in respect of the Project Land at a fixed contract sum of RMB2,491,000,000. In connection with the construction of the Ancillary Works which will be carried out in the Xintang area, the Project Company has also agreed to indemnify GS Superhighway JV (being the owner and operator of the GS Superhighway) for any operational loss sustained by it due to the construction of the Ancillary Works (including but not limited to any loss of toll fees, costs for demolition of fixtures and structures, costs for additional manpower, facilities, equipment and coordination required to maintain normal operation of the GS Superhighway, etc.) and the amount of the Indemnity will be paid by the Project Company to GS Superhighway JV out of the contract sum of RMB2,491,000,000 as mentioned above. According to the Company's understanding, the Contract Sum of RMB2,491,000,000 was determined between the Project Company and Guangdong Highway Construction with reference to the estimated construction cost of the Ancillary Works based on its preliminary design, the estimated management fees and expenses and other contingency expenses such as payment of the Indemnity.

The Project Company is owned as to 62.5% (in aggregate) by GPCG (being a connected person of the Company at the subsidiary level) and 37.5% by the Group. Given that the provision of the Indemnity by the Project Company (being an associate of a connected person of the Company at the subsidiary level) to GS Superhighway JV (being a deemed subsidiary of the Company) is conducted on normal commercial terms or better and is not secured by any assets of the Group, the Ancillary Works Construction and Management Agreement (containing the Indemnity) is therefore a fully exempt connected transaction of the Company pursuant to rule 14A.90 of the Listing Rules.

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THE TRANSACTION DOCUMENTS

On the same day of the Ancillary Works Construction and Management Agreement, the following agreements were entered into between the Group and Guangdong Highway Construction which constituted connected transactions of the Company at the subsidiary level under Chapter 14A of the Listing Rules and major transactions under Chapter 14 of the Listing Rules (when aggregated with the maximum contribution of RMB2,550,000,000 by the Group to the Project Company as disclosed in the announcement of the Company dated 29 November 2019), the details of which are set out below.

(1) ANCILLARY WORKS CONSTRUCTION AND MANAGEMENT COSTS SHARING AGREEMENT

Date

30 March 2020

Parties

- (1) Hopewell China Development (a non-wholly owned subsidiary of the Company)
- (2) Guangdong Highway Construction (a non-wholly owned subsidiary of GPCG and a connected person of the Company at the subsidiary level)

Subject matter

Hopewell China Development and Guangdong Highway Construction have agreed to the sharing of the costs overrun and savings between themselves with respect to the Actual Costs in the following manner:

- (i) in the event where the Actual Costs exceed the Contract Sum, the Actual Costs in excess of 0% to 5% of the Contract Sum shall be borne by Hopewell China Development and Guangdong Highway Construction in the proportion of 37.5% and 62.5% respectively, whereas Guangdong Highway Construction shall bear the Actual Costs which exceed beyond 5% of the Contract Sum solely; and
- (ii) in the event where the Contract Sum exceeds the Actual Costs, the surplus amount of the Contract Sum will be apportioned between Hopewell China Development and Guangdong Highway Construction as to 37.5% and 62.5% respectively. Guangdong Highway Construction shall pay Hopewell China Development its entitled portion of the surplus amount of the Contract Sum (after deducting the relevant tax expenses) within 30 calendar days upon receipt of the Contract Sum from the Project Company.

The manner of sharing the costs overrun and savings as mentioned above was negotiated between the parties on an arm's length basis and the sharing proportion of 37.5% and 62.5% was determined based on the respective proportion of equity interest of the Group and GPCG in the Project Company. As the design of the Ancillary Works is

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only at a preliminary stage and the final design is subject to approval by the relevant PRC authorities, any changes or variations in the design, scope of works, cost of construction and raw materials, level of manpower required and complexity of the works involved, etc. would affect the final construction cost incurred. In view of that, the 5% costs overrun was negotiated between the parties on an arm's length basis in order to limit the exposure of the Group. Any costs overrun which exceeds 5% of the Contract Sum will be borne by Guangdong Highway Construction solely.

(2) XINTANG INTERCHANGE MAIN ALIGNMENT EXPANSION PROJECT MANAGEMENT AGREEMENT

Date

30 March 2020

Parties

- (1) GS Superhighway JV (a deemed subsidiary of the Company)
- (2) Guangdong Highway Construction (a connected person of the Company at the subsidiary level)

Subject matter

GS Superhighway JV has agreed to engage Guangdong Highway Construction to provide management services for the Xintang Interchange Main Alignment Expansion Project.

Management services

Guangdong Highway Construction shall select, by way of tender or other means, suitable independent third party contractors in respect of surveying and design, construction, supervision and supply of construction materials for the Xintang Interchange Main Alignment Expansion Project so that GS Superhighway JV may enter into the relevant contracts with the independent contractors directly.

Guangdong Highway Construction shall provide project management services (including preparation of the tender documents and drafting of contracts, handling the tender process, attending negotiations and review and approval procedures, costs calculation, overall progress management and control, overseeing the implementation of the Xintang Interchange Main Alignment Expansion Project, costs settlement and data processing, etc.) to GS Superhighway JV from the initial stage of preparation and throughout the stages of design, construction, completion, settlement and defect liability period of the Xintang Interchange Main Alignment Expansion Project and shall be responsible for managing the quality, safety, construction period and defects rectification of the Xintang Interchange Main Alignment Expansion Project.

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Management fee

The management fee payable by GS Superhighway JV to Guangdong Highway Construction comprises two parts: (i) the actual management expenses incurred (including but not limited to the wages of manpower involved for providing the management services) and (ii) a service fee calculated based on 16.67% of the amount of the Indemnity received by GS Superhighway JV from the Project Company, provided that such management fee shall not exceed RMB150,000,000 in aggregate, which was negotiated between the parties on an arm's length basis and primarily determined based on 16.67% of the estimated amount of the Indemnity which may be received by GS Superhighway JV from the Project Company (taking into account the historical amount of toll fees per day received by GS Superhighway JV in the affected areas over a period of time and the preliminary estimation of the construction period of the Ancillary Works) and taking into account any management expenses of Guangdong Highway Construction that may be incurred. The 16.67% mentioned above was determined with reference to the respective proportionate equity interest of GPCG and the Group in each of GS Superhighway JV and the Project Company. As the Indemnity is derived from the implementation of the Ancillary Works which relates to the development of Project Land, it was agreed between the parties after arm's length negotiation that the benefit of the Indemnity received by GS Superhighway JV shall be shared between GPCG and the Group based on their proportion of equity interest in the Project Company (i.e. GPCG as to 62.5% and the Group as to 37.5% (the "**Project Co Equity Ratio**")). However, since the Indemnity will be received by GS Superhighway JV which has a different proportion of equity interest (i.e. owned as to 55% by GPCG and 45% by the Group) and the Group should only be sharing 37.5% of the Indemnity as mentioned above, it was agreed that GS Superhighway JV shall pay back 16.67% of the Indemnity (i.e. $1 - (37.5\%/45\%) \times 100\%$) to GPCG (through Guangdong Highway Construction by way of service fee under the Xintang Interchange Main Alignment Expansion Project) in order to achieve the Project Co Equity Ratio with respect to the sharing of the benefit of the Indemnity through GS Superhighway JV.

Payment terms

GS Superhighway JV shall pay Guangdong Highway Construction regularly the actual management expenses incurred by it or transfer the necessary amount to a designated bank account of GS Superhighway JV opened for the sole purpose of the Xintang Interchange Main Alignment Expansion Project for use as settlement of the actual management expenses by Guangdong Highway Construction on behalf of GS Superhighway JV. The service fee shall be payable by GS Superhighway JV to Guangdong Highway Construction within 30 calendar days after each time GS Superhighway JV has received any payment of the Indemnity from the Project Company.

Expected date of completion

The construction of the Xintang Interchange Main Alignment Expansion Project is expected to be completed on or before 31 December 2022.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION DOCUMENTS

Ancillary Works Construction and Management Costs Sharing Agreement

The Company believes that the entering into of the Ancillary Works Construction and Management Costs Sharing Agreement demonstrates the mutual commitment of both the Group and GPCG in supporting the implementation of the Ancillary Works (being part of the development of the Project Land by the Project Company), which is in line with the Group's investment in the Project Company with a view to realising the land value and maximising Shareholders' value.

Xintang Interchange Main Alignment Expansion Project Management Agreement

The Company believes that it is in the interest of the Group to leverage on Guangdong Highway Construction's expertise and experience in managing the construction works relating to expressways by engaging it to provide management services for the Xintang Interchange Main Alignment Expansion Project which is expected to be implemented at the same time of the aforementioned Ancillary Works. The appointment of the same service provider as that appointed by the Project Company for carrying out the Ancillary Works will also enhance the coordination, efficiency and effectiveness of work progress control between the two construction works which is beneficial to the Group.

FINANCIAL EFFECTS OF THE TRANSACTION DOCUMENTS

Ancillary Works Construction and Management Costs Sharing Agreement

In the event of sharing of the costs overrun under the Ancillary Works Construction and Management Costs Sharing Agreement by the Group, the interests in the joint ventures will increase whereas the bank balances and cash of the Group will decrease. While in the event of sharing of the costs savings under the Ancillary Works Construction and Management Costs Sharing Agreement by the Group, the interests in joint ventures will decrease whereas the bank balances and cash of the Group will increase. The net assets position of the Group is expected to remain materially unchanged for both sharing of the costs overrun and savings.

As sharing of the costs overrun as mentioned above is expected to be funded from the internal resources of the Group, it would not have a material impact on the earnings position of the Group.

Xintang Interchange Main Alignment Project Management Agreement

The interests in joint ventures and the net assets position of the Group are expected to remain materially unchanged.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS OF THE TRANSACTION DOCUMENTS

GS Superhighway JV is a deemed subsidiary of the Company. Guangdong Highway Construction, being a substantial shareholder of GS Superhighway JV, is a connected person of the Company at the subsidiary level. Accordingly, the entering into of (i) the Ancillary Works Construction and Management Costs Sharing Agreement between Hopewell China Development (a subsidiary of the Company) and Guangdong Highway Construction; and (ii) the Xintang Interchange Main Alignment Expansion Project Management Agreement between GS Superhighway JV and Guangdong Highway Construction, constitutes connected transactions 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 transactions contemplated under the Transaction Documents and have confirmed that the terms of the Transaction Documents are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of the Group's business, and are in the interests of the Company and the Shareholders as a whole. Accordingly, under Chapter 14A of the Listing Rules, the Transaction Documents are only 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 of the applicable percentage ratios in relation to the Transaction Documents (when aggregated with the maximum contribution of RMB2,550,000,000 by the Group to the Project Company as disclosed in the announcement of the Company dated 29 November 2019) exceeds 25% but all of them are less than 100%, the Transaction Documents constitute major transactions of the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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 transactions contemplated under 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 transactions contemplated under the Transaction Documents.

A written Shareholders' approval has been obtained from SIICHIC for the approval of the Transaction Documents pursuant to rule 14.44 of the Listing Rules on 8 April 2020. As at the date of such approval and as at the Latest Practicable Date, SIICHIC holds 2,213,449,666 Shares, representing approximately 71.83% of the issued share capital of the Company. As a result, no general meeting is required to be convened by the Company to approve the Transaction Documents under Chapter 14 of the Listing Rules.

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

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

The Company was incorporated in the Cayman Islands with limited liability, the shares of which have been listed on the Main Board of the Stock Exchange since 6 August 2003. 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.

The Project Company is principally engaged in the property development business, which is a joint venture established by Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment.

GS Superhighway JV is principally engaged in the operation and management of the GS Superhighway, which is a joint venture established by Hopewell China Development and Guangdong Highway Construction.

Hopewell China Development is principally engaged in investment of expressway project, which is the Hong Kong joint venture partner of GS Superhighway JV.

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 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.

RECOMMENDATIONS

As the Board (including the independent non-executive Directors) considered that the terms of the Transaction Documents and the transactions contemplated thereunder 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 and the transactions contemplated thereunder if the Company were to convene a general meeting for the approval of the same.

LETTER FROM THE BOARD

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 annual report of the Company for the financial year ended 31 December 2019, 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 annual report 2019 of the Company for the financial year ended 31 December 2019 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 29 February 2020, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had the following outstanding indebtedness:

RMB'000

Bank loans	
Unsecured and guaranteed	<u>730,458</u>

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

Contingent liabilities

During the year ended 30 June 2008, a subsidiary of the Company recovered the registered capital of HK\$702,000,000 previously injected to GS Superhighway JV, a joint venture of the Group. According to the Law of the PRC on Chinese-foreign Contractual Joint Venture, in relation to the early repayment of registered capital to the foreign joint venture partner by the joint venture before the expiry of the operation period, the subsidiary of the Company, as the foreign joint venture partner, is required to undertake the financial obligations of such joint venture to the extent of HK\$702 million (equivalent to RMB631 million as at 29 February 2020) when such joint venture fails to meet its financial obligations during the joint venture operation period.

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 29 February 2020.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 17 February 2020 and the annual report 2019 of the Company for the financial year ended 31 December 2019 relating to the waiver of tolls on toll roads during the prevention and control of epidemic caused by the novel coronavirus pneumonia which is 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 including certain revolving banking facilities of which the Group expected to revolve continuously based on historical record and current discussion with the relevant banks, other financial resources available to the Group including internally generated funds on the basis that standard toll fee collection could resume in the foreseeable future following the gradual resumption of normal business practices in the PRC as a result of the latest status of Novel Coronavirus Pneumonia, 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. Should toll fee collection be resumed at a later stage or at a lesser amount as compared to those estimated by the Directors, the Group may engage in additional financing activities to raise further funding.

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.

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. It is expected that the operating performances of the GS Superhighway and the GZ West Superhighway will benefit from the great traffic volume brought by the increasingly frequent business activities, visitor flow and logistic demand.

As disclosed in the annual report 2019 of the Company for the financial year ended 31 December 2019, confronted with the severe novel coronavirus pneumonia (COVID-19) epidemic, the Ministry of Transport of the PRC published a notice to extend the Holiday Toll-free Policy during the Lunar New Year in 2020 for small passenger vehicles with 7 seats or less from the original 7 days to 16 days due to the epidemic, so as to shift peak period travel of vehicles. In addition, tolls of toll roads are waived nationwide from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the epidemic, and the specific end date of which is subject to further notice. As a result, the toll revenue of the GS Superhighway and the GZ West Superhighway for 2020 will decrease.

In addition, local governments are expected to further enhance infrastructure construction and urban land planning upon the launch of the Outline Plan. The Group is currently exploring the development mode of land along the GS Superhighway with Guangdong Highway Construction to strive for the opportunities of integrated development and realisation of value for the GS Superhighway’s stock of land alongside, as well as arriving at a win-win solution on the implementation of land use plan through coordination with local governments. The engagement in the development of residential project on the Project Land is in line with this business strategy.

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. Jiyang TANG*, who is also the chief partner and the general manager of industry and urban development department of southern regional business group 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. Jiyang TANG* is the chief partner and the general manager of industry and urban development department of southern regional business group 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; and
- (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.

* For identification purpose only

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 (1) year without payment of compensation (other than statutory compensation).

8. GENERAL

- (a) The registered office of the Company is at P.O. Box 309, Uglund 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, KY1-1104, Cayman Islands, 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) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

9. 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 6 May 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 annual report of the Company for the financial year ended 31 December 2019;
- (e) the material contracts referred to in the section headed “*Material contracts*” in this appendix; and
- (f) this circular.