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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)**

**CONNECTED TRANSACTION**

**CONSTRUCTION SUPERVISION AGREEMENT (JL2 BID SECTION)**

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After an open tender and bidding process conducted through Guangzhou Public Resources Trading Center, on 25 March 2024, GSZ Company entered into the Construction Supervision Agreement (JL2 Bid Section) with Guangdong Hualu, pursuant to which Guangdong Hualu shall undertake certain agreed construction supervisory works in connection with the Approved Road Section R&E Project at a total contract fee of RMB51,736,021.

**LISTING RULES IMPLICATIONS**

Given that Guangdong Hualu is a wholly owned subsidiary of GPCG, which is the holding company of Guangdong Highway Construction, the substantial shareholder of GSZ Company (a deemed subsidiary of the Company), Guangdong Hualu is an associate of Guangdong Highway Construction, and thus a connected person of the Company at the subsidiary level. The Construction Supervision Agreement (JL2 Bid Section) therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Construction Supervision Agreement (JL2 Bid Section) exceeds 1% but all of them are less than 5%, pursuant to Chapter 14A of the Listing Rules, the Construction Supervision Agreement (JL2 Bid Section) will only be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements.

The Directors (including the independent non-executive Directors) have approved the Construction Supervision Agreement (JL2 Bid Section) and considered that the terms thereunder are fair and reasonable and on normal commercial terms, and the entering into of the Construction Supervision Agreement (JL2 Bid Section) is in the ordinary and usual course of business of the Group and in the interest of the Company and the shareholders as a whole.

## 1. INTRODUCTION

After an open tender and bidding process conducted through Guangzhou Public Resources Trading Center, on 25 March 2024, GSZ Company entered into the Construction Supervision Agreement (JL2 Bid Section) with Guangdong Hualu, the successful bidder, pursuant to which Guangdong Hualu shall undertake certain agreed construction supervisory works in connection with the Approved Road Section R&E Project at a total contract fee of RMB51,736,021.

## 2. THE CONSTRUCTION SUPERVISION AGREEMENT (JL2 BID SECTION)

The major terms of the Construction Supervision Agreement (JL2 Bid Section) are summarised as follows:

**Date** 25 March 2024

**Parties**

- (i) GSZ Company, a deemed subsidiary of the Company
- (ii) Guangdong Hualu, a connected person of the Company at the subsidiary level

**Subject Matter** Guangdong Hualu (as the supervisor) shall undertake certain agreed construction supervisory works in connection with the Approved Road Section R&E Project, which covers construction supervision of construction preparation stages, construction stages and defect responsibility period, construction safety supervision, supervision of environmental protection and water and soil resources conservation, supervision of the preparation of completion filing of all parties involved in the construction, and related work of cooperating with the GSZ Company's delivery, acceptance inspection of completion and cooperating with the GSZ Company's settlement and final accounts before acceptance inspection of completion.

The construction supervisory works on roadbed comprises section starting from K8+800 and ending at K29+449 of the Approved Road Section, with a total length of approximately 20.65km and the construction supervisory works on road surface comprises section starting from K2+270 and ending at K71+131 of the Approved Road Section, with a total length of approximately 68.86km.

**Service Period** 85 months commencing from the issuance of the commencement notice by GSZ Company to Guangdong Hualu, which comprise of 1 month of supervisory works for construction preparatory stage, 60 months of supervisory works for construction stage and 24 months of supervisory works for delivery inspection and defect responsibility period.

**Total Contract Fee** The total contract fee shall be RMB51,736,021, which will be adjusted if the construction stage of the service period extends or shortens for more than 6 months or if the construction costs of the projects under supervision increases or decreases by over 15% because of the change in design. However, the total contract fee will not be adjusted due to market price fluctuations in labour, raw materials or equipment costs.

A premium supervision charge in an amount equivalent to 1.5% of the bidding price ( i.e. RMB51,736,021) shall be paid to Guangdong Hualu if particular conditions agreed in the Construction Supervision Agreement (JL2 Bid Section) are satisfied.

GSZ Company intends to finance the total contract fee by way of its internal resources and/or external bank financing.

**Basis of Determination of Total Contract Fee** GSZ Company conducted an open tender process through Guangzhou Public Resources Trading Center for the Construction Supervision Agreement (JL2 Bid Section). GSZ Company established a bid evaluation committee in accordance with the requirements of relevant laws and regulations, and awarded the contract to Guangdong Hualu after considering the bidder's bid price, experience and performance, technical capabilities and reputation comprehensively. The total contract fee of RMB51,736,021 was determined based on the bidding price provided by Guangdong Hualu, which was based on the prevailing market price for a project of similar nature and complexity.

**Advance Payment** The advance payment amount is 10% of the total contract fee, which will be payable by GSZ Company to Guangdong Hualu within 7 days after signing of the Construction Supervision Agreement (JL2 Bid Section) and submission of the application for advance payment by Guangdong Hualu.

The advance prepayment may be set off against the incurred contract amount at an agreed ratio upon the incurred contract amount reaching 30% of the total contract fee.

**Payment Arrangement** GSZ Company shall review and make the service payment within 28 days upon receiving the application of supervision service fee by Guangdong Hualu. During the service period, service amount for each quarter shall be paid by mid-month of the first month following the end of the quarter provided that Guangdong Hualu shall provide a payment request no later than the 28th day of the last month of such quarter.

**Performance Guarantee and Quality Guarantee Deposit** Guangdong Hualu shall provide to GSZ Company a performance guarantee in the amount equivalent to 10% of the total contract fee under the Construction Supervision Agreement (JL2 Bid Section) in the form of cash (or cheque), bank guarantee or other legal means, which shall remain effective until the payment of the quality guarantee deposit by Guangdong Hualu. GSZ Company shall return the performance guarantee to Guangdong Hualu within 7 days after the payment of the quality guarantee deposit by Guangdong Hualu.

Guangdong Hualu shall provide to GSZ Company a quality guarantee deposit in the amount equivalent to 3% of the total service amount, which is the sum of the total contract fee and the premium supervision charge under the Construction Supervision Agreement (JL2 Bid Section) in the form of cash (or cheque), bank guarantee or other legal means. GSZ Company shall return the quality guarantee deposit to Guangdong Hualu within 14 days after delivery of the notice of the completion of the construction defect responsibility period.

**Defect Responsibility Period** During the defect responsibility period, Guangdong Hualu shall be responsible for supervising the contractors in rectifying the construction defects.

**Effectiveness** The Construction Supervision Agreement (JL2 Bid Section) shall become effective upon Guangdong Hualu having provided the performance guarantee and the parties having signed and stamped the contract.

### 3. INFORMATION ON THE PARTIES

#### **The Group**

The Group is principally engaged in the expressway business, with its development strategy focusing on the development of infrastructure and related businesses in the Greater Bay Area as well as land development and utilisation along expressway.

#### **GSZ Company**

GSZ Company (a deemed subsidiary of the Company) is principally engaged in the operation and management of the Guangzhou-Shenzhen section of Beijing-Hong Kong-Macao Expressway, which is a joint venture established by Hopewell China Development (Superhighway) Limited (a non-wholly owned subsidiary of the Company) and Guangdong Highway Construction.

## **Guangdong Hualu**

Guangdong Hualu is a limited liability company established in the PRC and wholly owned by GPCG, a state-owned enterprise in the PRC. Guangdong Hualu is a company specialised in communication, municipal administration, water conservancy technology research, material testing, engineering project evaluation, engineering technology research, engineering design, consulting and supervision, etc..

## **GPCG**

GPCG (ultimately controlled by the People's Government of Guangdong Province) is principally engaged in operation and construction of expressways and related investing and financing, transportation and logistics, ancillary resources comprehensive operations and related services, concurrently engaged in highway construction, scientific research, design, supervision and other business related to its highway main business.

#### **4. REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT**

The investment, construction, operation and maintenance of expressways is one of the Group's principal businesses. The implementation of Approved Road Section R&E Project will help to enhance the traffic capacity and service level of the Approved Road Section, and strengthen the core competitiveness of the Group in the toll road industry, which is in line with the development strategy of the Group. Guangdong Hualu is an expert in providing supervision services to road construction works, and the entering into of the Construction Supervision Agreement (JL2 Bid Section) will enable the construction works in the Approved Road Section R&E Project be conducted smoothly under supervision.

Taking into account the reasons set out above, the Directors consider that the terms of the Construction Supervision Agreement (JL2 Bid Section) are on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

#### **5. LISTING RULE IMPLICATIONS**

Given that Guangdong Hualu is a wholly owned subsidiary of GPCG, which is the holding company of Guangdong Highway Construction, the substantial shareholder of GSZ Company (a deemed subsidiary of the Company), Guangdong Hualu is an associate of Guangdong Highway Construction, and thus a connected person of the Company at the subsidiary level. The Construction Supervision Agreement (JL2 Bid Section) therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Construction Supervision Agreement (JL2 Bid Section) exceeds 1% but all of them are less than 5%, pursuant to Chapter 14A of the Listing Rules, the Construction Supervision Agreement (JL2 Bid Section) will only be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements.

The Directors (including the independent non-executive Directors) have approved the Construction Supervision Agreement (JL2 Bid Section) and considered that the terms thereunder are fair and reasonable and on normal commercial terms, and the entering into of the Construction Supervision Agreement (JL2 Bid Section) is in the ordinary and usual course of business of the Group and in the interest of the Company and the shareholders as a whole.

As none of the Directors has any material interest in the Construction Supervision Agreement (JL2 Bid Section) and the transactions contemplated thereunder, none of the Directors is required to abstain from voting on the board resolutions approving the Construction Supervision Agreement (JL2 Bid Section) and the transactions contemplated thereunder.

**It is anticipated that the Group and GSZ Company (a deemed subsidiary of the Company) may enter into agreements in relation to certain transactions to be carried out under the Approved Road Section R&E Project. In the event these transactions are materialised, the Company will conduct further approval procedures and make disclosures as and when appropriate in compliance with the relevant requirements of the Listing Rules in respect of these transactions accordingly. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“Approved Road Section”	The Guangzhou Huocun to Dongguan Chang’an section of the Beijing-Hong Kong-Macao Expressway and Guangzhou Huangcun to Guangzhou Huocun section of the Guangzhou-Foshan Expressway* (京港澳高速公路廣州火村至東莞長安段及廣佛高速公路廣州黃村至火村段)
“Approved Road Section R&E Project”	the reconstruction and expansion project of the Approved Road Section approved by Guangdong Provincial Development and Reform Commission on 22 August 2023
“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))
“Construction Supervision Agreement (JL2 Bid Section)”	the supervision of the construction works agreement (JL2 Bid Section) under the reconstruction and expansion project of the Guangzhou Huocun to Dongguan Chang’an section of the Beijing-Hong Kong-Macao Expressway and Guangzhou Huangcun to Huocun section of the Guangzhou-Foshan Expressway* (《京港澳高速公路廣州火村至東莞長安段及廣佛高速公路廣州黃村至火村段改擴建項目土建工程施工監理 ( JL2 標段 ) 》) dated 25 March 2024 entered into between GSZ Company and Guangdong Hualu
“Director(s)”	the director(s) of the Company
“GPCG”	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
“Greater Bay Area”	Guangdong-Hong Kong-Macao Greater Bay Area
“Group”	the Company and its subsidiaries
“GSZ Company”	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited (廣深珠高速公路有限公司), the joint venture established by the Group and Guangdong Highway Construction in Guangzhou City, Guangdong Province of the PRC on 27 April 1988 and a deemed subsidiary of the Company when fulfilling certain agreed obligations /responsibilities under Listing Rules in terms of the Listing Agreement entered into between the Company and the Stock Exchange on 7 August 2003

“Guangdong Hualu”	Guangdong Hualu Transportation Technology Company Limited* (廣東華路交通科技有限公司), a limited liability company established in the PRC
“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 GSZ Company and a company established in the PRC with limited liability and a non wholly-owned subsidiary of GPCG
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 25 March 2024

*As at the date of this announcement, the Board comprises four Executive Directors namely, Mr. Xiangwen LIAO\* (Chairman), Mr. Jianming WU\* (Executive General Manager), Mr. Cheng WU\* (Deputy General Manager) and Mr. Ji LIU\* (Deputy General Manager and secretary to the Board); two Non-executive Directors namely, Ms. Siyan CHEN\* and Mr. Xuan WANG\*; and three Independent Non-executive Directors namely, Mr. Yu Lung CHING, Mr. Tony Chung Nin KAN and Mr. Peng XUE\**

*\* For identification purpose only*