

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Shenzhen International Holdings Limited

深圳國際控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00152)

**DISCLOSEABLE TRANSACTION
ENTERING INTO OF A CAPITAL INCREASE AGREEMENT
IN CONNECTION WITH INTRODUCING COOPERATIVE PARTNER
FOR THE RESIDENTIAL SITE
OF THE QIANHAI START-UP PROJECT**

CAPITAL INCREASE AGREEMENT

On 20 December 2016, SIQ Investment (an indirect wholly-owned subsidiary of the Company) and SIQ Real Estate (SIQ Investment's wholly-owned subsidiary) entered into the Capital Increase Agreement with SY Land, pursuant to which SIQ Investment and SIQ Real Estate agreed to SY Land making a Capital Contribution of RMB1.12 billion (approximately HK\$1.26 billion) to SIQ Real Estate. Upon completion of the Capital Contribution, the registered capital of SIQ Real Estate will be owned as to 50% by SIQ Investment and as to 50% by SY Land. SIQ Real Estate will be accounted for as an associated company of the Company upon completion of the Capital Contribution.

SIQ Real Estate holds the Group's land use right to Land Parcel No. T102 - 0265 located at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone (前海深港合作區19單元6街坊). Such land parcel is for residential use and occupies a land site area of approximately 12,491 square metres with a gross floor area of 52,900 square metres. The Land Parcel is one of the land parcels in the first part (i.e. the Qianhai Start-up Project) of the consolidation and preparation work to be conducted by Shenzhen Municipality Government on the five land parcels in Qianhai owned by the Group. A residential project will be developed on the Land Parcel, the development and construction of which will be the responsibility of SIQ Real Estate.

The contribution amount under the Capital Contribution represents a premium of approximately RMB1.115 billion (approximately HK\$1.253 billion) over the net book value of SIQ Real Estate prior to the Capital Contribution. This is mainly due to the market value of the land use right of the Land Parcel owned by SIQ Real Estate represents a premium of approximately RMB1.104 billion (approximately HK\$1.240 billion) (equivalent to approximately 98%) over its book value.

SY Land is a subsidiary of Shenzhen Investment, a well-known property developer in Shenzhen whose core business includes property development, property investment and property management. As disclosed in Shenzhen Investment's 2015 annual report, as at 31 December 2015, Shenzhen Investment had a land reserve of approximately 10 million square metres in terms of planned gross floor area in various cities of the PRC, of which approximately 3 million square metres gross floor area of quality land reserve are located in Shenzhen.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Directors believe that the Capital Contribution will enable the Group to lock in the current value and profit of the Land Parcel. The Directors also believe that the introduction of SY Land, a well-known property developer, as the new investor of SIQ Real Estate will promote an alliance with a top tier property enterprise, facilitate the joint development of the residential land parcel in the start-up project of the Group in Qianhai and generate profit from the sale proceeds after the development. The Capital Contribution would also allow the Group to better allocate its resources towards focusing on the development of its core logistic business, increase the overall quality and income of the residential project of the Group's Qianhai Start-up Project, thereby reducing the Group's investment risks and creating better returns for the shareholders of the Company. The Land Parcel is one of the land parcels in the first part (i.e. the Qianhai Start-up Project) of the consolidation and preparation work to be conducted by Shenzhen Municipality Government on the five land parcels in Qianhai owned by the Group. The realisation of value through the Capital Contribution will serve as an example for the realisation of the value of the land parcels owned by the Group in Qianhai in the future.

LISTING RULE IMPLICATIONS

As the equity interest of the Group in SIQ Real Estate will be diluted from 100% to 50% following completion of the Capital Contribution, the Capital Contribution contemplated under the Capital Increase Agreement will constitute a deemed disposal of the Group's equity interest in SIQ Real Estate under Rule 14.29 of the Listing Rules.

Since the applicable percentage ratios for the Capital Contribution as set out in the Listing Rules are more than 5% but less than 25%, the transactions contemplated under the Capital Increase Agreement constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules.

BACKGROUND

Reference is made to the Company's announcement dated 5 October 2015 whereby the Group entered into a land consolidation and preparation framework agreement (the "Framework Agreement") with Shenzhen UPLRC and Qianhai Authority in respect of the Group's project in Qianhai. The parties have agreed to conduct consolidation and preparation work in respect of five land parcels with an aggregate site area of approximately 380,000 square metres by way of land swap, monetary compensation and profit sharing. Such land parcels are in Qianhai and owned by West Logistics. Pursuant to the Framework Agreement, Shenzhen UPLRC and Qianhai Authority have also agreed to arrange a profit-oriented land site (經營性用地) with an area of approximately 38,800 square metres at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone (前海深港合作區 19 單元 6 街坊) as "Shenzhen International Qianhai Intelligent Hub" (深國際前海智慧港), the Group's start-up project in Qianhai (the "Qianhai Start-up Project").

Thereafter, the Company announced on 2 December 2016 that as agreed by the relevant parties, West Logistics has recently entered into an agreement with Qianhai Authority to terminate the previous land use right agreement in respect of the land parcel no. T102-0069, being one of the five land parcels owned by West Logistics in Qianhai. Moreover, three of the Group's wholly-owned subsidiaries (one of which is SIQ Real Estate) have each entered into a new land use rights transfer agreement with Qianhai Authority respectively on 2 December 2016, to formalise the Group's title to the respective land use rights of such land parcels in Qianhai on which the Qianhai Start-up Project will be developed. Accordingly, SIQ Real Estate has obtained the land use right to Land Parcel No. T102-0265 located at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone. Such land parcel is for residential use and occupies a land site area of approximately 12,491 square metres with a gross floor area of 52,900 square metres. The Land Parcel is one of the land parcels in the first part (i.e. the Qianhai Start-up Project) of the consolidation and preparation work to be conducted by Shenzhen Municipality Government on the five land parcels in Qianhai owned by the Group. A residential project will be developed on the Land Parcel, the development and construction of which will be the responsibility of SIQ Real Estate.

The land use right of the land site of the Qianhai Start-up Project obtained by the Group is the first part of the consolidation and preparation work to be conducted by Shenzhen Municipality Government on the five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai owned by the Group. In accordance with the principles laid down in the Framework Agreement, the Group has been actively negotiating with Qianhai Authority and Shenzhen UPLRC in respect of the major terms of land consolidation and preparation of all five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai owned by the Group, including the time of assessment and value of the land under the previous and new land use arrangements, the area and land use of the land site and commencement date of the term of the land use right in respect of the land swap, the party which owns the value of land under the previous land use arrangements and the ratio of profit sharing in respect of increase in the value of land under the new land use arrangements.

The Company hereby announces that on 20 December 2016, SIQ Investment (an indirect wholly-owned subsidiary of the Company) and SIQ Real Estate (SIQ Investment's wholly-owned subsidiary) entered into the Capital Increase Agreement with SY Land, pursuant to which SIQ Investment and SIQ Real Estate agreed to SY Land making a Capital Contribution of RMB1.12 billion (approximately HK\$1.26 billion) to SIQ Real Estate. Upon completion of the Capital Contribution, the registered capital of SIQ Real Estate will be owned as to 50% by SIQ Investment and as to 50% by SY Land. SIQ Real Estate will be accounted for as an associated company of the Company upon completion of the Capital Contribution.

The material terms of the Capital Increase Agreement are set out below:

CAPITAL INCREASE AGREEMENT

Date: 20 December 2016

Parties: (a) SIQ Investment
(b) SIQ Real Estate
(c) SY Land

Both SIQ Investment and SIQ Real Estate are limited liability companies incorporated in the PRC and are indirect wholly-owned subsidiaries of the Company. SIQ Real Estate owns the land use right of the Land Parcel.

SY Land is a subsidiary of Shenzhen Investment. Shenzhen Investment is a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (stock code: 00604).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, SY Land and its ultimate beneficial owners are Independent Third Parties (as defined in the Listing Rules).

Capital Contribution: As at the date of this announcement, the registered capital of SIQ Real Estate is RMB5 million (approximately HK\$5,618,000) and SIQ Real Estate is wholly-owned by SIQ Investment.

Pursuant to the Capital Increase Agreement, SIQ Investment and SIQ Real Estate agreed that the Capital Contribution to be made by SY Land to SIQ Real Estate is RMB1.12 billion (approximately HK\$1.26 billion), of which RMB5 million (approximately HK\$5,618,000) will be contributed to the registered capital of SIQ Real Estate and the remaining RMB1.115 billion (approximately HK\$1.253 billion) will be contributed to the capital reserve (資本公積) of SIQ Real Estate.

Upon completion of the Capital Contribution, the registered capital of SIQ Real Estate will be increased from RMB5 million (approximately HK\$5,618,000) to RMB10 million (approximately HK\$11,236,000) and will be owned as to 50% by SIQ Investment and as to 50% by SY Land. SIQ Real Estate will be accounted for as an associated company of the Company upon completion of the Capital Contribution.

The Capital Contribution of RMB1.12 billion (approximately HK\$1.26 billion) under the Capital Increase Agreement was agreed among the parties after arm's length negotiations taking into consideration, among other things, the future business potential of SIQ Real Estate, and with reference to the valuation of the entire shareholders' equity interest in SIQ Real Estate (please refer to the section headed "Financial Impacts" below for further details) as appraised by an independent valuer in its asset valuation report dated 5 December 2016.

According to the terms of the Capital Increase Agreement, the contribution amount shall be used towards the repayment by SIQ Real Estate of the land price of the Land Parcel owed by it to West Logistics.

SY Land shall inject RMB1.12 billion (approximately HK\$1.26 billion) in cash into SIQ Real Estate in the following manner:

- (a) in respect of RMB560 million (approximately HK\$630 million), within 5 working days after signing of the Capital Increase Agreement; and
- (b) in respect of the balance, by 31 December 2018.

Within 5 working days after SY Land's injection of 50% of the contribution amount, SIQ Investment shall assist SIQ Real Estate and SY Land in completing the change of business registration procedures in respect of the Capital Contribution.

Board composition: The board of directors of SIQ Real Estate will comprise seven directors, three of which will be nominated by SIQ Investment and the remaining four will be nominated by SY Land. Matters such as the board's duties and powers, the convening and meetings of the board, shall be implemented in accordance with the Company Law of the PRC (中華人民共和國公司法) and the articles of SIQ Real Estate. The chairman of the board of directors shall be nominated by SIQ Investment.

Consultancy service fee: Pursuant to the Capital Increase Agreement, SY Land agrees to provide consultancy service to SIQ Real Estate throughout the entire course of development of the Land Parcel, allow SIQ Real Estate to use its brand for such project and oversee the work safety management system of SIQ Real Estate in return for a consultancy service fee. The consultancy service fee, which is calculated at the rate of 2.5% of the sale proceeds (including tax) of the properties built on the Land Parcel, will be paid to SY Land semi-annually after such properties have been developed and offered for sale and sale proceeds have been received by SIQ Real Estate.

INFORMATION OF SIQ REAL ESTATE

SIQ Real Estate is a limited liability company incorporated in the PRC on 9 December 2015. The principal business of SIQ Real Estate is property development and operation. As at the date of this announcement, SIQ Real Estate is wholly-owned by SIQ Investment. No revenue or profits have been generated by SIQ Real Estate since its incorporation.

INFORMATION OF SIQ INVESTMENT AND THE GROUP

SIQ Investment is a limited liability company incorporated in the PRC. The principal businesses of SIQ Investment include investment management, equity investment, investment consulting and investment advising. SIQ Investment is an indirect wholly-owned subsidiary of the Company and holds the entire equity interest of SIQ Real Estate.

The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.

INFORMATION OF SHENZHEN INVESTMENT AND ITS SUBSIDIARY SY LAND

SY Land is a subsidiary of Shenzhen Investment. Shenzhen Investment (stock code: 00604) is a well-known property developer in Shenzhen whose core business includes property development, property investment and property management. As disclosed in Shenzhen Investment's 2015 annual report, as at 31 December 2015, Shenzhen Investment had a land reserve of approximately 10 million square metres in terms of planned gross floor area in various cities of the PRC, of which approximately 3 million square metres gross floor area of quality land reserve are located in Shenzhen, and it had a total area of approximately one million square metres in investment properties, which are mainly located in Shenzhen. Shenzhen Investment's revenue for 2015 were approximately RMB16 billion (approximately HK\$18 billion) and, as at 31 December 2015, its total assets amounted to approximately HK\$91 billion.

FINANCIAL IMPACTS

As at the date of this announcement, book value of the total assets of SIQ Real Estate was approximately RMB1.183 billion (approximately HK\$1.329 billion) (comprising mainly land use right to the Land Parcel of RMB1.125 billion (approximately HK\$1.264 billion) and cash of approximately RMB15.93 million (approximately HK\$17.90 million)), book value of the total liabilities of SIQ Real Estate was approximately RMB1.178 billion (approximately HK\$1.324 billion) (comprising mainly account payable to West Logistics of approximately RMB1.125 billion (approximately HK\$1.264 billion) and other payables of approximately RMB53 million (approximately HK\$59.55 million)), and the net asset value of SIQ Real Estate was approximately RMB4.89 million (approximately HK\$5.49 million).

According to the asset valuation report of an independent valuer dated 5 December 2016, the appraised value of the Land Parcel is approximately RMB2.229 billion (approximately HK\$2.504 billion), and the appraised value of the entire shareholders' equity interest in SIQ Real Estate (taking into account the value of the land use right to the Land Parcel) is approximately RMB1.075 billion (approximately HK\$1.208 billion).

The contribution amount under the Capital Contribution represents a premium of approximately RMB1.115 billion (approximately HK\$1.253 billion) over the net book value of SIQ Real Estate prior to the Capital Contribution. This is mainly due to the market value of the land use right of the Land Parcel owned by SIQ Real Estate represents a premium of approximately RMB1.104 billion (approximately HK\$1.240 billion) (equivalent to approximately 98%) over its book value. The premium of the Capital Contribution (being approximately RMB1.115 billion (approximately HK\$1.253 billion) will enable the Group to record a profit before tax. However, the actual profits are subject to the final audit by the auditors of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Directors believe that the Capital Contribution will enable the Group to lock in the current value and profit of the Land Parcel. The Directors also believe that the introduction of SY Land, a well-known property developer, as the new investor of SIQ Real Estate will promote an alliance with a top tier property enterprise, facilitate the joint development of the residential land parcel in the start-up project of the Group in Qianhai and generate profit from the sale proceeds after the development. The Capital Contribution would also allow the Group to better allocate its resources towards focusing on the development of its core logistic business, increase the overall quality and income of the residential project of the Group's Qianhai Start-up Project, thereby reducing the Group's investment risks and creating better returns for the shareholders of the Company. The Land Parcel is one of the land parcels in the first part (i.e. the Qianhai Start-up Project) of the consolidation and preparation work to be conducted by Shenzhen Municipality Government on the five land parcels in Qianhai owned by the Group. The realisation of value through the Capital Contribution will serve as an example for the realisation of the value of the land parcels owned by the Group in Qianhai in the future.

The Directors consider that the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

As the equity interest of the Group in SIQ Real Estate will be diluted from 100% to 50% following completion of the Capital Contribution, the Capital Contribution contemplated under the Capital Increase Agreement will constitute a deemed disposal of the Group's equity interest in SIQ Real Estate under Rule 14.29 of the Listing Rules.

Since the applicable percentage ratios for the Capital Contribution as set out in the Listing Rules are more than 5% but less than 25%, the transactions contemplated under the Capital Increase Agreement constitute a discloseable transaction for the Company under Rule 14.06 of the Listing Rules and are subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

“Capital Contribution”	the contribution of an aggregate amount of RMB1.12 billion (approximately HK\$1.26 billion) by SY Land to SIQ Real Estate, of which RMB5 million (approximately HK\$5,618,000) will be contributed to the registered capital of SIQ Real Estate and the remaining RMB1.115 billion (approximately HK\$1.253 billion) will be contributed to the capital reserve (資本公積) of SIQ Real Estate
“Capital Increase Agreement”	a capital increase agreement dated 20 December 2016 and entered into between SIQ Investment, SIQ Real Estate and SY Land
“Company”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party / Parties”	individuals or companies independent from the Company and its connected persons (as defined in the Listing Rules)
“Land Parcel”	Land Parcel No. T102-0265 located at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone (前海深港合作區 19 單元 6 街坊). Such land parcel is for residential use and occupies a land site area of approximately 12,491 square metres with a gross floor area of 52,900 square metres
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Qianhai Authority”	深圳市前海深港現代服務業合作區管理局 (Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen)
“RMB”	Renminbi, the lawful currency of the PRC
“Shenzhen Investment”	Shenzhen Investment Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00604)

“Shenzhen UPLRC”	深圳市規劃和國土資源委員會 (Urban Planning Land and Resources Commission of the Shenzhen Municipality)
“SIQ Investment”	深國際前海投資管理(深圳)有限公司 (Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd.), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“SIQ Real Estate”	深國際前海置業(深圳)有限公司 (Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd.), a limited liability company incorporated in the PRC and currently an indirect wholly-owned subsidiary of the Company
“Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“SY Land”	深業置地有限公司 (Shum Yip Land Company Limited), a limited liability company incorporated in the PRC and a subsidiary of Shenzhen Investment
“West Logistics”	深圳市深國際西部物流有限公司 (Shenzhen International West Logistics Co., Ltd), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“working day(s)”	a day (other than a Saturday or Sunday) on which the banks are open for business in the PRC

By order of the Board
Shenzhen International Holdings Limited
Gao Lei
Chairman

Hong Kong, 20 December 2016

As at the date of this announcement, the board of directors of the Company consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Li Lu Ning as executive directors, Dr. Yim Fung, JP as non-executive director and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.

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

In this announcement, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.89. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in RMB or HK\$ were or may be exchanged at this or any other rates or at all.