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Shenzhen International Holdings Limited

深圳國際控股有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 00152)**

**VOLUNTARY ANNOUNCEMENT**  
**UPDATES ON THE PROGRESS OF THE QIANHAI PROJECT**  
**– ENTERING INTO OF**  
**THE LAND CONSOLIDATION AND PREPARATION AGREEMENT**

Shenzhen International Holdings Limited (the “**Company**”) is pleased to announce that the Group, the Urban Planning Land and Natural Resources Bureau of the Shenzhen Municipality (深圳市規劃和自然資源局)<sup>Note</sup> (“**Shenzhen UPNRB**”) and the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局) (the “**Qianhai Authority**”) entered into a land consolidation and preparation agreement (the “**Land Consolidation and Preparation Agreement**”) on 29 September 2019 in respect of the land consolidation and preparation plan of the Group’s five land parcels with an aggregate site area of approximately 380,000 square meters in Qianhai (the “**Qianhai Project**”).

**BACKGROUND**

Based on the “Overall Development Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” (《前海深港現代服務業合作區總體發展規劃》) as approved by the State Council in 2010, the Shenzhen Municipal Government officially implemented the “Consolidated Plan on Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone” (《前海深港現代服務業合作區綜合規劃》) (the “**Consolidated Plan**”) in June 2013, whereby the Qianhai area will be developed into a new international region focusing on the development of financial, modern logistics, information service and technology service industries. According to the Consolidated Plan, sites currently designated for industrial or storage use (that is, under the previous land use arrangements) will be converted into commercial, office and residential uses (that is, under the new land use arrangements). The Group’s Qianhai Project is within the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

Reference is made to (1) the announcement of the Company dated 5 October 2015 whereby the land consolidation and preparation framework agreement entered into between Shenzhen International West Logistics Co., Ltd (深圳市深國際西部物流有限公司) (“**West Logistics**”), the then Urban Planning Land and Resources Commission of the Shenzhen Municipality (原深圳市規劃和國土資源委員會) (“**Shenzhen UPLRC**”) and the Qianhai Authority on 30 September 2015; (2) the announcement of the Company dated 2 December 2016 whereby the Company announced, that West Logistics has entered into an agreement with the Qianhai Authority to terminate the previous land use right agreement in respect of a land parcel T102-0069 and three of the Company’s subsidiaries have entered into new land use rights agreements with the Qianhai Authority respectively in respect of the profit-oriented land site with an area of approximately 38,800 square meters (the “**First Phase of Qianhai Project**”) in Qianhai Shenzhen-Hong Kong Cooperation Zone, to formalize the Group’s title to the respective land use rights of such land parcels; and (3) the announcements of the Company dated 13 October 2017 and 21 December 2017 whereby the Company announced that West Logistics, the Shenzhen UPLRC and the Qianhai Authority entered into a supplemental agreement to the land consolidation and preparation framework agreement, pursuant to which the parties agreed to carry out compensation for land consolidation and preparation by way of land swap in equivalent values based on major principles in assessing the land values under the previous and new land use arrangements as stated in the supplemental agreement. Accordingly, the profit-oriented land site with an area of approximately 38,800 square meters obtained by the Group on 2 December 2016 represents the Group’s first compensated land site under the new land use arrangements and as such, the Group recognized profit before taxation in the amount of approximately RMB2,440 million for 2017.

## **LAND CONSOLIDATION AND PREPARATION AGREEMENT**

The major terms and conditions of the Land Consolidation and Preparation Agreement dated 29 September 2019 are as follows:-

### **1. The Parties**

- (i) Shenzhen UPNRB;
- (ii) the Qianhai Authority;
- (iii) the Company;
- (iv) West Logistics (a wholly-owned subsidiary of the Company);
- (v) Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd. (深國際前海投資管理(深圳)有限公司) (a wholly-owned subsidiary of the Company);
- (vi) Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. (深國際前海置業(深圳)有限公司) (an associated company which is 50% owned by the Company);
- (vii) Shenzhen International Qianhai Asset Management (Shenzhen) Co., Ltd. (深國際前海資產管理(深圳)有限公司) (a wholly-owned subsidiary of the Company);  
and
- (viii) Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd. (深國際前海商業發展(深圳)有限公司) (a wholly-owned subsidiary of the Company)

## **2. The Land Consolidation and Preparation Plan**

In respect of the land consolidation and preparation plan, the parties agreed that:-

- (i) all five land parcels of the Group with an aggregate site area of approximately 380,000 square meters in Qianhai will be returned to the Qianhai Authority according to the terms and conditions as set out in the Land Consolidation and Preparation Agreement;
- (ii) the compensation for the Group's land parcels in Qianhai shall be assessed according to the assessment principles set out in the Land Consolidation and Preparation Agreement and the Group shall be entitled to the land use rights of such land parcels under the new land use arrangements by way of land swap as compensation based on equivalent value; and
- (iii) in respect of the construction and structure(s) on the land sites in Qianhai where the Group has obtained approval from the relevant authority or has completed the relevant property registration (不動產登記), the value for such properties shall be assessed according to the costs of re-construction of such properties and the Group shall receive monetary compensation (instead of land) according to such valuation.

## **3. The Assessment Principles**

### **(i) The record date for assessing the land values**

In respect of the land consolidation and preparation, the record date of assessment of the value of the land under the previous and new land use arrangements shall be 1 January 2015, which shall also be the commencement date of the term of the land use under the new land use arrangement. The term of land use shall be the maximum term of years permissible under national regulations.

### **(ii) The assessed land value**

The land value in relation to the previous land use arrangements shall be the mean of the value arrived at in the assessment jointly commissioned by Shenzhen UPNRB and the Qianhai Authority and the value arrived at in the assessment commissioned by the Group. The resulting value ascertained shall be attributed to the Group in full.

The land value under the new land use arrangements shall be the value arrived at in the assessment jointly commissioned by Shenzhen UPNRB and the Qianhai Authority. The Group shall be entitled to 40% of the premium represented by the excess land value under the new land use arrangements over the assessed land value of the previous land use arrangements as at the above record date (the "Land Appreciation Gain"), after the deduction of 5% of such gain as fixed costs pursuant to governmental policy requirements.

### **(iii) The assessment of the construction and structure(s) on the site**

The Qianhai Authority and West Logistics will jointly compile a list of compensation for any construction or structure(s) on the land sites in Qianhai which are owned by the Group and has been approved by the relevant authority or has obtained the relevant property registration. Depending on the progress of the land clearing of the land sites by West Logistics, the Qianhai Authority shall engage a valuer to assess the value of the compensation for such construction and structure(s) based on the costs of re-construction. According to such assessment and valuation, West Logistics shall receive monetary compensation, and no land swap shall be carried out in respect of such construction and structure(s).

#### **4. Compensation**

In accordance with the principles set out above, the parties agreed that the Group shall receive compensation of approximately RMB2,468 million (approximately HK\$2,742 million) under the previous land use arrangement, together with 40% the Land Appreciation Gain (having taken into account first the deduction of the 5% fixed costs under applicable governmental policy requirements), being approximately RMB5,905 million (approximately HK\$6,561 million). Apart from the monetary compensation for the construction and structure(s) on the land sites in Qianhai which are owned by the Group and has been approved by the relevant authority or has obtained the relevant property registration, the total compensation for the Group amounted to approximately RMB8,373 million (approximately HK\$9,303 million).

#### **5. Land Swap Arrangement**

According to the above assessment, the aggregate value of the land sites under the new land use arrangements in Qianhai to which the Group is entitled to compensation amounted to approximately RMB8,373 million (approximately HK\$9,303 million). The area of land sites to be swapped under the new land use arrangements will be approximately 120,200 square meters with a total gross floor area of approximately 395,800 square meters (which includes underground commercial and ancillary facilities and the government housing of approximately 9,081 square meters constructed on the land parcel number 19-08-03). The final location, area and planning of such land sites shall be subject to the provisions of the respective land use right agreements to be signed.

Pursuant to the Land Consolidation and Preparation Agreement, the Qianhai Authority agreed to enter into the aforementioned land use right agreements in connection with land swap with the Group within 2 months upon the termination of the property registration of the construction and structure(s) on the respective land sites. Such land use rights under the new land use arrangement shall be effective as at 1 January 2015 and the term of land use shall be the maximum term of years permissible under national regulations. The commercial building on the land parcels under the new land use arrangements can be sold in the market.

#### **6. Other terms**

The Land Consolidation and Preparation Agreement shall take effect upon the parties obtaining the relevant approvals under the relevant laws, rules and regulations or its shareholders (if applicable) within six months from the execution of the Land Consolidation and Preparation Agreement by the parties.

The Group shall apply to terminate the property registration of the construction and structure(s) on the relevant land sites (save and except for the termination of the previous land use right agreement in respect of the land parcel T102-0069 in December 2016) with the relevant authority within seven days from the effective date of the Land Consolidation and Preparation Agreement, thereafter the land use right of the subject land sites shall be reverted to the Qianhai Authority.

## THE EFFECT OF ENTERING INTO OF THE LAND CONSOLIDATION AND PREPARATION AGREEMENT

The Land Consolidation and Preparation Agreement signifies a major breakthrough in the land consolidation and preparation plan of the Group's Qianhai Project. It clarified the value of the Group's land use rights in Qianhai and provided basis for the future signing of land transfer agreements. It also simultaneously increased the value of the Group's resources in the Qianhai area and promoted the comprehensive development of lands related to the Group's logistics business.

The new land use arrangements above will bring to the Group a total land value of approximately RMB8,373 million (approximately HK\$9,303 million). The Group has already recognized a profit before taxation of approximately RMB2,440 million for the First Phase of Qianhai Project in 2017, a compensation of approximately RMB5,900 million for the remaining land sites owned by the Group in Qianhai will be recognized as profit following the execution of the respective land transfer agreements when the relevant amount can be reliably measured.

The Qianhai area shows great development prospects and potential, as the area is an important part of the development strategy of the Guangdong-Hongkong-Macao Greater-Bay area and the land price has drastically increased since 1 January 2015. Upon completion of the land consolidation and preparation, the Group's land interests in Qianhai area will be further consolidated. At the same time, with the gradual development of the land resources under the new land use arrangement and the gradual realization of its value in the future, the Group believes that the continued growth of the Company's performance will be further promoted.

*Note: Due to organizational reform, the land management functions of the then Shenzhen Planning Bureau (深圳市規劃局), Shenzhen Land Resources and Real Property Management Bureau (深圳市國土資源和房產管理局) and Urban Planning Land and Resources Commission of the Shenzhen Municipality (深圳市規劃和國土資源委員會) are now taken over by Shenzhen UPNRB.*

By Order of the Board  
**Shenzhen International Holdings Limited**  
**Tam Mei Mei**  
*Company Secretary*

Hong Kong, 29 September 2019

*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 Hu Wei as executive directors, Messrs. Xie Chu Dao and Liu Xiao Dong as non-executive directors and Messrs. Ding Xun, Nip Yun Wing, Dr. Yim Fung, JP and Professor Cheng Tai Chiu, Edwin as independent non-executive directors.*

*In this announcement, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.90. 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 have been exchanged at this or any other rates or at all.*

*\* The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*