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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)

**DISCLOSEABLE TRANSACTION
THE SIGNING OF THE COOPERATION AGREEMENT
AND THE OPERATION AGREEMENT
IN RELATION TO THE PINGHUNAN PROJECT**

SIGNING OF THE COOPERATION AGREEMENT AND THE OPERATION AGREEMENT

On 27 March 2020, Shenzhen International (SZ) (a wholly-owned subsidiary of the Company) and Guangzhou Railway Group entered into the Cooperation Agreement pursuant to which they shall jointly establish the Joint Venture Company and develop the Pinghunan Project.

According to the Cooperation Agreement, the Group and Guangzhou Railway Group will contribute RMB360,000,000 (equivalent to approximately HK\$395,600,000) and RMB40,000,000 (equivalent to approximately HK\$43,900,000) respectively to establish the Joint Venture Company. Immediately upon completion, Shenzhen International (SZ) will hold 90% of the equity interest in the Joint Venture Company, whereas Guangzhou Railway Group will hold 10% of the equity interests in the Joint Venture Company. The Joint Venture Company will become a non-wholly owned subsidiary of the Company and its financial statements will be consolidated into the financial statements of the Group.

According to the Cooperation Agreement, within three months after the Joint Venture Company is incorporated, the Joint Venture Company and Guangzhou Railway Group (or its designated wholly-owned subsidiary) will execute the Operation Agreement, pursuant to which the Joint Venture Company will obtain the 40-year right of use of the railway facilities (except the public railway facilities and freight office building) and the corresponding plots of land within the scope of the Pinghunan Project, and will be responsible as the sole operator for the operation and management of the Pinghunan Project.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE COOPERATION AGREEMENT AND THE OPERATION AGREEMENT

By entering into the Cooperation Agreement and the Operation Agreement, the Group and the Guangzhou Railway Group will jointly promote the development of the Pinghunan Project with the aim to make it a model project as a comprehensive logistics hub in the country, consolidating Shenzhen's advantageous position as a global logistics hub city, and to promote the implementation of the "Belt and Road" and the Guangdong-Hong Kong-Macao Greater Bay Area strategy. The implementation of the project will allow the Company to accumulate high-quality long-term assets, improve its logistics network, and enhance its market position in the Guangdong-Hong Kong-Macao Greater Bay Area. It is of strategic significance for the Group to expand and strengthen its main logistics business.

LISTING RULES IMPLICATIONS

According to HKFRS 16 "Leases", upon the execution of the Operation Agreement, the Group will recognize the relevant right-of-use assets in its balance sheet. Therefore, for the purposes of the Listing Rules, transactions under the Operation Agreement will be considered as an acquisition of assets by the Group.

As one or more of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Cooperation Agreement and the Operation Agreement together exceeds 5% and are less than 25%, the signing of the Cooperation Agreement and the Operation Agreement together constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

On 27 March 2020, Shenzhen International (SZ) and Guangzhou Railway Group entered into the Cooperation Agreement, pursuant to which the parties agreed to jointly invest and establish the Joint Venture Company to upgrade and transform the Pinghunan Railway Freight Yard into a comprehensive logistics hub. According to the current operational plan, the first phase of the Pinghunan Project will carry out warehousing services, port container yard services, site integrated services and railway container yard operations. The Joint Venture Company will pay the usage fee to the Guangzhou Railway Group and be responsible for such operations. Upon obtaining approval(s) from the relevant governmental authorities, the Joint Venture Company intends to obtain ownership and operational rights of the above property in the area within the scope of the second phase of the Pinghunan Project and shall develop and operate the second phase of the project thereafter.

The Pinghunan Project is located in the south of Pinghu Street, Longgang District, Shenzhen, between the Guangzhou-Shenzhen Railway and the Pinghu Marshalling Station of the Beijing-Kowloon Railway, which is north to Jihe Expressway and to the south and adjacent to Shuiguan Expressway. The Pinghunan Project was successfully nominated to the list of the first batch of 23 national comprehensive logistics hub projects by the National Development and Reform Commission and the Ministry of Transport in September 2019.

THE COOPERATION AGREEMENT

The principal terms of the Cooperation Agreement are set out as follows:

Date	27 March 2020
Parties	(1) Shenzhen International (SZ) (2) Guangzhou Railway Group
Business Scope	<p>The Joint Venture Company will obtain the 40-year right of use of the railway facilities (except the public railway facilities and freight office building) and the corresponding plots of land within the scope of the Pinghunan Project. It will be responsible as the sole operator for the operation and management of the Pinghunan Project.</p> <p>The operational scope of the Joint Venture Company mainly includes container-related businesses, multimodal transport, warehousing, railway freight operations, logistics-related businesses and ancillary service (subject to the PRC industrial and commercial approvals).</p> <p>The Joint Venture Company intends to carry out comprehensive development of the Pinghunan Project by phases. The scope of development includes, among others, logistics and storage facilities, cold chain facilities, and ancillary facilities.</p>
Registered capital	<p>The registered capital of the Joint Venture Company is RMB400,000,000 (equivalent to approximately HK\$439,500,000), which will be funded by Shenzhen International (SZ) (or its wholly-owned subsidiary as its nominee) and Guangzhou Railway Group as follows:</p> <ol style="list-style-type: none">(1) Shenzhen International (SZ): 90% of the total capital contribution amounting to RMB360,000,000 (equivalent to approximately HK\$395,600,000) to be contributed by cash contribution;(2) Guangzhou Railway Group: 10% of the total capital contribution amounting to RMB 40,000,000 (equivalent to approximately HK\$43,900,000) to be contributed by cash contribution. <p>The parties must pay 50% of their respective contribution within one month after the Joint Venture Company is incorporated and upon the Operation Agreement to be executed by the Joint Venture Company and Guangzhou Railway Group (or its wholly-owned subsidiary as its nominee) become effective.</p> <p>The remainder must be paid within two months after the payment of the above first instalment. The above contribution will be used for the development and operation of the Pinghunan Project.</p> <p>The amount of registered capital and capital contribution was determined after arm's length negotiation between the parties with reference to the preliminary business plan, estimated initial operating expenditures and the cash requirements of the Joint Venture Company.</p>

The signing of the Operation Agreement	Within three months after the Joint Venture Company is incorporated, the Joint Venture Company and Guangzhou Railway Group (or its designated wholly-owned subsidiary) will execute the Operation Agreement.
Composition of the board of directors	The board of directors of the Joint Venture Company will consist of five directors. Shenzhen International (SZ) will appoint four directors and Guangzhou Railway Group will appoint one director.
Profit/loss sharing	The profits or losses related to the Joint Venture Company will be shared or borne by Shenzhen International (SZ) and Guangzhou Railway Group according to their respective equity holdings in the Joint Venture Company.
Condition precedent for the Cooperation Agreement	The Cooperation Agreement will take effect after the Guangzhou Railway Group obtained the relevant approval from the China State Railway Group Co., Ltd.
Restrictions on equity transfer	An equity holder of the Joint Venture Company may transfer part or all of its equity interest in the Joint Venture Company to another existing equity holder of the Joint Venture Company. The transfer price shall be based on the valuation at the time of the transfer and agreed by both parties. In the event that an existing equity holder of the Joint Venture Company intends to transfer its equity interest to a third party, the other equity holder shall have a right of first refusal unless the third party is a direct or indirect subsidiary of the proposed transferor.
Other principal terms	<p>In order to implement the development plan of the Pinghunan Project, the Joint Venture Company intends to obtain the ownership and right of use of the logistics and warehousing properties of the second-phase superstructure of the Pinghunan Project after obtaining necessary approvals from the relevant governmental authorities. To the extent the actual cost of obtaining the right of use is less than such price to be agreed between Shenzhen International (SZ) and Guangzhou Railway Group, the parties may agree to divide and share the excess in such way to be agreed between the parties.</p> <p>The Joint Venture Company intends to obtain the ownership and the right of use for the superstructure of logistics and warehousing facilities of the Pinghunan Project. In any event, if the Joint Venture Company requires any additional capital in relation to this project, Shenzhen International (SZ) (or its associate) may provide a shareholders' loan to the Joint Venture Company at the applicable loan prime rate at the time of the loan.</p>

In order to implement the Pinghunan Project, Guangzhou Railway Group (or its designated wholly-owned subsidiary) and the Joint Venture Company shall execute the Operation Agreement in relation to the operation and management of the Pinghunan Project, details of which are as follows:

THE OPERATION AGREEMENT

The principal terms of the Operation Agreement are set out as follows:

Date To be signed within three months after the Joint Venture Company is incorporated

Parties (1) the Joint Venture Company
(2) Guangzhou Railway Group (or its designated wholly-owned subsidiary)

Scope and mode of operation The land use of the land for the Pinghunan Project is for railway use. According to the project construction schedule, it is divided into public railway facilities, the first phase of the project (including areas designated as area A and area B) and the second phase of the project.

The railway facilities construction pursuant to the project mainly includes, among other things, container operation area and its operation and production equipment, comprehensive freight yard operation area and its operation and production equipment, certain supporting warehouses and production facilities.

The Joint Venture Company will obtain the 40-year right of use of all of the railway facilities (except the public railway facilities) and the corresponding plots of land within the scope of the first and second phase of the Pinghunan Project after it pays the usage fee to the Guangzhou Railway Group (or its designated wholly-owned subsidiary).

Usage fee The railway facility usage fee for areas within the Pinghunan Project (including the first phase and the second phase of the project) to be paid by the Joint Venture Company to Guangzhou Railway Group (or its designated wholly-owned subsidiary) are divided into two parts: the first part is the initial railway facility usage fee (which will be paid in instalments); the second part is the annual railway facility usage fees which shall be paid annually.

- (1) Initial railway facility usage fee
 - (a) The initial railway facility usage fee for the 40-year right of use for the railway facilities for the first phase of the project and area in the second phase of the project is tentatively set at RMB548,000,000 (equivalent to approximately HK\$602,100,000). This amount includes the initial railway usage fee for the 34,000 square meter storage area which (subject to further agreement between the Joint Venture Company and the Guangzhou Railway Group), is tentatively set at RMB112,000,000 (equivalent to approximately HK\$123,000,000);

- (b) After both parties confirmed in writing of the plan, timetable, scope and construction standards of the second-phase of the Pinghunan Project in accordance with the relevant provisions of the national budget and other relevant regulations, the parties may adjust the initial railway facility usage fee. According to the terms of the Operation Agreement, if the project volume in the second phase is adjusted, the total amount of the initial railway facility usage fee shall be adjusted accordingly after mutual agreement by both parties.

(2) Annual railway facility usage fee

- (a) Area in the first phase and the second phase of the project amounted to approximately 640,000 square meters, in aggregate.
- (b) The annual railway usage fee is calculated by multiplying the above respective area and its respective applicable unit prices (per square meter per month) and the fee will be billed annually based on the number of months in that calendar year.
- (c) The calculation of the annual railway usage fee shall commence from the month immediately following the month when the respective areas in the project is completed, save and except in any event if the area for the second phase is completed at any time in or after January 2025, the lease shall commence from January 2025 as agreed in writing by both parties.

The usage fee unit price will be adjusted at an annual growth rate as agreed by the parties.

The above railway facility usage fee was determined after arm's length negotiation between the parties with reference to, among other factors, the preliminary construction plan of the project and the rental level in the local market.

According to HKFRS 16 "Leases", upon the execution of the Operation Agreement, the Group will recognize the relevant right-of-use assets in its balance sheet, the value of which will be ascertained on the date of the signing of the Operation Agreement (for reference purpose, according to a valuation carried out by an independent valuer, the value was approximately RMB1,582,000,000 (equivalent to approximately HK\$1,738,400,000) as at 31 January 2020). The railway facility usage fee under the Operation Agreement will be paid by the Joint Venture Company in the ordinary and usual course of business with internal resources and/or shareholder loans.

- Estimated completion time** Area A and B of the first phase of the project are expected to be completed before 31 December 2020 and 31 December 2021, respectively (subject to final determination by the parties) whereas the completion date of the second phase is subject to the determination of the parties.
- Payment of the usage fee** The initial railway usage fee shall be paid in five instalments as follows:
- (1) within 28 days from the effective date of the Operation Agreement, the Joint Venture Company shall pay RMB100,000,000 (equivalent to approximately HK\$109,800,000);
 - (2) within 28 days upon the completion of the railway facilities in area A of the first phase of the project, the Joint Venture Company shall pay RMB100,000,000 (equivalent to approximately HK\$109,800,000);
 - (3) within 28 days upon the commencement of the construction of the railway facilities in area B of the first phase of the project, the Joint Venture Company shall pay RMB50,000,000 (equivalent to approximately HK\$54,900,000);
 - (4) within 28 days upon the completion of the railway facilities in area B of the first phase of the project, the Joint Venture Company shall pay RMB50,000,000 (equivalent to approximately HK\$54,900,000);
 - (5) the remaining balances shall be paid in accordance with the progress of construction of the second phase of the project (including any adjusted fees, if applicable).

The annual railway usage fee shall be paid according to the schedule of the Operation Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE COOPERATION AGREEMENT AND THE OPERATION AGREEMENT

The Pinghunan Project is located in the south of Pinghu Street, Longgang District, Shenzhen, between the Guangzhou-Shenzhen Railway and the Pinghu Marshalling Station of the Beijing-Kowloon Railway, which is north to Jihe Expressway and to the south and adjacent to Shuiguan Expressway. The Pinghunan Project has been successfully nominated to the list of the first batch of 23 national comprehensive logistics hub projects by the National Development and Reform Commission and the Ministry of Transport in September 2019. As a national logistics hub for business service, the Pinghunan Project is positioned to meet demands for distribution for international, domestic and regional commercial and trading activities, and large-scale consumer demand by providing logistics and related value-added services such as commodity warehousing, intermodal delivery and distribution services, so as to play a major role in the national logistics network, important platforms and backbone hubs.

By entering into the Cooperation Agreement and the Operation Agreement, the Group and Guangzhou Railway Group will jointly promote the development of the Pinghunan Project with the aim to make it a model project as a comprehensive logistics hub in the country, consolidating Shenzhen's advantageous position as a global logistics hub city, and to promote the implementation of the "Belt and Road" and the Guangdong-Hong Kong-Macao Greater Bay Area strategy. The implementation of the project will allow the Company to accumulate high-quality long-term assets, improve the logistics network, and enhance its market position in the Guangdong-Hong Kong-Macao Greater Bay Area. It is of strategic significance for the Group to expand and strengthen its main logistics business.

After considering the above factors, the Board believes that the Cooperation Agreement and the Operation Agreement are in the interests of the Company and its Shareholders as a whole, and the terms of the Cooperation Agreement and the Operation Agreement are fair and reasonable.

GENERAL INFORMATION

The Group is principally engaged in logistics and toll road business. The Group defines the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Pan-Bohai Rim as strategic regions, endeavours to invest in, construct and operate logistic infrastructure projects including integrated logistics hubs and toll roads, and provides high-end and value-added logistic services to customers based on these infrastructures, and expanding its scope of business to various market segments including comprehensive development of lands related to the logistics industry as well as investment in and operation of environmental protection business.

Shenzhen International (SZ) is a wholly-owned subsidiary of the Company incorporated in the PRC. It is an investment holding company.

Guangzhou Railway Group is a wholly-owned subsidiary of China State Railway Group Co., Ltd. and is mainly engaged in railway passenger and freight transportation and related services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guangzhou Railway Group and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

According to HKFRS 16 "Leases", upon the execution of the Operation Agreement, the Group will recognize the relevant right-of-use assets in its balance sheet. Therefore, for the purposes of the Listing Rules, transactions under the Operation agreement will be considered as an acquisition of assets by the Group.

As one or more of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Cooperation Agreement and the Operation Agreement together exceeds 5% and all of them are less than 25%, the signing of the Cooperation Agreement and the Operation Agreement together constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“Company”	Shenzhen International Holdings Limited (深圳國際控股有限公司), a company incorporated in Bermuda and listed on the main board of the Stock Exchange (Stock Code : 00152)
“Cooperation Agreement”	the cooperation agreement dated 27 March 2020 executed by Shenzhen International (SZ) and Guangzhou Railway Group
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Railway Group”	China Railway Guangzhou Group Co., Ltd.* (中國鐵路廣州局集團有限公司), being a wholly-owned subsidiary of China State Railway Group Co., Ltd (中國國家鐵路集團有限公司)
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture Company”	Shenzhen Railway Logistics Development Company Limited* (深圳市深鐵物流發展有限公司) (the name of the Joint Venture Company is subject to final determination), a company to be established in the PRC under the Cooperation Agreement and is to be owned as to 90% and 10% equity interests by Shenzhen International (SZ) and Guangzhou Railway Group, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operation Agreement”	the operation agreement in relation to the operation and management of the Pinghunan Project to be signed by the Joint Venture Company and Guangzhou Railway Group (or its designated wholly-owned subsidiary) after the establishment of the Joint Venture Company

“Pinghunan Project”	Shenzhen Pinghunan Integrated Logistics Hub Project* (深圳市平湖南綜合物流樞紐項目), a project located in the south of Pinghu Street, Longgang District, Shenzhen, between the Guangzhou-Shenzhen Railway and the Pinghu Marshalling Station of the Beijing-Kowloon Railway, which is north to Jihe Expressway and to the south and adjacent to Shuiguan Expressway
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen International (SZ)”	Shenzhen International Holdings (SZ) Limited (深國際控股(深圳)有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 27 March 2020

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 RMB0.91. 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).*