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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 INVESTMENT IN AIR CHINA CARGO CO., LTD. THROUGH CAPITAL CONTRIBUTION

THE CAPITAL INCREASE AGREEMENT

The Company is pleased to announce that, on 9 November 2020, Shenzhen International (SZ) (an indirect wholly-owned subsidiary of the Company), Aviation Capital, Cathay Pacific China Cargo, Fine Star Enterprises and the Other Investors entered into the Capital Increase Agreement with Air China Cargo, pursuant to which Air China Cargo agreed to increase its registered capital by RMB3,313,753,433 (approximately HK\$3,898,533,451) and Shenzhen International (SZ) agreed to make a capital contribution of RMB1,565,160,572.63 (approximately HK\$1,841,365,380) to Air China Cargo, of which RMB1,068,952,720 (approximately HK\$1,257,591,435) shall constitute contribution to the registered capital of Air China Cargo. Upon completion of the Capital Contributions, the Group will hold 10% equity interest in Air China Cargo.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Benefitting from the transformation and upgrading of consumption market as well as the rapid growth of the cross-border e-commerce industry in the PRC, the air cargo industry has seen good development opportunities in recent years. The Group participates in the investment in Air China Cargo through the Capital Increase Agreement as the Group is optimistic about the development potential of Air China Cargo driven by the growing trend of cross-border e-commerce and consumption upgrade trend. On the other hand, the investment provides the Group with an opportunity to commence business collaboration with Air China Cargo, which is expected to create business synergies for both and allow the Group to explore air cargo logistics business to enhance its comprehensive logistics service capabilities and explore room for profit growth. Moreover, the Group can leverage on its extensive experience in the investment in, construction and operation of integrated logistics hub projects and jointly explore air cargo logistics parks or air cargo terminal projects with Air China Cargo, which would in turn strengthen the Group's capability to secure scarce air cargo resources. Leveraging on the Group's national logistics network and ancillary logistics servicing ability, the Group can further explore business opportunities from high value added customers in the air cargo logistics business, expediting the Group's development into a modern smart logistics service provider with "scalable national logistics park network and comprehensive value-added logistics services" as its core competitive advantage.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Group's Capital Contribution exceeds 5% and are all less than 25%, the Group's Capital Contribution constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Company is pleased to announce that, on 9 November 2020, Shenzhen International (SZ) (an indirect wholly-owned subsidiary of the Company), Aviation Capital, Cathay Pacific China Cargo, Fine Star Enterprises and the Other Investors entered into the Capital Increase Agreement with Air China Cargo, pursuant to which Air China Cargo agreed to increase its registered capital by RMB3,313,753,433 (approximately HK\$3,898,533,451) in return for capital contributions by Shenzhen International (SZ) and the Other Investors of RMB4,851,997,776.6 (approximately HK\$5,708,232,678) in total, among which, Shenzhen International (SZ) agreed to make a capital contribution of RMB1,565,160,572.63 (approximately HK\$1,841,365,380) to Air China Cargo, of which RMB1,068,952,720 (approximately HK\$1,257,591,435) shall constitute contribution to the registered capital of Air China Cargo; and the Other Investors agreed to make a capital contribution of RMB3,286,837,204 (approximately HK\$3,866,867,299) in aggregate, of which RMB2,244,800,713 (approximately HK\$2,640,942,015) shall constitute contribution to the registered capital of Air China Cargo. Upon completion of the Capital Contributions, the Group will hold 10% equity interest in Air China Cargo.

CAPITAL INCREASE AGREEMENT

Material terms of the Capital Increase Agreement are summarised as follows:

- Date** : 9 November 2020
- Parties** : (i) Shenzhen International (SZ);
(ii) Aviation Capital, an existing equity holder of Air China Cargo;
(iii) Cathay Pacific China Cargo, an existing equity holder of Air China Cargo;
(iv) Fine Star Enterprises, an existing equity holder of Air China Cargo;
(v) the Other Investors; and
(vi) Air China Cargo.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Aviation Capital, Cathay Pacific China Cargo, Fine Star Enterprises, the Other Investors and Air China Cargo and each of their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Capital Contributions : Air China Cargo agreed to increase its registered capital by RMB3,313,753,433 (approximately HK\$3,898,533,451) to RMB10,689,527,205 (approximately HK\$12,575,914,359).

Shenzhen International (SZ) agreed to make a capital contribution of RMB1,565,160,572.63 (approximately HK\$1,841,365,380) to Air China Cargo, of which RMB1,068,952,720 (approximately HK\$1,257,591,435) shall constitute contribution to the registered capital of Air China Cargo.

The Other Investors agreed to make a capital contribution of RMB3,286,837,204 (approximately HK\$3,866,867,299) in aggregate to Air China Cargo, of which RMB2,244,800,713 (approximately HK\$2,640,942,015) in aggregate shall constitute contribution to the registered capital of Air China Cargo.

The equity holding structure of Air China Cargo as at the date of this announcement and immediately after completion of the Capital Contributions is summarised as follows:

	As at the date of this announcement <i>(Approximate %)</i>	Immediately after completion of the Capital Contributions <i>(Approximate %)</i>
Aviation Capital	65.22	45.0018
Cathy Pacific China Cargo	17.74	12.2440
Fine Star Enterprises	17.04	11.7542
Shenzhen International (SZ)	0.00	10.0000
Other Investors	0.00	21.0000
Total:	100.00	100.0000

Consideration : The amounts of the Capital Contributions were determined after arm's length negotiations among the parties to the Capital Increase Agreement with reference to (among other things) the financial position, net asset value and business development of Air China Cargo.

The Group intends to fund the Group's Capital Contribution by internal resources.

- Conditions Precedent** : The completion of the Capital Contributions is conditional upon the fulfilment (or written waiver by all parties to the Capital Increase Agreement) of, including but not limited to, all of the following conditions:
- (i) all necessary approvals and consents having been obtained for the transactions contemplated under the Capital Increase Agreement, including but not limited to the relevant approvals of the National Development and Reform Commission of the PRC, the civil aviation authority authorised to approve the Capital Contributions, the Anti-Monopoly Bureau of the State Administration for Market Regulation of the PRC and the centralised approval authority for business operators in Germany (if required);
 - (ii) Air China Cargo having entered into a business-related agreement with a third party;
 - (iii) there being no applicable laws prohibiting the Capital Contributions or rendering the Capital Contributions illegal; and
 - (iv) there having been no material adverse change in the business or financial position of Air China Cargo.
- Payment** : After all conditions precedent are fulfilled, Air China Cargo shall issue a payment notice to each of the New Investors, which shall make their respective capital contribution in one lump sum within ten (10) working days after the issuance of the payment notice.
- The ESOP Platform (one of the Other Investors) shall make its capital contribution to Air China Cargo according to the implementation of its employee stock ownership plan.
- Non-compete Undertaking** : Each of the New Investors and the existing equity holders of Air China Cargo (being Aviation Capital, Cathay Pacific China Cargo and Fine Star Enterprises) gave non-compete undertakings, and in respect of Shenzhen International (SZ), as long as it owns equity interest in Air China Cargo, it shall not directly or indirectly engage or invest in any air cargo business, air mail transportation business or air cargo terminal business (except for the ownership of equity interest in Shenzhen Airlines Co., Ltd. by Shenzhen International (SZ) and its related entities) without the consent of Aviation Capital.
- Restrictions on Transfer of Equity Interest** : Without the prior written consent of Aviation Capital, each of the New Investors, Cathay Pacific China Cargo and Fine Star Enterprises shall not transfer or deal with all or part of its equity interest in Air China Cargo, except for transfer to its related entities, during the 5-year period immediately after the completion date of the Capital Contributions.

In any event, if any equity holder of Air China Cargo intends to transfer all or part of its equity interest to third parties other than the equity holders of Air China Cargo, the other equity holders shall have the first right of refusal.

- Preemption Right** : In the event that Air China Cargo proposes to increase its registered capital, each of the equity holders has a preemption right to contribute to the increased registered capital in proportion to the registered capital held by it.
- Composition of the Board of Directors** : The board of directors of Air China Cargo shall consist of 9 directors (including one chairman), of which Shenzhen International (SZ) shall nominate 1 director.

INFORMATION ON AIR CHINA CARGO

Air China Cargo is a company incorporated in the PRC with limited liability in 2003, principally engaging in the business of air cargo, air mail transportation, operation of air cargo terminals and related logistics business. As at the date of this announcement, Air China Cargo is owned by Aviation Capital, Cathay Pacific China Cargo and Fine Star Enterprises as to 65.22%, 17.74% and 17.04% respectively.

As the PRC domestic cargo airline with the greatest overall strength, Air China Cargo owns 8 B777F freighters, 3 B747-400F freighters and 4 B757-200SF freighters. It also exclusively operates all the belly-hold freight business of Air China Company Limited with global airlines to 43 countries and regions and 187 cities and strong domestic and international capabilities in air transportation, cargo terminal operations and ground distribution. Through the Capital Contributions, Air China Cargo will diversify its shareholding base and implement equity holding by employees, enhance its capital strength, optimise its business structure and enhance its core competitiveness. Air China Cargo will seize the market opportunities of cross-border e-commerce and consumption upgrades in the PRC to become an integrated “e-commerce + logistics” service provider with integrated capabilities in procurement, transportation and sales.

As at 31 July 2020, the audited net asset value of Air China Cargo was approximately RMB8,942 million. For the period from January to July 2020, the audited revenue and net profits (after tax) of Air China Cargo were approximately RMB10,517 million and RMB2,094 million respectively. The audited net profits of Air China Cargo for the years ended 31 December 2019 and 31 December 2018 were as follows:

	For the year ended 31 December	
	2019	2018
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Net profits (before tax)	496,551	410,573
Net profits (after tax)	479,627	393,265

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Benefitting from the transformation and upgrading of consumption market as well as the rapid growth of the cross-border e-commerce industry in the PRC, the air cargo industry has seen good development opportunities in recent years. The Group participates in the investment in Air China Cargo through the Capital Increase Agreement as the Group is optimistic about the development potential of Air China Cargo driven by the growing trend of cross-border e-commerce and consumption upgrade trend. On the other hand, the investment provides the Group with an opportunity to commence business collaboration with Air China Cargo, which is expected to create business synergies for both and allow the Group to explore air cargo logistics business to enhance its comprehensive logistics service capabilities and explore room for profit growth. Moreover, the Group can leverage on its extensive experience in the investment in, construction and operation of integrated logistics hub projects and jointly explore air cargo logistics parks or air cargo terminal projects with Air China Cargo, which would in turn strengthen the Group's capability to secure scarce air cargo resources. Leveraging on the Group's national logistics network and ancillary logistics servicing ability, the Group can further explore business opportunities from high value added customers in the air cargo logistics business, expediting the Group's development into a modern smart logistics service provider with "scalable national logistics park network and comprehensive value-added logistics services" as its core competitive advantage.

The Board is of the view that the terms of the Capital Increase Agreement and the transactions contemplated thereunder, including the Group's Capital Contribution, are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

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 logistics services to customers based on these infrastructures, through expansion, mergers and acquisitions, restructuring and consolidation while expanding into various business segments such as comprehensive development of lands related to the logistics industry as well as investment in and operation of environmental protection business.

Shenzhen International (SZ), a company incorporated in the PRC with limited liability, is a wholly-owned subsidiary of the Company. Its principal business is investment holding.

Aviation Capital is a company incorporated in the PRC with limited liability. Its principal business is project investment, investment management, investment consultancy, asset management and corporate management.

Cathay Pacific China Cargo is a company incorporated in Hong Kong with limited liability. Its principal business is air cargo.

Fine Star Enterprises is a company incorporated in the British Virgin Islands with limited liability. Its principal business is investment holding.

Zhejiang Company is a company incorporated in the PRC with limited liability. Its principal business is the establishment of logistics data platform and global logistics contract fulfilment network through collaborating with logistics partners and the provision of diversified logistics services including international and cross-border contract fulfilment services and last-mile solutions. It is one of the Other Investors.

GSD Fund is a limited partnership established in the PRC. Its principal business is equity investment. It is one of the Other Investors.

The ESOP Platform, a limited partnership established in the PRC, is the employee equity ownership platform of Air China Cargo. It is one of the Other Investors.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Group's Capital Contribution exceed 5% and are all less than 25%, the Group's Capital Contribution constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

- “Air China Cargo” Air China Cargo Co., Ltd.* (中國國際貨運航空有限公司), a company incorporated in the PRC with limited liability
- “Aviation Capital” China National Aviation Capital Holding Co., Ltd.* (中國航空資本控股有限責任公司), a company incorporated in the PRC with limited liability and a company wholly-owned by China National Aviation Holding Corporation Limited* (中國航空集團有限公司) under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
- “Board” the board of Directors
- “Capital Contributions” the capital contributions of RMB4,851,997,776.6 (approximately HK\$5,708,232,678) in aggregate to be made by Shenzhen International (SZ) and the Other Investors, of which RMB3,313,753,433 (approximately HK\$3,898,533,451) constitutes contributions to the registered capital of Air China Cargo, pursuant to the Capital Increase Agreement
- “Capital Increase Agreement” the capital increase agreement dated 9 November 2020 and entered into between Shenzhen International (SZ), Aviation Capital, Cathay Pacific China Cargo, Fine Star Enterprises, the Other Investors and Air China Cargo
- “Cathay Pacific China Cargo” Cathay Pacific China Cargo Holdings Limited, a company incorporated in Hong Kong with limited liability and a subsidiary of Cathay Pacific Airways Limited, the shares of which are listed on the Stock Exchange (stock code: 293)
- “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)” the director(s) of the Company

“ESOP Platform”	Tianjin Yuchi Enterprise Management Limited Partnership* (天津宇馳企業管理合夥企業(有限合夥)), a limited partnership established in the PRC, the executive partner of which is Tianjin Guanchi Enterprise Management Company Limited* (天津冠馳企業管理有限責任公司)
“Fine Star Enterprises”	Fine Star Enterprises Corp., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Advent Fortune Limited (which is a company incorporated in the Cayman Islands and held by a charitable trust)
“Group”	the Company and its subsidiaries
“Group’s Capital Contribution”	the capital contribution to be made by Shenzhen International (SZ) to Air China Cargo pursuant to the Capital Increase Agreement
“GSD Fund”	Hangzhou Guogai Shuangbai Innovation Equity Investment Limited Partnership* (杭州國改雙百創新股權投資合夥企業(有限合夥)), a limited partnership established in the PRC, the executive partner of which is Guogai Shuangbai Development Fund Management Company Limited* (國改雙百發展基金管理有限公司) (the controlling shareholder of the aforesaid executive partner is China Guoxin Fund Management Company Limited* (中國國新基金管理有限公司), a company which is ultimately wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC)
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Investors”	Shenzhen International (SZ), Zhejiang Company and GSD Fund
“Other Investors”	Zhejiang Company, GSD Fund and the ESOP Platform
“Zhejiang Company”	Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司), a company incorporated in the PRC with limited liability and a whole-owned subsidiary of Cainiao Network Technology Co., Ltd.* (菜鳥網絡科技有限公司)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shenzhen International (SZ)”	Shenzhen International Holdings (SZ) Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By the Order of the Board
Shenzhen International Holdings Limited
Liu Wangxin
Joint Company Secretary

Hong Kong, 9 November 2020

As at the date of this announcement, the board of directors of the Company consists of Messrs. Li Haitao, Wang Peihang and Dai Jingming as executive directors, Messrs. Hu Wei and Zhou Zhiwei as non-executive directors and Professor Cheng Tai Chiu, Edwin, Messrs. Pan Chaojin and Chan King Chung as independent non-executive directors.

In this announcement, conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 to RMB0.85. The exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount in RMB or HK\$ were or may be exchanged at this rate or any other rates or at all.

** For identification purpose only*