

*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)**

**MAJOR TRANSACTION  
ACQUISITION OF 24% EQUITY INTEREST IN  
SHENZHEN AIRLINES**

**The Acquisition Agreement**

On 7 May 2011, the Company, through its wholly-owned subsidiary Shenzhen International Total Logistics (Shenzhen) Co., Ltd. (深國際全程物流(深圳)有限公司), entered into the Acquisition Agreement with Shenzhen Huirun Investment Co. Ltd. (深圳市匯潤投資有限公司), pursuant to which Total Logistics will acquire the 24% equity interest in Shenzhen Airlines from Huirun for a consideration of RMB788,632,500 (equivalent to approximately HK\$943,340,300).

Upon completion of such acquisition, Total Logistics will increase its equity interest in Shenzhen Airlines from 25% to 49% and Shenzhen Airlines will remain as an associate of the Company.

**Reasons and Benefits for the Acquisition**

Driven by continuing domestic economic growth, together with an increase in PRC residents' consumption and acceleration in the urbanisation of the PRC, the market demand for domestic air transportation continued to grow, contributing to a sound operating environment and thereby good operating results of Shenzhen Airlines. During the period from 19 April 2010 (the date of completion of the Capital Injection pursuant to which Total Logistics increased its equity interest in Shenzhen Airlines to 25%) to 31 December 2010, Shenzhen Airlines contributed a profit of HK\$143 million to the Group.

The Directors consider that the Acquisition presents a valuable investment opportunity to the Group to further increase its stake in Shenzhen Airlines and believe that such opportunity will further enhance Shareholders' return.

## **Listing Rules Implications**

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed 25% but are less than 100%, the entering into of the Acquisition Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. A circular containing, among other things, further details of the Acquisition and a notice convening the Special General Meeting will be despatched to the Shareholders as soon as practicable and is expected to be no later than 30 May 2011.

## **THE ACQUISITION AGREEMENT**

### **Date:**

7 May 2011

### **Parties Involved**

- (1) Total Logistics, which engages in the provision of total logistics and transportation ancillary services;
- (2) Huirun, a company which is under receivership and on 24 January 2011, the Shenzhen Intermediate People's Court declared Huirun bankrupt. Prior to the liquidation, principal business activity of Huirun was industrial investments.

In accordance with the resolution "The proposal for disposal of the 24% equity interest in Shenzhen Airlines owned by Shenzhen Huirun Investment Co. Ltd." (《深圳市匯潤投資有限公司持有深航 24% 股權處置方案》) passed at the creditors' meeting of Huirun's bankruptcy case and relevant legal procedures, Huirun and Total Logistics entered into the Acquisition Agreement.

Save for Huirun's 24% interest in Shenzhen Airlines, the Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Huirun and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

### **Proposed Acquisition and Consideration**

Pursuant to the Acquisition Agreement, Total Logistics will acquire 24% equity interest in Shenzhen Airlines from Huirun (acting through its receiver) on an as-is basis for a consideration of RMB788,632,500 (equivalent to approximately HK\$943,340,300). The Group intends to fund the Acquisition by internal resources.

The cash payments to be made by Total Logistics shall be as follows:

- (i) Within 3 business days from the date of the Acquisition Agreement, 20% prepayment in the amount of RMB157,726,500 (equivalent to approximately HK\$188,668,100). Save for a breach of contract by Total Logistics, such prepayment is refundable (together with interest) in the event the Acquisition is not approved by Shareholders within 60 days from date of the Acquisition Agreement (or such later date as may be agreed between the parties).

- (ii) Within 3 business days from the date of Shareholders' approval of the Acquisition Agreement and the transactions contemplated thereunder, RMB552,042,750 (equivalent to approximately HK\$660,338,200), representing 70% of the total consideration for the Acquisition.
- (iii) Within 3 business days from the date when Total Logistics is registered with the relevant PRC authority as the equity holder of such 24% equity interest, RMB78,863,250 (equivalent to approximately HK\$94,334,000), representing the remaining 10% of the total consideration together with ancillary tax and expenses agreed to be borne by Total Logistics.

In the event Huirun breaches the terms of the Acquisition Agreement, Huirun shall repay Total Logistics twice the amount of the 20% prepayment referred to above and to the extent such amount is less than the direct and indirect losses suffered by Total Logistics, Huirun shall indemnify Total Logistics the amount of such shortfall.

The consideration of the Acquisition was determined between the Company and Huirun (acting through its receiver) after arm's length negotiations.

Changes in the equity interests in Shenzhen Airlines before and after the Acquisition is completed are summarised as follows:

Equity holders	Before completion of the Acquisition		After completion of the Acquisition	
	Amount of registered and paid up capital (in RMB)	Percentage	Amount of registered and paid up capital (in RMB)	Percentage
Total Logistics	203,125,000	25%	398,125,000	49%
Air China	414,375,000	51%	414,375,000	51%
Huirun	195,000,000	24%	0	0%
Total	<u>812,500,000</u>	<u>100%</u>	<u>812,500,000</u>	<u>100%</u>

Upon completion of the Acquisition, Total Logistics will increase its equity interest in Shenzhen Airlines from 25% to 49% and Shenzhen Airlines will remain as an associate of the Company.

### Conditions

The transactions contemplated under the Acquisition Agreement are conditional upon the passing of the resolution proposed at the Shareholders' meeting to approve the Acquisition.

When the Shareholders' resolution approving the Acquisition Agreement and the transactions thereunder is passed, the Acquisition Agreement becomes effective and Total Logistics shall share the profits, risks and losses of the 24% equity interest of Shenzhen Airlines.

## **Termination**

The Acquisition Agreement will not become effective if Shareholders' approval for the Acquisition Agreement and the transaction contemplated thereunder are not obtained within 60 days from the date of the Acquisition Agreement (or such later date as may be agreed between the parties). Further, if the applicable regulatory consents or amendment of business registration in connection with the acquisition of the 24% equity interest in Shenzhen Airlines could not be obtained or completed due to State policies of the PRC or other administrative procedural reasons, the Acquisition Agreement shall terminate and Huirun shall within 3 business days from receiving notice of the same from Total Logistics refund all consideration payments received from Total Logistics (together with interest).

## **INFORMATION ON SHENZHEN AIRLINES**

Shenzhen Airlines is principally engaged in airlines operation in the PRC.

According to the audited financial statements of Shenzhen Airlines prepared in accordance with the PRC Accounting Standards, the net profit of Shenzhen Airlines for the year ended 31 December 2010 before and after taxation were approximately RMB907.64 million (equivalent to approximately HK\$1,085.69 million) and RMB746.93 million (equivalent to approximately HK\$893.46 million), respectively. The net loss of Shenzhen Airlines for the year ended 31 December 2009 before and after taxation were approximately RMB769.21 million (equivalent to approximately HK\$920.11 million) and RMB863.68 million (equivalent to approximately HK\$1,033.11 million), respectively. As at 31 December 2010, Shenzhen Airlines had a shareholders' deficit of RMB306.49 million (equivalent to approximately HK\$366.61 million). According to a valuation carried out by an independent valuer (which was commissioned solely by the receiver of Huirun), the net asset value of Shenzhen Airlines as at 31 December 2010 amounted to approximately RMB3,286 million (equivalent to approximately HK\$3,930.6 million).

Shenzhen Airlines had sound core business and earnings. The loss incurred by Shenzhen Airlines for the year ended 31 December 2009 was due to impairment losses not related to its core business.

## **INFORMATION ON THE GROUP**

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.

## **REASONS AND BENEFITS FOR THE ACQUISITION**

Driven by continuing domestic economic growth, together with an increase in PRC residents' consumption and acceleration in the urbanisation of the PRC, the market demand for domestic air transportation continued to grow, contributing to a sound operating environment and thereby good operating results of Shenzhen Airlines. During the period from 19 April 2010 (the date of completion of the Capital Injection pursuant to which Total Logistics increased its equity interest in Shenzhen Airlines to 25%) to 31 December 2010, Shenzhen Airlines contributed a profit of HK\$143 million to the Group.

The Directors consider that the Acquisition presents a valuable investment opportunity to the Group to further increase its stake in Shenzhen Airlines and believe that such opportunity will further enhance Shareholders' return.

The Board considers that the Acquisition Agreement was entered into on normal commercial terms and the terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Acquisition exceed 25% but are less than 100%, the entering into of the Acquisition Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. As no Shareholder has any material interest in the Acquisition which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the resolution(s) to be proposed at the Special General Meeting for the approval of the Acquisition and the transactions contemplated under the Acquisition Agreement.

A circular containing among other things, further details of the Acquisition and a notice convening the Special General Meeting will be despatched to the Shareholders as soon as practicable and is expected to be no later than 30 May 2011.

## DEFINITIONS

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

“Acquisition”	the acquisition of 24% equity interest in Shenzhen Airlines by Total Logistics pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement relating to the acquisition of 24% equity interest in Shenzhen Airlines owned by Huirun dated 7 May 2011 entered into between Total Logistics and Huirun
“Air China”	Air China Limited (中國國際航空股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange as its primary listing venue and on the Official List of the UK Listing Authority as its secondary listing venue, and the A shares of which are listed on the Shanghai Stock Exchange
“Board”	the board of Directors
“Capital Injection”	the transaction in which Total Logistics subscribed for an additional registered capital of Shenzhen Airlines in the amount of RMB173,125,000 for a consideration of RMB347,981,250 pursuant to a capital increase agreement dated 21 March 2010, details of which are contained in the Company's announcement dated 21 March 2010 and circular dated 29 March 2010
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Huirun”	Shenzhen Huirun Investment Co. Ltd. (深圳市匯潤投資有限公司), a company established under the laws of the PRC with limited liability, and as at the date of this announcement, Huirun is under receivership and on 24 January 2011, the Shenzhen Intermediate People's Court declared Huirun bankrupt
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholders of the Company
“Shenzhen Airlines”	Shenzhen Airlines Limited (深圳航空有限責任公司), a company established and validly existing under the laws of the PRC with limited liability
“Special General Meeting”	the special general meeting to be convened to approve the Acquisition and the transactions contemplated under the Acquisition Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Logistics”	Shenzhen International Total Logistics (Shenzhen) Co., Ltd. (深國際全程物流(深圳)有限公司), a company established under the laws of the PRC, a wholly-owned subsidiary of the Company

By Order of the Board  
**Shenzhen International Holdings Limited**  
**Guo Yuan**  
*Chairman*

Hong Kong, 8 May 2011

*As at the date of this announcement, the Board consists of Messrs. Guo Yuan, Li Jing Qi, Liu Jun and Yang Hai as executive Directors, Messrs. To Chi Keung, Simon and Wang Dao Hai as non-executive Directors and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive Directors.*

*Note: For the purpose of this announcement, the exchange rate between HK\$ and RMB at HK\$1.00 to RMB0.836 is used. Such conversions are for reference only and should not be construed as representations that the RMB amount could be converted into HK\$ at that or any other rates.*