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深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

**UPDATE ON MAJOR TRANSACTION
IN RELATION TO
CAPITAL CONTRIBUTION TO
HENGDA REAL ESTATE GROUP COMPANY LIMITED**

FOURTH SUPPLEMENTAL INVESTMENT AGREEMENT

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On 13 January 2020, the Subsidiary, Kailong Real Estate, Hengda Real Estate and Mr. Hui entered into the Fourth Supplemental Investment Agreement pursuant to which the parties thereto have agreed to amend certain terms of the Investment Agreement whereby (i) Original Listing Deadline has been extended from 31 January 2020 to 31 January 2021; (ii) Kailong Real Estate and Hengda Real Estate have further undertaken to the Subsidiary that the amount of net profit of Hengda Real Estate for financial year 2020 will not be less than RMB60 billion; and (iii) the same minimum dividend payment mechanism provided for in the Investment Agreement in respect of the financial years of 2017, 2018 and 2019 will also apply to the financial year of 2020.

Save for the amendments provided in the Fourth Supplemental Investment Agreement, all other terms and conditions of the Investment Agreement remain unchanged.

Background

Reference is made to the announcements of the Company dated 31 May 2017, 29 June 2017 and 6 November 2017 and the Circular in relation to the contribution of an amount of RMB5.5 billion to the capital of Hengda Real Estate made by the Subsidiary. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

Under the terms of the Investment Agreement, (i) the Subsidiary has been granted certain exit rights which may be exercised by it in the event that the Proposed Reorganisation is not completed by 31 January 2020 (the “**Original Listing Deadline**”) and the failure to complete is not caused by reasons attributable to the Subsidiary; (ii) Kailong Real Estate and Hengda Real Estate has given undertaking and indemnity to the Subsidiary in respect of the minimum amount(s) of net profit of Hengda Real Estate for financial years of 2017, 2018 and 2019; and (iii) there is a mechanism in place to ensure that prior to the entering into of the Reorganisation Agreement, a minimum level of cash dividend will be distributed by Hengda Real Estate to its shareholders (including the Subsidiary) during the three financial years of 2017, 2018 and 2019. For further details of such performance undertaking, exist rights and minimum dividend payment mechanism, please refer to the sub-sections headed “*Performance undertaking*”, “*Exit rights*” and “*Dividend payment prior to the entering into of the Reorganisation Agreement*” respectively in the section headed “*The Investment Agreement*” of the “*Letter from the Board*” of the Circular.

Fourth Supplemental Investment Agreement

The Board announces that on 13 January 2020, the Subsidiary entered into the Fourth Supplemental Investment Agreement with Kailong Real Estate, Hengda Real Estate and Mr. Hui.

Pursuant to the Fourth Supplemental Investment Agreement, the parties thereto have agreed to amend the terms of the Investment Agreement so as to extend the Original Listing Deadline by one year and, as a result of the extension of the Original Listing Deadline, to extend the scope of performance undertaking and indemnity and the minimum dividend payment mechanism to cover the financial year of 2020 (i.e. one additional year). Save for the amendments provided in the Fourth Supplemental Investment Agreement, all other terms and conditions of the Investment Agreement (including, for the avoidance of doubt, the minimum amounts of net profit of Hengda Real Estate for the financial years of 2017, 2018 and 2019 in respect of which Kailong Real Estate and Hengda Real Estate have undertaken to the Subsidiary as provided in the Investment Agreement) remain unchanged.

The key amendments to the Investment Agreement pursuant to the Fourth Supplemental Investment Agreement are summarised as follows:

Performance undertaking

Under the terms of the Investment Agreement, Kailong Real Estate and Hengda Real Estate have undertaken to the Subsidiary that the amounts of net profit of Hengda Real Estate for the financial years of 2017, 2018 and 2019 will not be less than RMB24.3 billion, RMB50 billion and RMB55 billion, respectively.

Pursuant to the Fourth Supplemental Investment Agreement, Kailong Real Estate and Hengda Real Estate have further undertaken to the Subsidiary that the amount of net profit of Hengda Real Estate for the financial year ending 31 December 2020 will not be less than RMB60 billion.

Dividend payment prior to the entering into of the Reorganisation Agreement

Under the terms of the Investment Agreement, it was agreed that prior to the entering into of the Reorganisation Agreement and subject to Hengda Real Estate continues to operate normally, Hengda Real Estate will distribute at least 68% of its net profit for each of the financial years 2017, 2018 and 2019 to its shareholders in accordance with their respective percentage of equity interest in it as cash dividends, and that if the net profit of Hengda Real Estate for any financial year in the aforesaid three financial years (as audited and confirmed by auditors with relevant securities and futures industry qualifications to be employed by Hengda Real Estate) is less than the minimum amount for that financial year as undertaken by Kailong Real Estate and Hengda Real Estate as aforesaid, the proportional dividend to be paid by Hengda Real Estate to the Subsidiary will be adjusted upward in accordance with the formulae as set out in the section headed “*The Investment Agreement – Dividend payment prior to the entering into of the Reorganisation Agreement*” of the “*Letter from the Board*” of the Circular.

Pursuant to the Fourth Supplemental Investment Agreement, it was agreed that the minimum dividend payment mechanism as referred to above also apply to the financial year of 2020 and for such purpose, the minimum amount of net profit of Hengda Real Estate for the financial year of 2020 as mentioned in the section “*Performance Undertaking*” above (i.e. RMB60 billion) will be used.

Exit rights

Under the terms of the Investment Agreement, if the Proposed Reorganisation is not completed by the Original Listing Deadline and the failure to complete is not caused by reasons attributable to the Subsidiary, the Subsidiary may, within two months of the expiry of such deadline, exercise the Buy-back Option or demand Kailong Real Estate to transfer shares in Hengda Real Estate to it at nil consideration as described in the section headed “*The Investment Agreement – Exit rights*” of the “*Letter from the Board*” of the Circular, and the Subsidiary’s entitlement to dividend distribution of Hengda Real Estate for 2019 will be unaffected by the exercise of such exit rights.

Pursuant to the Fourth Supplemental Investment Agreement, the Original Listing Deadline has been extended to 31 January 2021, and the Subsidiary’s entitlement to dividend distribution of Hengda Real Estate for 2020 will be unaffected by the exercise of such exit rights and such dividend distribution is required to be made by 5 July 2021.

Reasons for and benefit of the Fourth Supplemental Investment Agreement

The Company has been informed that the work in relation to the Proposed Reorganisation is in progress as planned and to ensure the smooth completion of the Proposed Reorganisation, Kailong Real Estate, Hengda Real Estate, Shenzhen Real Estate and SIH have agreed to further extend the exclusivity period and term of the cooperation agreement entered into between them from 31 December 2019 to 31 December 2020. In view thereof and to protect the Company’s interests in respect of its investment in Hengda Real Estate, the Fourth Supplemental Investment Agreement was entered into by the parties thereto.

The Directors are of the view that the terms of the Fourth Supplemental Investment Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“Circular”	the circular of the Company dated 24 November 2017 in relation to the contribution of an amount of RMB5.5 billion to the capital of Hengda Real Estate made by the Subsidiary pursuant to the Investment Agreement
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“Fourth Supplemental Investment Agreement” the supplemental agreement dated 13 January 2020 entered into amongst the Subsidiary, Kailong Real Estate, Hengda Real Estate and Mr. Hui in relation to the amendments to the terms of the Investment Agreement

“Original Listing Deadline” as such term is defined in the section headed “*Background*” in this announcement

By order of the Board of
Shenzhen Investment Limited
LU Hua
Chairman

Hong Kong, 13 January 2020

As at the date of this announcement, the Board comprises 9 directors, of which Dr. LU Hua, Mr. HUANG Wei, Mr. MOU Yong and Mr. LIU Chong are the executive directors of the Company, Dr. WU Jiesi and Mr. LIU Shichao are the non-executive directors of the Company and Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David are the independent non-executive directors of the Company