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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)

**CONNECTED TRANSACTION
IN RELATION TO
DISPOSAL OF ENTIRE INTEREST IN A SUBSIDIARY**

THE EQUITY TRANSFER AGREEMENT

On 28 May 2021, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Equity Interest, representing 100% equity interest of Shum Yip Land Investment, together with the Sale Loan at an aggregate consideration of approximately RMB75.06 million. Upon Completion, the Company will cease to have any interest in Shum Yip Land Investment.

LISTING RULES IMPLICATIONS

As the Purchaser is a non-wholly owned subsidiary of Shum Yip Group, the ultimate holding company of the Company (it holds, through Shum Yip Holdings, approximately 63.18% of all issued Shares as at the date of this announcement), the Purchaser is therefore a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As some of the applicable percentage ratios for the Disposal are more than 0.1% but are less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 28 May 2021, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Equity Interest, representing 100% equity interest of Shum Yip Land Investment, together with the Sale Loan at an aggregate consideration of approximately RMB75.06 million. Upon Completion, the Company will cease to have any interest in Shum Yip Land Investment.

THE EQUITY TRANSFER AGREEMENT

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

Date

28 May 2021

Parties

- (1) the Purchaser (as purchaser); and
- (2) the Vendor (as vendor)

The Purchaser is principally engaged in property development, urban renewal, long-term rental apartments, elderly care and medical business. It is a non-wholly owned subsidiary of Shum Yip Group, owned as to 90% by Shum Yip Group and as to 10% by Shenzhen State-owned Equity Management Co.. Shum Yip Group is an investment holding company and is the ultimate holding company of the Company which holds, through Shum Yip Holdings, approximately 63.18% of all issued Shares as at the date of this announcement. Shenzhen State-owned Equity Management Co. is an investment holding company. Both Shum Yip Group and Shenzhen State-owned Equity Management Co. are wholly-owned by Shenzhen Municipal People's Government of the PRC.

The Vendor is a wholly-owned subsidiary of the Company. The Vendor is principally engaged in property development, property management and leasing business.

Assets to be disposed

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell to the Purchaser the Equity Interest together with the Sale Loan.

The Consideration

The Consideration payable by the Purchaser to the Vendor for the Disposal is approximately RMB75.06 million, which has been determined after arm's length negotiation between the Purchaser and the Vendor with reference to, among other things,

- (1) the appraised value of the Equity Interest in the amount of RMB1,498,000 as at the Valuation Date as reflected in the Valuation Report; and
- (2) the Sale Loan in the amount of approximately RMB73.56 million, comprising of:
 - (i) the Loan in the amount of RMB71,888,762.54; and
 - (ii) the Loan Interest amounting to approximately RMB1,675,000, assuming the Consideration is paid on the 10th working day from the date of the Equity Transfer Agreement.

The Consideration will be payable by the Purchaser to the Vendor in cash within 10 working days from the date of the Equity Transfer Agreement.

The Vendor has engaged the Valuer to conduct the Valuation. The Valuer used the income approach to determine the appraised value of the Equity Interest as at the Valuation Date. Details of the Valuation are disclosed in the section headed “VALUATION” below.

Completion

Completion shall take place upon completion of all the procedures related to the transfer of the Equity Interests and the Equity Interest has been registered under the name of the Purchaser.

The Purchaser and the Vendor shall handle the required procedures for the transfer of Equity Interest with the business administration department within 10 working days from the date of the Equity Transfer Agreement.

VALUATION

The appraised value of the Equity Interest was determined by the Valuer based on the income approach. Accordingly, such valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

In compliance with Rule 14A.68 (7) of the Listing Rules, the principal assumptions upon which the Forecast was based are set out as follows:

(I) Premise of Valuation

This valuation is made on an on-going premise, assuming that Shum Yip Land Investment is traded on the open market, is in use and will be used continuously.

(II) General Assumptions

1. All the documents and materials provided by the Vendor and Shum Yip Land Investment are true, valid and accurate.
2. There are no significant changes in China’s macroeconomic policies and the social and economic environment of the region where the assets are located.
3. There are no significant changes in the tax policy, loan interest rate and currency exchange rate on which the business operation and valuation rely that will affect the conclusion of valuation.
4. The effect of natural forces and other force majeure and the impact that a particular transaction method may have on the valuation results are not taken into consideration.

5. It is assumed that the industry in which assets are located will maintain the current known development direction and trend after the reference date and the impact that the emergence of unknown new technologies and new business ideas may have on the industry trend in the future is not taken into consideration.
6. It is assumed that the operation and management of Shum Yip Land Investment is based on the management level as at the reference date, and the management is responsible and diligent, and the management is relatively stable and capable of performing its duties. The impacts that major adjustments to the operators and major changes in management standards may have on the expected future earnings are not taken into consideration.
7. Apart from known and disclosed matters, there is no existence of any uninformed off-balance assets and liabilities, securities or guarantees, material subsequent matters, and Shum Yip Land Investment has legal ownership of the assets included in the scope of valuation.

(III) Specific Assumptions

1. Specific assumptions of using the income approach for Shum Yip Land Investment:
 - (1) The operation of Shum Yip Land Investment is assumed to remain in the existing model and no expansion of the scale of operation is considered, i.e., the net profits earned each year are not retained in Shum Yip Land Investment for additional investment, and the existing operating capacity and mode of operation of Shum Yip Land Investment remain unchanged.
 - (2) Depreciation of fixed assets in future operating years is assumed to be fully used for the maintenance and renewal of original fixed assets in order to maintain the operating capacity of Shum Yip Land Investment.
 - (3) The impact of inflation on the operations of Shum Yip Land Investment and the impact of future investment plans on cash flows are not considered.
 - (4) It is assumed that the macro environment faced by Shum Yip Land Investment will no longer have new changes, including that the various national policies enjoyed by Shum Yip Land Investment remain unchanged at the current level.
 - (5) The calculation of income is based on the fiscal year, assuming that income and expenditure occur evenly during the year.
 - (6) Only operating income, various costs and expenses, etc. of Shum Yip Land Investment in the next 6 years and one period are predicted. The net cash flow of the stable period after the 6th year is assumed to perpetually grow by 2% on the basis of the next 6th year (being 2026).

- (7) According to the principle of going concern, under the proper management of the operator, its operation may exist forever. Therefore, the evaluation practice assumes that its operating term is indefinite.
 - (8) Assuming that after the termination of the contract for the business premises of Shum Yip Land Investment in October 2020, the subsequent staff office premises will be arranged by the Group, Shum Yip Land Investment does not have to bear the expenses of leasing office premises.
2. Specific assumptions of using the income approach for the Associate:
- (1) The operation of the Associate is assumed to remain in the existing model and no expansion of the scale of operation is considered, i.e., the net profits earned each year are not retained in the Associate for additional investment, and the existing operating capacity and mode of operation of the Associate remain unchanged.
 - (2) Depreciation of fixed assets in future operating years is assumed to be fully used for the maintenance and renewal of original fixed assets in order to maintain the operating capacity of the Associate.
 - (3) The impact of inflation on the operations of the Associate and the impact of future investment plans on cash flows are not considered.
 - (4) It is assumed that the macro environment faced by the Associate will no longer have new changes, including that the various national policies enjoyed by the Associate remain unchanged at the current level.
 - (5) The calculation of income is based on the fiscal year, assuming that income and expenditure occur evenly during the year.
 - (6) Only operating income, various costs and expenses, etc. of the Associate in the next 5 years and one period are predicted. The above indicators for each year after the 5th year are assumed to remain at the level of the next 5th year (being 2025).
 - (7) According to the principle of going concern, under the proper management of the operator, the articles of association of the Associate stipulate that “the term of operation of the company shall be from 17 November 2017 to 30 November 2047”. Assuming that the enterprise can be operated on a going concern basis, the revenue period is assumed to be until 30 November 2047 based on the period of business registration in this forecast.
 - (8) The lease of the Associate’s business premises may be renewed under the same conditions upon expiration.

The Board has reviewed the Valuation Report and is of the view that the Forecast was made after due and careful enquiry.

KPMG, the reporting accountants of the Company (“**Reporting Accountants**”), have performed procedures on the arithmetical calculations and compilation of the discounted future estimated cash flows of Shum Yip Land Investment on which the Valuation was based, but did not report on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based. The Reporting Accountants’ work does not constitute any valuation of Shum Yip Land Investment, or an expression of an audit or review opinion of the valuation of Shum Yip Land Investment.

A report from the Reporting Accountants and a letter from the Board in relation to the Forecast are set out as Appendix I and Appendix II, respectively, to this announcement.

The qualifications of the Valuer and the Reporting Accountants are as follows:

Name	Qualification
Tongzhixinde (Beijing) Assets Appraisal Co., Ltd. KPMG	Professional valuer in the PRC Certified Public Accountants

As at the date of this announcement, as far as the Directors are aware, neither the Valuer nor the Reporting Accountants has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and the Reporting Accountants has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter and/or references to its name in the form and context in which it appears.

INFORMATION ON SHUM YIP LAND INVESTMENT

Shum Yip Land Investment was established in 2017. Shum Yip Land Investment has a registered capital of RMB5 million and is wholly-owned by the Vendor.

Shum Yip Land Investment holds an investment, being 50% equity interest in the Associate. The Associate has a registered capital of RMB1 million.

Shum Yip Land Investment and the Associate mainly engage in government entrusted construction, long-term rental apartment renovation operations and management and child care services.

Set out below is the financial information of Shum Yip Land Investment as extracted from its audited financial statements for the two years ended 31 December 2019 and 2020 prepared in accordance with PRC Accounting Standards.

	For the year ended 31 December 2020 RMB’000	For the year ended 31 December 2019 RMB’000
Net loss before taxation	20,622.74	15,067.25
Net loss after taxation	20,622.74	15,067.25

The net deficit of Shum Yip Land Investment as at 31 December 2020 was approximately RMB48.747 million.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Immediately upon Completion, the Group will cease to hold any interest in Shum Yip Land Investment. Shum Yip Land Investment will then cease to be a subsidiary of the Group.

The net proceeds from the Disposal are intended to be used by the Vendor as general working capital.

Based on the Consideration, the Disposal is expected to give rise to a book gain of approximately RMB50 million, being the difference between the Consideration and the Group's share of net liability of Shum Yip Land Investment as at 31 December 2020, as if the Disposal was completed on 31 December 2020. The actual amount of gain on the Disposal to be recorded by the Group will depend on the net liability value of Shum Yip Land Investment on the completion date of the Disposal, which therefore may be different from the amount mentioned above.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Board considers that the Disposal gives a good opportunity of the Group to realize its investment in the Shum Yip Land Investment and to streamline its business operations.

The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms, and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser is a non-wholly owned subsidiary of Shum Yip Group, the ultimate holding company of the Company (it holds, through Shum Yip Holdings, approximately 63.18% of all issued Shares as at the date of this announcement), the Purchaser is therefore a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As some of the applicable percentage ratios for the Disposal are more than 0.1% but are less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Disposal for which he/she shall be required to abstain from voting on the Board resolutions approving the Disposal. Nonetheless, as Mr. DONG Fang and Mr. LIU Shichao, both executive Directors, are directors of the Purchaser, they have abstained from voting on the Board resolutions approving the Disposal.

DEFINITIONS

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

“Associate”	深圳市龍崗青年公寓運營管理有限公司 (Shenzhen Longgang Youth Apartment Operation Management Co., Ltd.*), a company incorporated in the PRC, an associate of Shum Yip Land Investment owned as to 50% by Shum Yip Land Investment
“Board”	the board of the Directors
“Company”	Shenzhen Investment Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“connected person(s)”	has the same meaning as defined in the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Disposal
“controlling shareholder”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Equity Interest and the Sale Loan by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement
“Equity Interest”	the 100% equity interest in Shum Yip Land Investment held by the Vendor
“Equity Transfer Agreement”	the equity transfer agreement entered into on 28 May 2021 between the Purchaser and the Vendor in respect of the Disposal
“Forecast”	has the meaning ascribed thereto under the section headed “VALUATION” of this announcement
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the amount of RMB71,888,762.54 advanced by the Vendor to Shum Yip Land Investment

“Loan Interest”	being the interest accrued on the Loan at the rate of 5.21% per annum for the period commencing from 1 January 2021 to the day on which the Consideration is paid
“PRC” or “China”	the People’s Republic of China
“Purchaser”	深業沙河(集團)有限公司(Shumyip Shahe (Group) Co., Ltd.*), a company incorporated in the PRC and a non-wholly owned subsidiary of Shum Yip Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the aggregate amount then outstanding and owing by Shum Yip Land Investment to the Vendor as at the date on which the Consideration is paid, being the Loan and Loan Interest
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shenzhen State-owned Equity Management Co.”	深圳市國有股權經營管理有限公司(Shenzhen State-owned Equity Management Co., Ltd.*), a company established in the PRC
“Shum Yip Group”	深業集團有限公司(Shum Yip Group Limited*), a company established in the PRC, the ultimate holding company of the Company
“Shum Yip Holdings”	Shum Yip Holdings Company Limited (深業(集團)有限公司), a company incorporated in Hong Kong, the controlling shareholder of the Company
“Shum Yip Land Investment”	深業置地投資發展(深圳)有限公司(Shum Yip Land Investment Development (Shenzhen) Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation”	the valuation of the equity value of the Equity Interest
“Valuation Date”	31 July 2020, being the reference date of the Valuation
“Valuation Report”	the valuation report dated 21 December 2020 issued by the Valuer as to the Valuation
“Valuer”	Tongzhixinde (Beijing) Assets Appraisal Co., Ltd. (同致信德(北京)資產評估有限公司), an independent professional valuer in the PRC

“Vendor” 深圳市科之谷投資有限公司(Shenzhen Kezhigu Investment Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company

“%” per cent

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

Hong Kong, 28 May 2021

As at the date of this announcement, the Board comprises 8 directors, of which Dr. LU Hua, Mr. HUANG Wei, Ms. CAI Xun, Mr. DONG Fang and Mr. LIU Shichao are the 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.

* *For identification purpose only*

APPENDIX I – REPORT FROM KPMG

The following is the text of a report received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF 深業置地投資發展(深圳)有限公司(Shum Yip Land Investment Development (Shenzhen) Co., Ltd. *)

TO THE BOARD OF DIRECTORS OF SHENZHEN INVESTMENT LIMITED

We refer to the discounted future cash flows on which the business valuation (the “**Valuation**”) dated 21 December 2020 prepared by 同致信德(北京)資產評估有限公司(Tongzhixinde (Beijing) Assets Appraisal Co., Ltd.*) in respect of the appraisal of the fair value of 深業置地投資發展(深圳)有限公司(Shum Yip Land Investment Development (Shenzhen) Co., Ltd. *) (“**Shum Yip Land Investment**”) as at 31 July 2020 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ Responsibilities

The directors of Shenzhen Investment Limited (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to report, as required by paragraph 14.62(2) of the Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of Shum Yip Land Investment or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

* The official name of the entity is in Chinese. The English translation of the name is for identification only.

KPMG

Certified Public Accountants

Hong Kong
28 May 2021

APPENDIX II – LETTER FROM THE BOARD

28 May 2021

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

Re: Shenzhen Investment Limited (the “**Company**”)
Profit Forecast – Letter of Confirmation under Rule 14.62(3) of the Rules Governing the
Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

Reference is made to the announcement of the Company dated 28 May 2021 (the “**Announcement**”) in which the valuation report (the “**Valuation Report**”) dated 21 December 2020 issued by Tongzhixinde (Beijing) Assets Appraisal Co., Ltd. (同致信德(北京)資產評估有限公司) (the “**Valuer**”) in relation to the total equity value of 深業置地投資發展(深圳)有限公司(Shum Yip Land Investment Development (Shenzhen) Co., Ltd.*) using the income approach was mentioned. As the valuation adopts the income approach, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

The board of directors of the Company (the “**Board**”) has reviewed the Valuation Report and discussed the bases and assumptions upon which the valuation has been prepared with the Valuer. The Board has also considered the report dated 28 May 2021 issued by KPMG, the reporting accountants of the Company, regarding whether the Forecast, so far as the calculations are concerned, has been properly compiled in all material respects in accordance with the bases and assumptions as set out in the Valuation Report.

On the basis of the foregoing, in accordance with the requirements under Rules 14.62(3) and 14A.68(7) of the Listing Rules, the Board confirms that the Forecast was made after its due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
Shenzhen Investment Limited
LU Hua
Director