

*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.*



**深圳控股有限公司**  
**SHENZHEN INVESTMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00604)**

## **CONTINUING CONNECTED TRANSACTIONS**

### **DEVELOPMENT AND CONSTRUCTION SERVICES AGREEMENT IN RELATION TO THE LAND FOR MIXED-USE DEVELOPMENT IN ZHONGSHAN CITY**

Reference is made to the voluntary announcement of the Company dated 27 June 2021 in relation to the successful bidding by Shum Yip Terra Land Company (an indirect non-wholly owned subsidiary of the Company) and Hefei Vanke (an indirect wholly-owned subsidiary of Vanke) for the land use rights of the Land for mixed-use development through the public bidding process held by Zhongshan Public Resources Transaction Centre (中山市公共資源交易中心) at the bid price of RMB8,191 million.

#### **DEVELOPMENT AND CONSTRUCTION SERVICES AGREEMENT**

The Board announces that on 28 March 2022, Shum Yip Terra Land Company, Zhongshan Vanke (a direct wholly-owned subsidiary of Vanke) and the Project Company entered into the Development and Construction Services Agreement regarding the provision by Zhongshan Vanke of a full range of management services for the development, construction, marketing and other affairs in relation to the Land.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Project Company is an indirect non-wholly owned subsidiary of the Company owned as to 50% by Shum Yip Terra Land Company and 50% by Hefei Vanke respectively. As Hefei Vanke is a substantial shareholder of the Project Company and both Hefei Vanke and Zhongshan Vanke are subsidiaries of Vanke, Zhongshan Vanke is therefore an associate of a substantial shareholder of a subsidiary of the Company and thus a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Development and Construction Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the annual caps for the Service Fee exceed 0.1% but are less than 5%, the transactions contemplated under the Development and Construction Services Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Development and Construction Services Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration.

## **BACKGROUND**

Reference is made to the voluntary announcement of the Company dated 27 June 2021 in relation to the successful bidding by Shum Yip Terra Land Company (an indirect non-wholly owned subsidiary of the Company) and Hefei Vanke (an indirect wholly-owned subsidiary of Vanke) for the land use rights of the Land for mixed-use development through the public bidding process held by Zhongshan Public Resources Transaction Centre (中山市公共資源交易中心) at the bid price of RMB8,191 million.

## **THE DEVELOPMENT AND CONSTRUCTION SERVICES AGREEMENT**

The Board announces that on 28 March 2022, Shum Yip Terra Land Company, Zhongshan Vanke (a direct wholly-owned subsidiary of Vanke) and the Project Company entered into the Development and Construction Services Agreement regarding the provision by Zhongshan Vanke of a full range of management services for the development, construction, marketing and other affairs in relation to the Land. The principal terms of the Development and Construction Services Agreement are summarised as follows:

### **Date**

28 March 2022

### **Parties**

- (a) Shum Yip Terra Land Company;
- (b) Zhongshan Vanke; and
- (c) the Project Company.

## **Term**

The Development and Construction Services Agreement will take effect from 28 March 2022 and shall continue in force until 28 March 2032 or the day on which Zhongshan Vanke completes all the work under the Development and Construction Services Agreement (whichever is earlier) (the “**Term**”). If for whatever reason the Term needs to be extended, the parties will negotiate for an extension of the Term within six months before the expiration of the Term.

## **Scope of Services**

Zhongshan Vanke will act and manage on behalf of the Project Company the development, construction, marketing and other affairs in relation to the Land. In particular, the scope of services to be provided by Zhongshan Vanke include, among others, the following:

### ***(i) Overall control of construction period***

- to organise the implementation of all relevant works in accordance with the overall control target with respect to construction period as approved by the Project Company
- to ensure the timely completion of every stage target in the overall control plan

### ***(ii) Quality control***

- to ensure the Project meets the relevant construction acceptance specifications and quality inspection and evaluation standards, the functional requirements and construction standards, and the quality of the Project meets the prescribed technical parameters
- to handle construction quality accidents, including organising investigation of the cause of and responsibility for such accident and claiming the relevant party for the corresponding compensation

### ***(iii) Costs control***

- to control the construction cost of the Project according to the target construction cost of the Project as approved by the Project Company
- to execute the funding plan as approved by the Project Company

### ***(iv) Safety management***

- be fully responsible for the safety production management in respect of the construction of the Project
- to discharge the safety management obligations imposed on the construction unit under the laws and regulations regarding safety management

- to prepare public security management plan for the construction site and to formulate emergency plan to deal with public security emergencies
- to handle any safety accidents

**(v) *Design management***

- be responsible for managing the design unit and organising various design work and plan review work and carry out the execution work with the approval of the Project Company

**(vi) *Bidding and procurement management***

- to organize and manage the bidding and procurement of materials, equipment and services required for the purpose of the Project in accordance with all relevant laws and regulations and positioning of the Project, functional requirements and construction standards determined by the Project Company

**(vii) *Contract management***

- to organise and manage the entering into, filing, performance and termination of, and amendments to, contracts relating to the Project, and to deal with breaches, claims and disputes in respect of such contracts

**(viii) *Promotional and sales management***

- to organise and implement the marketing, promotion and sales of the Project

**(ix) *Lawsuit management***

- to report to the Project Company of any lawsuit or arbitration commenced against the Project Company and organise litigation and arbitration work in response thereto according to the strategy and plan approved by the Project Company

**(x) *Other management***

- to handling all approval and construction application procedures during all stages of the Project
- to arrange required staff to coordinate and organise contractors to perform warranty obligations during construction warranty period
- be responsible for the collection, organisation and filing of documents relating to the Project to facilitate the inspection and retrieval by the Project Company
- be responsible for other relevant management works during the construction period of the Project

## Service Fee and payment term

The Service Fee shall be determined and accrued and payable to Zhongshan Vanke as follows:

- (i) an amount calculated at the rate of 4% of the Sales Revenue, and from the month when the sales of the Project commence, this portion of the Service Fee in respect of each quarter is to be settled and paid to Zhongshan Vanke by the Project Company within 15 days after the end of that quarter; plus
- (ii) in relation to the self-owned portion of the properties of the Project, an amount calculated at the rate of 3% of the construction and installation cost of such self-owned properties, and this portion of the Service Fee is to be settled and paid to Zhongshan Vanke by the Project Company upon completion of the construction of the self-owned properties; plus
- (iii) in relation to the portion of the properties of the Project to be repurchased by the government, an amount calculated at the rate of 2% of the total repurchase price of such repurchased properties, and this portion of the Service Fee is to be settled and paid to Zhongshan Vanke by the Project Company within 5 days from the date on which the Project Company receives the corresponding repurchase price from the government.

## ANNUAL CAPS AND BASIS OF DETERMINATION

As the Project Company was newly established and the transactions contemplated under the Development and Construction Services Agreement are new cooperation between the Group and Vanke, no historical transaction amount is available.

The Company estimates that the Service Fee in respect of the relevant financial years should not exceed the respective amounts set out below, and the following amounts have accordingly been set as the annual caps for respective financial years:

<b>For the year ending 31 December</b>	<b>Annual caps (RMB)</b>
2022	250,000,000
2023	300,000,000
2024	320,000,000
2025	250,000,000
2026	170,000,000
2027	250,000,000
2028	95,000,000
2029	Nil
2030	Nil
2031	Nil
2032	Nil

The above proposed annual caps for the years ending 31 December 2022 to 2028 were determined based on the estimated progress of the construction works, costs, timing of sales and Sales Revenue according to the existing construction and marketing plan and budgets in respect of the Project, calculated according to the charging basis mentioned in the section headed “Service Fee and payment term” above and allowing for a reasonable buffer to cater for the possibility of increase in construction and installation costs, sales revenue and/or change in construction progress or sales timetable.

The annual cap for each of the four years ending 31 December 2029, 2030, 2031 and 2032 is set at zero because while Zhongshan Vanke may be required to provide follow up services such as maintenance coordination, disputes handling and project completion settlement etc. pursuant to the Development and Construction Services Agreement during the four years ending 31 December 2029, 2030, 2031 and 2032, according to the payment terms of the Development and Construction Services Agreement and the estimated progress of the construction works and estimated timing of sales (including sale of part of the properties to be repurchased by the government), it is expected that the Service Fee would be fully settled and paid to Zhongshan Vanke by the year ending 31 December 2028, accordingly, no Service Fee is expected to be payable for each of the four years ending 31 December 2029, 2030, 2031 and 2032.

## **OPINION FROM THE INDEPENDENT FINANCIAL ADVISER**

### **Reasons for a term exceeding three years**

In assessing the reasons for the term of the Development and Construction Services Agreement to be longer than three years, the Independent Financial Adviser has considered the following factors:

#### ***(i) Scale of the Project***

The Land is a mixed-use land with a total site area of 668,974.40 sq.m., with maximum ground total construction area of 1,553,434.51 sq.m. and maximum underground total construction area of 2,284,939.60 sq.m. and that the Land is comprised of various parcels of land designated for (a) residential use; (b) commercial use; (c) other purposes, such as comprehensive community services center and comprehensive cultural services center, school, fitness center, public toilet, community carparking spaces and roads; and (d) underground carparking spaces.

As a result of the mega scale of the Project, and as advised by the management of the Group and as noted from the development plan in relation to the Project, the construction phase of the Project is estimated to take approximately six years and as such is currently expected to last until 2028. The Independent Financial Adviser noted that the aforesaid timeline is consistent with the construction phase as contemplated in the state-owned development land use right grant contract in relation to the Land entered into between Zhongshan Natural Resources Bureau, Shum Yip Terra Land Company and Hefei Vanke on 30 June 2021.

***(ii) Scope of services under the Development and Construction Services Agreement***

The Development and Construction Services Agreement takes effect from 28 March 2022 (i.e. the date of the Development and Construction Services Agreement) and will continue in force until 28 March 2032 (i.e. 10 years from the date of the Development and Construction Services Agreement) or the day on which Zhongshan Vanke completes all the work under the Development and Construction Services Agreement (whichever is earlier). In other words, the term of such agreement is catered to cover the entire construction phase of the Project, including the necessary follow up works related thereto during the construction warranty period.

The Independent Financial Adviser considers that it is reasonable and commercially justifiable for Shum Yip Terra Land Company, Zhongshan Vanke and the Project Company to enter into the Development and Construction Services Agreement with a term that covers the length of the construction phase of the Project, including the necessary follow up works related thereto during the construction warranty period to ensure the continued availability of the services contemplated under the Development and Construction Services Agreement throughout the construction phase of the Project and up to completion of the Project.

Considering (i) the scale of the Project where the construction phase is currently estimated to take approximately six years; and (ii) it is reasonable and commercially justifiable for the term of the Development and Construction Services Agreement to cover the length of the entire construction phase of the Project, including the necessary follow up works related thereto during the construction warranty period, the Independent Financial Adviser is of the view that a term of longer than three years is required for the Development and Construction Services Agreement.

**Whether a term exceeding three years is a normal business practice**

In considering whether it is a normal business practice for agreements of a similar nature to the Development and Construction Services Agreement to have a term longer than three years, the Independent Financial Adviser has conducted research on development and construction services agreements undertaken by companies listed on the Main Board of the Stock Exchange within four years from the date of this announcement and identified not less than ten transactions (the “**Reviewed Transactions**”).

The Independent Financial Adviser noted from these Reviewed Transactions that the relevant development and construction services agreements typically covered the entire duration of the construction phase of the projects, and up to the completion of the relevant construction works with a warranty period, i.e. the duration of engagement of the construction or project manager is equivalent to the length of the construction phase of the relevant project plus a warranty period. From the Reviewed Transactions, the Independent Financial Adviser also noted that there was construction project the duration of the relevant development and construction services agreement which lasted for more than three years. The length of Zhongshan Vanke’s appointment for the provision of the services contemplated under the Development and Construction Services Agreement, which is catered to cover the duration of the construction phase of the Project, including the necessary follow up works related thereto during the construction warranty period, is therefore consistent with the Independent Financial Adviser’s observations from the Reviewed Transactions.



Based on the above, the Independent Financial Adviser is of the view that the term of the Development and Construction Services Agreement exceeding three years is a normal business practice.

### **Opinion of the Independent Financial Adviser**

Based on the analysis mentioned above, the Independent Financial Adviser is of the view and confirm that (i) a term of longer than three years is required for the Development and Construction Services Agreement; and (ii) it is a normal business practice for this type of development and construction services agreement to be of such duration.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE DEVELOPMENT AND CONSTRUCTION SERVICES AGREEMENT**

Vanke has substantial practical experience in operating joint venture projects. Managed by a well-structured team of personnel with appropriate degree of professional skill and coupled with Vanke's brand effect, the joint venture projects of Vanke can often bring about a higher brand premium than surrounding projects of its competitors. As such, Vanke has long been recognized by its partners and clients.

The Development and Construction Services Agreement clearly defines the responsibilities of the parties thereto, regulates the corporate governance structure of the Project Company, prescribes the responsibilities for the standardized operation of the Project Company, enables the parties to make full use of their respective advantages and strengthens the risk management and control of the Project Company.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Development and Construction Services Agreement (including Service Fees and payment terms) were entered into in the ordinary and usual course of business of the Group after arm's length negotiations and on normal commercial terms which, as well as the annual caps, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Development and Construction Services Agreement and the transactions contemplated thereunder. Accordingly, none of the Directors was required to abstain from voting on the board resolution(s) approving the Development and Construction Services Agreement and the transactions contemplated thereunder.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Project Company is an indirect non-wholly owned subsidiary of the Company owned as to 50% by Shum Yip Terra Land Company and 50% by Hefei Vanke respectively. As Hefei Vanke is a substantial shareholder of the Project Company and both Hefei Vanke and Zhongshan Vanke are subsidiaries of Vanke, Zhongshan Vanke is therefore an associate of a substantial shareholder of a subsidiary of the Company and thus a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Development and Construction Services Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.



As all of the applicable percentage ratios in respect of the annual caps for the Service Fee exceed 0.1% but are less than 5%, the transactions contemplated under the Development and Construction Services Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Development and Construction Services Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration. The opinion of the Independent Financial Adviser is set out in the section headed "OPINIONS FROM THE INDEPENDENT FINANCIAL ADVISER" in this announcement.

## **INFORMATION ON THE PARTIES**

Shum Yip Terra Land Company is an indirect non-wholly owned subsidiary of the Company established in Shenzhen, the PRC. The Group is principally engaged in property development, property investment and property management business.

Zhongshan Vanke is a direct wholly-owned subsidiary of Vanke established in the PRC. Vanke and its subsidiaries are principally engaged in the development and sale of properties in the PRC.

The Project Company is a single purpose company established in the PRC with limited liability and owned as to 50% by Shum Yip Terra Land Company and 50% by Hefei Vanke for the acquisition, development, construction, management, holding, sales and leasing of the Land. The Project Company is accounted for as a subsidiary of the Company.

## **DEFINITIONS**

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

"Board"	the board of 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 (stock code: 00604)
"Development and Construction Services Agreement"	the development and construction services agreement dated 28 March 2022 entered into between Shum Yip Terra Land Company, Zhongshan Vanke and the Project Company regarding the provision by Zhongshan Vanke of a full range of management services for the development, construction, marketing and other affairs in relation to the Land
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries

“Hefei Vanke”	合肥萬科瑞翔地產有限公司 (Hefei Vanke Ruixiang Real Estate Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Vanke
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), which has been appointed as the independent financial adviser for the purpose of Rule 14A.52 of the Listing Rules
“Land”	a piece of land for mixed-use development situated at Dongwuwei, the starting area of Cuiheng New District, Zhongshan City, Guangdong Province, the PRC* (中國廣東省中山市翠亨新區起步區東五圍), with a total site area of 668,974.40 sq.m., with maximum ground total construction area of 1,553,434.51 sq.m. and maximum underground total construction area of 2,284,939.60 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC
“Project”	joint development and construction of the Land through the Project Company, as contemplated by the Development and Construction Services Agreement
“Project Company”	中山市深業萬勝投資有限公司 (Zhongshan Shenye Wansheng Investment Co., Ltd.*), a company established in the PRC with limited liability and owned as to 50% by Shum Yip Terra Land Company and 50% by Hefei Vanke
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Revenue”	the Project Company’s sales revenue from saleable properties of the Project (tax included), excluding self-owned properties, price for the properties to be repurchased by government, properties to be handed over to the government free of charge and rental income

“Service Fee”	the service fee payable by the Project Company to Zhongshan Vanke for the services provided under the Development and Construction Services Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Shum Yip Terra Land Company”	深業泰然置地投資發展(深圳)有限公司 (Shum Yip Terra Land Investment & Development (Shenzhen) Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vanke”	萬科企業股份有限公司 (China Vanke Co., Ltd.*), a joint stock limited company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (SZSE: 000002) and the Main Board of the Stock Exchange (stock code: 2202)
“Zhongshan Vanke”	中山萬科企業有限公司 (Zhongshan Vanke Enterprise Co., Ltd.*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Vanke
“%”	per cent.

By order of the Board  
**SHENZHEN INVESTMENT LIMITED**  
**Lu Hua**  
*Chairman*

Hong Kong, 28 March 2022

*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 Ms. SHI Xiaomei 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*