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

The net profit of Hengda Real Estate for FY 2019 amounted to approximately RMB38.77 billion, which falls below the Performance Undertaking Amount for FY 2019 of RMB55 billion. Pursuant to the Dividend Payment Undertaking, the percentage ratio of the proportional dividend payable to the Subsidiary for FY 2019 should be adjusted upward to 2.5004% and Hengda Real Estate should distribute to the Subsidiary dividend for FY 2019 in the amount of approximately RMB659 million.

Background

Reference is made to the announcements of the Company dated 31 May 2017, 29 June 2017, 6 November 2017 and 13 January 2020 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 and the announcement of the Company dated 13 January 2020.

Under the terms of the Investment Agreement:

(i) the Performance Undertaking Amount of Hengda Real Estate for FY 2019 that Kailong Real Estate and Hengda Real Estate have undertaken to the Subsidiary is not less than RMB55 billion; and

(ii) the Subsidiary, Kailong Real Estate and Hengda Real Estate have agreed that prior to the entering into of the Reorganisation Agreement and subject to Hengda Real Estate continues to operate normally, in respect of FY 2019, at least 68% of the net profit of Hengda Real Estate for that the financial year will be distributed to its shareholders in accordance with their respective percentage of equity interest in it as cash dividends; and if the net profit of Hengda Real Estate for FY 2019 (as audited and confirmed by auditors with relevant securities and futures industry qualifications to be employed by Hengda Real Estate) is less than RMB55 billion, the proportional dividend to be paid by Hengda Real Estate to the all the Investors and the Subsidiary will be adjusted upward in accordance with the following formulae:

(A) Percentage ratio of the proportional dividend payable to all of the Investors

$$\text{Percentage ratio of the proportional dividend payable to all of the Investors} = \frac{\text{Percentage of equity interest held by all of the Investors}}{\text{(actual net profit of Hengda Real Estate for that financial year/the Performance Undertaking Amount for that year)}}$$

If the percentage ratio of the proportional dividend payable to all of the Investors calculated by the above formula is greater than 100%, then such percentage shall be 100%.

(B) Percentage ratio of the proportional dividend payable to the Subsidiary

$$\text{Percentage ratio of the proportional dividend payable to the Subsidiary} = \frac{\text{Percentage of equity interest held by the Subsidiary}}{\text{Percentage of equity interest held by all of the Investors}} \times \text{Percentage ratio of the proportional dividend payable to all of the Investors}$$

Net Profit of Hengda Real Estate for FY 2019

The Subsidiary is currently holding 1.7626% equity interest in Hengda Real Estate. According to the audited annual financial statements of Hengda Real Estate for FY 2019 as audited by PwC, being auditors with relevant securities and futures industry qualifications employed by Hengda Real Estate, the net profit of Hengda Real Estate for FY 2019 amounted to approximately RMB38.77 billion, which falls below the Performance Undertaking Amount for FY 2019 of RMB55 billion. Pursuant to the Dividend Payment Undertaking, the percentage ratio of the proportional dividend payable to the Subsidiary for FY 2019 should be adjusted upward to 2.5004% in accordance with the formulae set out in the section "Background" above and based on such adjusted percentage ratio, Hengda Real Estate should distribute to the Subsidiary dividend in the amount of approximately RMB659 million for FY 2019.

According to the practices of Hengda Real Estate for financial years 2017 and 2018, it is expected that its board of directors will consider the declaration of dividend for FY 2019 in May 2020.

The Company will make further announcement regarding the compliance of the Dividend Payment Undertaking by Hengda Real Estate as and when appropriate.

DEFINITIONS

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

"Dividend Payment Undertaking"	the undertaking with regard to the minimum level of dividend to be distributed by Hengda Real Estate during the Performance Undertaking Period, including in the event that the net profit of Hengda Real Estate for any financial year during the Performance Period falls below the Performance Undertaking Amount for that financial year, making the necessary adjustment to the percentage ratio of the proportional dividend payable to the Investors (including the Subsidiary) as provided in the Investment Agreement, details of which is set out in the section headed "*Letter from the Board – The Investment Agreement – Performance undertaking and indemnity*" of the Circular and as briefly summarised in the section "Background" in this announcement
"FY 2019"	financial year ended 31 December 2019
"Investment Agreement"	the Principal Investment Agreement, as amended and supplemented by the First Supplemental Investment Agreement, the Second Supplemental Investment Agreement, the Third Supplemental Investment Agreement and the Fourth Supplemental Investment Agreement

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

Hong Kong, 16 April 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.