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Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 00152)

**CONNECTED TRANSACTION
ENTERING INTO A DEBT-TO-EQUITY SWAP AGREEMENT
WITH A CONNECTED SUBSIDIARY**

THE DEBT-TO-EQUITY SWAP AGREEMENT

On 7 June 2024, Bay Area Investment, a wholly-owned subsidiary of the Company entered into the Debt-to-Equity Swap Agreement with Pingshen International, a non-wholly owned subsidiary of the Company, pursuant to which Bay Area Investment agreed to convert the debt owed to it by Pingshen International in the aggregate principal amount of RMB300 million into an equity investment in Pingshen International.

Upon Completion, the equity interest in Pingshen International held by Bay Area Investment will increase from 70% to approximately 80.92%, and Pingshen International will remain a non-wholly owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

SIHCL is the controlling shareholder of the Company, and directly and indirectly holds an aggregate of approximately 44.25% of the issued shares of the Company as at the date of this announcement. SEG, a company held as to approximately 38.58% by SIHCL in the aggregate, is a connected person of the Company under the Listing Rules. As SEG controls over 10% voting power in Pingshen International, Pingshen International constitutes a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules. Accordingly, the entering into of the Debt-to-Equity Swap Agreement constitutes a connected transaction of the Company under the Listing Rules.

As one of the applicable percentage ratios for the Company as calculated under Rule 14.07 of the Listing Rules in respect of the entering into of the Debt-to-Equity Swap Agreement is more than 0.1% but all are less than 5%, the entering into of the Debt-to-Equity Swap Agreement is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2023 in relation to, among other things, the loan agreement entered into between Bay Area Investment (as the lender) and Pingshen International (as the borrower). As at the date of this announcement, Pingshen International has drawn down a total loan principal amount of RMB 300 million pursuant to the loan agreement. As such, Pingshen International owes a debt in the amount of RMB 300 million to Bay Area Investment pursuant to the said loan agreement.

THE DEBT-TO-EQUITY SWAP AGREEMENT

On 7 June 2024, Bay Area Investment entered into the Debt-to-Equity Swap Agreement with Pingshen International, the principal terms of which are summarised below:

Date: 7 June 2024

Parties: (a) Bay Area Investment; and

(b) Pingshen International

The Debt-to-Equity Swap

Pursuant to the Debt-to-Equity Swap Agreement, Bay Area Investment agreed to convert the debt owed to it by Pingshen International in the aggregate principal amount of RMB300 million into an equity investment in Pingshen International (whereby approximately RMB99.94 million of which will be credited to the increase in registered capital in Pingshen International, and the remaining amount of approximately RMB200.06 million will be applied towards Pingshen International's capital reserves).

The conversion amount of the Debt-to-Equity Swap and the increase in equity interest percentage in Pingshen International by Bay Area Investment were determined after arm's length negotiations between the parties to the Debt-to-Equity Swap Agreement, taking into account the development plan, capital requirements and prospects of the SZ Pingshan Project, with reference to the independent valuation of the entire shareholders' equity of Pingshen International as at 30 November 2023 in the amount of approximately RMB524.09 million, using the asset-based approach.

The asset-based approach refers to the appraisal method that assesses the value of various on-sheet and identifiable off-sheet assets and liabilities to determine the value of the valuation target based on the balance sheet of the valuation target as at the appraisal benchmark date. This approach was considered appropriate and was adopted in light of the fact that Pingshen International is in a heavy asset industry whose core assets are represented by its immovable properties.

A summary of the principal assumptions upon which the independent valuation was made is set out as follows:-

(I) Assumptions as to Appraisal Benchmarks

1. *Benchmark Assumption on Trading*: it is assumed that that all assets being valued are already in the transaction process and that valuation is conducted based on the simulated market, including the terms and conditions of the transactions of the assets being valued;
2. *Benchmark Assumption on Open Market*: it is assumed that the trading market of the appraised object or all appraised assets on the base date of appraisal is an open market, i.e. a trading market that meets at least the following conditions: (1) There are a sufficient number of buyers in the market and their status is equal to each other. All buyers are voluntary, rational and have sufficient professional knowledge; (2) There are enough sellers in the market and their status is equal. All sellers are voluntary, rational and have enough professional knowledge; (3) The status of all buyers and sellers in the market is also equal; (4) All trading rules in the market are clear and open; (5) All buyers and sellers in the market are fully informed and can obtain the same and sufficient transaction information; (6) All transactions in the market are conducted freely in sufficient time, rather than under compulsory or unrestricted conditions.; and
3. *Benchmark Assumption on Going Concern / Continuing Use*: it is assumed that the economic entity corresponding to the appraisal object continues to operate according to its existing business objectives on the basis of its management team, financial structure, business model and market environment on the base date of appraisal; it is further assumed that all assets/liabilities corresponding to the appraisal object will continue to be used according to the current purpose, using mode, scale, frequency and environment.

(II) Assumptions of Appraisal Conditions

1. *Assumption on External Conditions of Appraisal*: it is assumed that there are no significant changes in the current national laws, regulations and policies and the national macroeconomic situation, and there are no significant changes in the political, economic and social environment in the region where the parties to this deal are located; It is also assumed that there is no significant change in interest rate, exchange rate, tax benchmark and tax rate, policy-based collection fee and financing conditions; It is assumed that there are no other force majeure factors and unforeseeable factors that have a significant adverse impact on the enterprise.
2. *Assumptions on the Information Necessary for the Appraisal Provided by the Client and/or Relevant Parties*: It is assumed that the information necessary for the appraisal provided by the client and/ or relevant parties is true, complete, legal and valid.
3. *Assumptions on Information Obtained from Sources Other Than the Client and Related Parties*: It is assumed that the information obtained from sources other than the client and related parties in the appraisal can reasonably reflect the corresponding market transaction logic, or market transaction conditions, or market operation conditions, or market development trends, etc.

4. *Assumptions on the Legal Ownership of the Appraisal Object and its Related Important Assets:* Generally, the acquisition, use and holding of the appraised object and all appraised assets are assumed to comply with the provisions of national laws, regulations and normative documents – that is, their legal ownership is clear.
5. *Other Assumptions:* including other assumptions as to the state of affairs of assets, and their quantity upon sample checks, and correctness of operational data, etc.

Completion

Pingshen International shall complete the relevant registration of the Debt-to-Equity Swap at the relevant Administration of Industry and Commerce in the PRC within 90 business days from the date of signing of the Debt-to-Equity Swap Agreement. Completion shall take place on the date of completion of such registration procedures.

As at the date of this announcement, Pingshen International has a total registered capital in the amount of approximately RMB174.58 million, and is owned by Bay Area Investment as to 70% and SEG as to 30%. Upon Completion, the total registered capital of Pingshen International will be increased to approximately RMB274.52 million, which will be owned by Bay Area Investment as to approximately 80.92% and by SEG as to approximately 19.08%, and will remain a non-wholly owned subsidiary of the Company.

THE SZ PINGSHAN PROJECT

Pingshen International owns the SZ Pingshan Project, which is an intelligent logistics hub project under construction that is located in the Pingshan District of Shenzhen and has a site area of approximately 120,000 square meters and a planned gross floor area of approximately 286,000 square meters. Benefiting from its unique locational advantage, the project is surrounded by enterprises in sectors with huge demand for logistics services, such as information technology, biopharmaceutical and new energy vehicle industries. The project is positioned as a “demonstration base for deep integration of manufacturing and logistics industries” within Shenzhen’s “20+8” strategic emerging industry clusters, while it also acts as an “shared intelligent logistics service center” for “9+2” strategic emerging industries in Pingshan District. Its primary objective is to provide advanced manufacturing industries with efficient and comprehensive intelligent logistics services. Upon completion, it will help address the shortage of high-standard logistics facilities in Pingshan District, significantly lower the logistics costs of manufacturing enterprises, and effectively promote the deep integration of manufacturing and logistics industries in Pingshan District. The project has been selected as one of “Shenzhen’s key projects for 2023”. The project has commenced construction and it is scheduled to be completed and commence operations by 2025.

INFORMATION ON THE PARTIES

THE GROUP

The Group is principally engaged in logistics, toll road, port and general-environmental protection businesses. The Group perceives the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei areas and major logistics gateway cities as key strategic regions. Through investment, mergers and acquisitions, restructuring and consolidation, the Group focuses on the investment, construction and operation of logistics infrastructure in the four major areas of “Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure” (including inland ports, urban integrated logistics parks, air cargo terminals and railway logistics terminals) and toll roads. The Group provides its customers with value-added logistics services including intelligent warehouse and

integrated cold chain warehousing, and also expanded its business segments to include the comprehensive development of land related to the “logistics + commerce” industries as well as the investment in and operation of general-environmental protection business.

BAY AREA INVESTMENT

Bay Area Investment, a limited liability company established in the PRC, is an indirect wholly-owned subsidiary of the Company. Its principal business is the investment, comprehensive development and construction, operation and management of modern logistics parks and industrial parks.

PINGSHEN INTERNATIONAL

Pingshen International, a limited liability company established in the PRC, is a non-wholly owned subsidiary of the Company. It principally engaged in self-owned property leasing, warehousing services, logistics supply chain and logistics park management.

As at the date of this announcement, Pingshen International is indirectly owned as to 70% equity interest by the Company and directly owned as to 30% equity interest by SEG, which in turn was owned as to approximately 38.58% by SIHCL. For the purpose of Chapter 14A of the Listing Rules, SEG is an associate of SIHCL, and Pingshen International is therefore a connected subsidiary of the Company.

The audited net losses before and after taxation of Pingshen International for the years ended 31 December 2022 and 2023 are set out below respectively:-

	For the year ended 31 December	
	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>
Net loss before taxation	17.73	21.84
Net loss after taxation	17.73	21.84

As at 31 December 2023, the audited net asset value of Pingshen International amounted to approximately RMB33.18 million.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE DEBT-TO-EQUITY SWAP AGREEMENT

The Group believes that the Debt-to-Equity Swap is expected to improve Pingshen International’s capital base, enhance its financing capability, optimize the capital structure, and provide working capital for the development of the SZ Pingshan Project to ensure the project can be delivered with quality and on time, which in turn entrenches the strategic planning of the Group in Shenzhen and generally in the Greater Bay Area.

Taking into account the foregoing, the Directors (including the independent non-executive Directors) consider the Debt-to-Equity Swap to be in the ordinary course of business of the Company, the terms of the Debt-to-Equity Swap Agreement are on normal commercial terms or better to the Company and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the Debt-to-Equity Swap Agreement and no Director was required to abstain from voting on the Board resolutions approving the Debt-to-Equity Swap Agreement.

IMPLICATIONS UNDER THE LISTING RULES

SIHCL is the controlling shareholder of the Company, and directly and indirectly holds an aggregate of approximately 44.25% of the issued shares of the Company as at the date of this announcement. SEG, a company held as to approximately 38.58% by SIHCL in the aggregate, is a connected person of the Company under the Listing Rules. As SEG controls over 10% voting power in Pingshen International, Pingshen International constitutes a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules. Accordingly, the entering into of the Debt-to-Equity Swap Agreement constitutes a connected transaction of the Company under the Listing Rules.

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DEFINITIONS

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

“%”	per cent.
“Bay Area Investment”	Shenzhen International Bay Area Investment Development Co., Ltd.* (深圳市深國際灣區投資發展有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00152)
“Completion”	Completion of the Debt-to-Equity Swap in accordance with the Debt-to-Equity Swap Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected subsidiary”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Debt-to-Equity Swap”	the conversion of the debt owed to Bay Area Investment by Pingshen International in the aggregate principal amount of RMB300 million into an equity investment in Pingshen International (whereby approximately RMB99.94 million of which

will be credited to the increase in registered capital in Pingshen International, and the remaining amount of approximately RMB200.06 million will be applied towards Pingshen International's capital reserves)

“Debt-to-Equity Swap Agreement”	the debt-to-equity swap agreement dated 7 June 2024 entered into between Bay Area Investment and Pingshen International in relation to the Debt-to-Equity Swap
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pingshen International”	Shenzhen JDI Inc. (深圳市坪深國際數字物流港有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company
“PRC”	the People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SEG”	Shenzhen Electronics Group Co., Ltd* (深圳市賽格集團有限公司), a limited liability company established in the PRC
“SIHCL”	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司), a limited liability company established in the PRC and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SZ Pingshan Project”	the SZI Intelligent Logistics Hub (Shenzhen Pingshan)

By the Order of the Board
Shenzhen International Holdings Limited
Liu Wangxin
Joint Company Secretary

7 June 2024

As at the date of this announcement, the Board consists of Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming as executive Directors and Mr. Pan Chaojin, Dr. Zeng Zhi, Dr. Wang Guowen and Professor Ding Chunyan as independent non-executive Directors.

**For identification purpose only*