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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SHENZHEN INVESTMENT LIMITED, you should at once hand this circular with the accompanying form of proxy to the purchaser or to the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected, for transmission to the purchaser or the transferee.

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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 TRANSACTIONS SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS AND SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and  
the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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This circular and the supplemental notice enclosed herewith should be read together with the circular of the Company dated 30 November 2021 and the notice dated 30 November 2021 convening an extraordinary general meeting of the Company to be held at Academy Rooms, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 30 December 2021.

A letter from the Board is set out on pages 10 to 30 of this circular. A letter from the Independent Board Committee is set out on page 31 of this circular. A letter from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in relation to the transactions contemplated under the Supplemental Agreements is set out on pages 32 to 45 of this circular.

A supplemental notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. A revised proxy form for the use at the EGM is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying revised proxy form in accordance with the instructions printed thereon to the office of the Company's share registrar, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the revised proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

#### **PRECAUTIONARY MEASURES FOR THE EGM**

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- limiting the number of attendees of the meeting
- compulsory temperature checks
- every attendee will be required to wear a surgical face mask
- no refreshments or drinks will be served or distributed

Attendees who do not comply with the precautionary measures may be denied entry to the EGM.

**For the health and safety of the Shareholders, the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EMG as their proxy to vote on the resolutions instead of attending the EGM.**

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## PRECAUTIONARY MEASURES FOR THE EGM

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To safeguard the health and safety of the EGM attendees and to prevent the spreading of COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- Attendance in person at the EGM venue will be limited in accordance with the prevailing requirements or guidelines of the Hong Kong Government and/or regulatory authorities.
- Compulsory body temperature checks will be conducted on all attendees at the entrance of the EGM venue. Any person with a body temperature above the reference range quoted by the Department of Health from time to time, or is exhibiting flu-like symptoms, may be denied entry into the EGM venue or be requested to leave the EGM venue.
- Every attendee will be required to wear a surgical face mask throughout the EGM and sit at a distance from other attendees.
- No refreshments or drinks will be served or distributed.
- Any other additional precautionary measures as considered appropriate in light of the development of the COVID-19 pandemic.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

Subject to the development of the COVID-19 pandemic, the Company may announce further updates on the EGM arrangements. Shareholders should check further announcements (if any) made by the Company which will be posted on the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.shenzheninvestment.com](http://www.shenzheninvestment.com)).

**The Company would like to remind all the Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. For the health and safety of the Shareholders, the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy to vote on the resolutions instead of attending the EGM in person.**

If the Shareholders have any questions relating to the EGM, please contact the Company's share registrar, Tricor Standard Limited, at the below contact details:

Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

Tel: (852) 2980 1333

Fax: (852) 2861 1465

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“2018 Announcement”	the announcement of the Company dated 27 March 2018 in relation to, among others, the entering into of the Relocation and Compensation Agreements and the transactions contemplated thereunder
“2018 Circular”	the circular of the Company dated 26 April 2018 in relation to, among others, the entering into of the Relocation and Compensation Agreements and the transactions contemplated thereunder
“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)
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened as originally scheduled at Academy Rooms, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 30 December 2021 for the purpose of considering and, if thought fit, approving, among others, the Transactions
“Filing Day (First Supplemental Agreement)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – The Supplemental Agreements – (1) The First Supplemental Agreement</i> ” in this circular

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## DEFINITIONS

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“Filing Day (Second Supplemental Agreement)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – The Supplemental Agreements – (2) The Second Supplemental Agreement</i> ” in this circular
“First Circular”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – INTRODUCTION</i> ” in this circular
“First Notice”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – INTRODUCTION</i> ” in this circular
“First Relocation and Compensation Agreement”	the relocation and compensation agreement dated 27 March 2018 entered into between the Project Company and Xinhongcheng
“First Supplemental Agreement”	the supplemental agreement to the First Relocation and Compensation Agreement dated 29 October 2021 entered into between the Project Company and Xinhongcheng
“Group”	the Company and its subsidiaries
“Hengxing”	Hengxing Industrial (Shenzhen) Co., Ltd. (liquidation team)* (恒興實業(深圳)有限公司清算組), a limited liability company established in the PRC and an indirectly wholly-owned subsidiary of Shum Yip Holdings
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive Directors, namely Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David, constituted to advise the Independent Shareholders in respect of the Transactions

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## DEFINITIONS

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“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 under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders other than Shum Yip Holdings and its associates
“Land No. 1”	the two parcels of land (Zhongdi lot numbers A626-0001 and A626-0009) of 55,282 sq.m. in area located at Xiashijiacun, Jiangshicun, Gongming Subdistrict, Guangming New District, Shenzhen* (深圳市光明新區公明辦事處將石村下石家村)
“Land No. 2”	the parcel of land (Zhongdi lot number A626-0012) of 8,184.78 sq.m. in area located at Xiashijiacun, Jiangshicun, Gongming Subdistrict, Guangming New District, Shenzhen* (深圳市光明新區公明辦事處將石村下石家村)
“Latest Practicable Date”	30 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Operation Suspension Compensation (Properties No. 2)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – Second Relocation and Compensation Agreement</i> ” in this circular
“Original Proxy Form”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – EGM AND PROXY ARRANGEMENT</i> ” in this circular

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## DEFINITIONS

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“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Project Company”	Shenzhen Shumyip Minghong Real Estate Development Co., Ltd.* (深圳市深業明宏地產開發有限公司), a limited liability company established in the PRC and 65% of its equity interest is indirectly held by the Company and the remaining 35% of its equity interest is held by an independent third party
“Project Land”	the parcels of land developed under the Redevelopment Project
“Properties No. 1”	various buildings previously erected on Land No. 1 with a total construction area of 72,425.90 sq.m. which had been handed over to the Project Company by Xinhongcheng pursuant to the First Relocation and Compensation Agreement
“Properties No. 2”	two plant rooms previously erected on Land No. 2 with a total construction area of 2,268 sq.m. which had been handed over to the Project Company by Xinhongcheng pursuant to the Second Relocation and Compensation Agreement
“Redevelopment Project”	the urban renewal project for Xinhongcheng District City, Gongming Street, Guangming New District* (光明新區公明街道信宏城片區城市更新項目)
“Relevant Departments”	the Guangming District Urban Renewal and Land Development Bureau of Shenzhen Municipality* (深圳市光明區城市更新和土地整備局) and the Guangming District Housing and Construction Bureau of Shenzhen Municipality* (深圳市光明區住房和建設局)
“Relocation Allowance (Properties No. 2)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – Second Relocation and Compensation Agreement</i> ” in this circular

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## DEFINITIONS

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“Relocation and Compensation Agreements”	the First Relocation and Compensation Agreement and the Second Relocation and Compensation Agreement
“Resettlement Properties No. 1”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – First Relocation and Compensation Agreement</i> ” in this circular
“Resettlement Properties No. 2”	collectively, Resettlement Properties No. 2 (Xinhongcheng) and Resettlement Properties No. 2 (Hengxing)
“Resettlement Properties No. 2 (Xinhongcheng)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – Second Relocation and Compensation Agreement</i> ” in this circular
“Resettlement Properties No. 2 (Hengxing)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – Second Relocation and Compensation Agreement</i> ” in this circular
“Resettlement Properties (Xinhongcheng)”	collectively, Resettlement Properties No. 1 and Resettlement Properties No. 2 (Xinhongcheng)
“RMB”	Renminbi, the lawful currency of the PRC
“Revised Proxy Form”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – EGM AND PROXY ARRANGEMENT</i> ” in this circular
“Second Relocation and Compensation Agreement”	the relocation and compensation agreement dated 27 March 2018 entered into amongst the Project Company, Xinhongcheng and Hengxing



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## DEFINITIONS

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“Second Supplemental Agreement”	the supplemental agreement to the Second Relocation and Compensation Agreement dated 29 October 2021 entered into between the Project Company and Xinhongcheng
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shum Yip Group”	Shum Yip Group Limited* (深業集團有限公司), a company established in the PRC which is ultimately wholly-owned by the Shenzhen Municipal People’s Government and under the administration of the Shenzhen State-owned Assets Supervision and Administration Commission (Shenzhen SASAC), and 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 and a wholly-owned subsidiary of Shum Yip Group and the intermediate holding company of the Company
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substitute Compensation”	collectively, Substitute Compensation No. 1 and Substitute Compensation No. 2
“Substitute Compensation No. 1”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – The Supplemental Agreements – (1) The First Supplemental Agreement</i> ” in this circular
“Substitute Compensation No. 2”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – The Supplemental Agreements – (2) The Second Supplemental Agreement</i> ” in this circular

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## DEFINITIONS

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“Supplemental Agreements”	the First Supplemental Agreement and the Second Supplemental Agreement
“Supplemental Notice”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – EGM AND PROXY ARRANGEMENT</i> ” in this circular
“Temporary Settlement Allowance Period (Properties No. 1)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – First Relocation and Compensation Agreement</i> ” in this circular
“Temporary Settlement Allowance Period (Properties No. 2)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – Second Relocation and Compensation Agreement</i> ” in this circular
“Temporary Settlement Allowance (Properties No. 1)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – First Relocation and Compensation Agreement</i> ” in this circular
“Temporary Settlement Allowance (Properties No. 2)”	has the meaning as ascribed to it under the section headed “ <i>LETTER FROM THE BOARD – SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS – Background – Original terms of resettlement and relocation compensation – Second Relocation and Compensation Agreement</i> ” in this circular
“Transactions”	the entering into of the Supplemental Agreements and the transactions contemplated thereunder

## DEFINITIONS

## “Xinhongcheng”

Shenzhen Shumyip Xinhongcheng Investment Co., Ltd.\*  
(深圳市深業信宏城投資有限公司), a limited liability  
company established in the PRC, and a wholly-owned  
subsidiary of Shum Yip Group

“%”

per cent.

\* *The English names of the PRC nationals, enterprise, entities, departments, facilities, certificates, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Dr. LU Hua (*Chairman*)  
Mr. HUANG Wei (*President*)  
Ms. CAI Xun  
Mr. DONG Fang  
Ms. SHI Xiaomei

*Registered office:*

8th Floor,  
New East Ocean Centre,  
9 Science Museum Road,  
Tsim Sha Tsui,  
Kowloon,  
Hong Kong

*Independent non-executive Directors:*

Mr. WU Wai Chung, Michael  
Mr. LI Wai Keung  
Dr. WONG Yau Kar, David

6 December 2021

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS  
SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND  
COMPENSATION AGREEMENTS  
AND  
SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The Board announced on 29 October 2021 (after trading hours) that, the Project Company and Xinhongcheng entered into the Supplemental Agreements pursuant to which they have conditionally agreed to vary the terms of compensation to Xinhongcheng under each of the Relocation and Compensation Agreements to the effect that monetary compensation would be paid by the Project Company to Xinhongcheng instead of the provision of Resettlement Properties (Xinhongcheng) as originally agreed upon under the Relocation and Compensation Agreements, and to make corresponding changes to certain terms concerning the calculation and/or payment of compensation for loss due to suspension of operation and allowances for relocation and temporary settlement payable to Xinhongcheng under the Relocation and Compensation Agreements. The terms of compensation to Hengxing under the Second Relocation and Compensation Agreement are unaffected by the entering into of the Supplemental Agreements and will remain unchanged.

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## LETTER FROM THE BOARD

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The purpose of this circular is to give you, among other things, (i) further information regarding the Supplemental Agreements; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the valuation report on Resettlement Properties (Xinhongcheng); (v) other information as required to be disclosed under the Listing Rules and (vi) the Supplemental Notice. This circular and the Supplemental Notice should be read together with the circular (the “**First Circular**”) and notice of EGM (the “**First Notice**”) of the Company dated 30 November 2021, which contain, among other matters, information relating to the other resolutions to be proposed at the EGM.

### SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND COMPENSATION AGREEMENTS

#### Background

References are made to the 2018 Announcement and the 2018 Circular in relation to, among others, the entering into of (i) the First Relocation and Compensation Agreement by the Project Company with Xinhongcheng in respect of Properties No. 1; and (ii) the Second Relocation and Compensation Agreement by the Project Company with Xinhongcheng and Hengxing in respect of Properties No. 2, and the transactions contemplated thereunder respectively.

As disclosed in the 2018 Announcement and 2018 Circular, the Project Company, as the principal of the Redevelopment Project, has the right to redevelop and reconstruct the Project Land, which involves the demolition of buildings on the Project Land, arranging resettlement, and the construction of properties according to the approved plan. Properties No. 1 and Properties No. 2 were both situated in the approved urban redevelopment zone under the Redevelopment Project.

#### *Original terms of resettlement and relocation compensation*

##### *First Relocation and Compensation Agreement*

Pursuant to the First Relocation and Compensation Agreement, among other things, in exchange for the vacation and handover of Properties No. 1 to the Project Company for demolition, the Project Company would compensate Xinhongcheng by:

- (1) providing the residential resettlement properties with a total area of 41,989.99 sq.m. to be constructed on the Project Land (“**Resettlement Properties No. 1**”) to Xinhongcheng; and
- (2) paying (a) compensation for loss due to suspension of operation, (b) allowance for relocation, and (c) allowance for temporary settlement in the amount of RMB724,259 per month (calculated at RMB10/sq.m./month) to Xinhongcheng (“**Temporary Settlement Allowance (Properties No. 1)**”).

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## LETTER FROM THE BOARD

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Compensation for loss due to suspension of operation and allowance for relocation (being RMB3,644,133.6 and RMB2,897,036 respectively) had already been fully paid to Xinhongcheng. Temporary Settlement Allowance (Properties No. 1) is payable during the period (“**Temporary Settlement Allowance Period (Properties No. 1)**”) starting from date of the completion of the inspection of the vacant Properties No. 1 by, and the handover of them to, the Project Company and ending on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1 (the period of which was then expected to be 42 months based on the then current development schedule of the Redevelopment Project and thus, the total Temporary Settlement Allowance (Properties No.1) was then estimated to be in the amount of RMB30,418,878). Temporary Settlement Allowance (Properties No. 1) for the first 12 months (being RMB8,691,108) was required to be paid to Xinhongcheng within 5 business days of the completion of the inspection of the vacant Properties No. 1 by, and the handover of them to, the Project Company, and that for the rest of the Temporary Settlement Allowance Period (Properties No. 1) is required to be paid to Xinhongcheng every 12 months and within 5 business days of the expiry of each 12-month period.

### *Second Relocation and Compensation Agreement*

Pursuant to the Second Relocation and Compensation Agreement, in exchange for the vacation and handover of Properties No. 2 to the Project Company for demolition, the Project Company would compensate Xinhongcheng and/or Hengxing by:

- (1) providing the residential resettlement properties to be constructed on the Project Land with an area of 808.15 sq.m. to Xinhongcheng (“**Resettlement Properties No. 2 (Xinhongcheng)**”) and with an area of 5,408.39 sq.m. to Hengxing (“**Resettlement Properties No. 2 (Hengxing)**”); and
- (2) paying Xinhongcheng (a) compensation for loss due to suspension of operation in the amount of RMB108,864 (“**Operation Suspension Compensation (Properties No. 2)**”), (b) allowance for relocation in the amount of RMB90,720 (“**Relocation Allowance (Properties No. 2)**”), and (c) allowance for temporary settlement in the amount of RMB22,680 per month (calculated at RMB10/sq.m./month) (“**Temporary Settlement Allowance (Properties No. 2)**”);

Pursuant to the Second Relocation and Compensation Agreement,

- (a) both Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2) were required to be paid to Xinhongcheng within 5 business days of the completion of the inspection of the vacant Properties No. 2 by, and the handover of them to, the Project Company; and
- (b) Temporary Settlement Allowance (Properties No. 2) is payable for the period (“**Temporary Settlement Allowance Period (Properties No. 2)**”) starting from date of the completion of the inspection of the vacant Properties No. 2 by, and the

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## LETTER FROM THE BOARD

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handover of them to, the Project Company and ending on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 2 (the period of which was then expected to be 42 months based on the then development schedule of the Redevelopment Project and thus, the total Temporary Settlement Allowance (Properties No. 2) was then estimated to be in the amount of RMB952,560). Temporary Settlement Allowance (Properties No.2) for the first 12 months (being RMB272,160) was required to be paid to Xinhongcheng within 5 business days of the completion of the inspection of the vacant Properties No. 2 by, and the handover of them to, the Project Company, and that for the rest of the Temporary Settlement Allowance Period (Properties No. 2) is required to be paid every 12 months and within 5 business days of the expiry of each 12-month period.

### *Current status of the Redevelopment Project*

As at the Latest Practicable Date, both Properties No. 1 and Properties No. 2 had been demolished and the construction of properties on the Project Land by the Project Company is in progress.

The Project Company entered into the Supplemental Agreements with its respective counterparties under each of the Relocation and Compensation Agreements which seek to vary certain compensation terms thereof, including in particular, the terms in respect of the provision of Resettlement Properties (Xinhongcheng) as part of the relocation compensation.

### **The Supplemental Agreements**

The principal terms of each of the Supplemental Agreements are set out as below:

#### *(1) The First Supplemental Agreement*

##### *Date*

29 October 2021

##### *Parties*

- (1) Project Company; and
- (2) Xinhongcheng

##### *Revised terms of relocation compensation*

The provision of Resettlement Properties No. 1 as originally provided under the First Relocation and Compensation Agreement will be replaced by the payment of monetary compensation in the amount of RMB2,011.29 million (“**Substitute Compensation No. 1**”) to Xinhongcheng by the Project Company. The Substitute Compensation No. 1 will be funded by the Project Company by the internal resources of the Group.

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## LETTER FROM THE BOARD

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The Substitute Compensation No. 1 is required to be paid by the Project Company to Xinhongcheng in two installments as follows:

- (i) the first installment in the amount of RMB1,005.645 million (i.e. 50% of the Substitute Compensation No. 1) is required to be paid within one (1) month from the date of completion of the Project Company's filing of change of compensation method as contemplated under the First Supplemental Agreement with the Relevant Departments (the "**Filing Day (First Supplemental Agreement)**") but prior to the grant of pre-sale permit; and
- (ii) the second installment in the amount of RMB1,005.645 million (i.e. the remaining 50% of the Substitute Compensation No. 1) is required to be paid within two (2) months from the Filing Day (First Supplemental Agreement) but prior to the grant of pre-sale permit.

*Revised terms of the Temporary Settlement Allowance (Properties No. 1)*

The Temporary Settlement Allowance Period (Properties No. 1) will end on the Filing Day (First Supplemental Agreement) instead of on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1 as originally provided, and while the monthly amount of the Temporary Settlement Allowance (Properties No. 1) will be calculated at the same rate as originally provided, the monthly amount is payable in its full amount for any period of less than a whole month. It is currently expected that the Filing Day (First Supplemental Agreement) will fall on or around the end of January 2022. Thus, the aggregate amount of the Temporary Settlement Allowance (Properties No. 1) is currently estimated to be in the amount of approximately RMB34.76 million. The Project Company and Xinhongcheng have also agreed that the Temporary Settlement Allowance (Properties No. 1) is required to be paid to Xinhongcheng within one (1) month from the Filing Day (First Supplemental Agreement) but prior to the grant of pre-sale permit. As there has been delay in the payments of the compensation for loss due to suspension of operation, allowance for relocation and the Temporary Settlement Allowance (Properties No.1), the Project Company and Xinhongcheng have also agreed that the Project Company should pay to Xinhongcheng interest on the late payments calculated at the LPR (Loan Prime Rate) applicable for the relevant period at the time of payment of the Temporary Settlement Allowance (Properties No. 1). Assuming that payment of the Temporary Settlement Allowance (Properties No. 1) is made at the end of February 2022 (assuming that the Filing Day (First Supplemental Agreement) falls on the end of January 2022), the amount of interest payable by the Project Company is estimated to be approximately RMB3.91 million.

The Temporary Settlement Allowance (Properties No. 1), and interest on the overdue payments, were and will be funded by the Project Company by the internal resources of the Group.



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## LETTER FROM THE BOARD

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The following table compares, and shows the key differences in, the terms of resettlement and relocation compensation to Xinhongcheng under the First Relocation and Compensation Agreement and the First Supplemental Agreement:

	<b>First Relocation and Compensation Agreement</b>	<b>First Supplemental Agreement</b>
<i>Mode of resettlement compensation</i>	Provision of Resettlement Properties No. 1, being residential resettlement properties with a total area of 41,989.99 sq.m. to be constructed on the Project Land	Payment of Substitute Compensation No. 1, being a monetary compensation in the amount of RMB2,011.29 million
<i>Timing of resettlement compensation</i>	The Project Company would notify Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1 as soon as it has obtained filing records of construction project planning inspection* (建設工程規劃驗收) and construction project completion inspection* (建設工程竣工驗收) for Resettlement Properties No. 1	<p>The Substitute Compensation No. 1 is payable in two equal instalments:</p> <p>(i) 50% of which required to be paid within 1 month from the Filing Day (First Supplemental Agreement) but prior to the grant of pre-sale permit</p> <p>(ii) the remaining 50% is required to be paid within 2 months from the Filing Day (First Supplemental Agreement) but prior to the grant of pre-sale permit</p> <p><i>(Remarks: It is currently expected that Filing Date (First Supplemental Agreement) will fall on or around the end of January 2022 and the grant of pre-sale permit will fall on or around the end of March 2022. On that basis, it is currently expected that approximately RMB1,005.65 million is payable on or around the end of February 2022 and approximately RMB1,005.64 million is payable on or around the end of March 2022)</i></p>

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## LETTER FROM THE BOARD

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	<b>First Relocation and Compensation Agreement</b>	<b>First Supplemental Agreement</b>
<i>Length of Temporary Settlement Allowance Period (Properties No. 1 (for the purpose of calculating the amount of Temporary Settlement Allowance (Properties No. 1))</i>	<p>The Temporary Settlement Allowance Period (Properties No. 1) would end on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1</p> <p><i>(Remarks: If the terms of the First Relocation and Compensation Agreement remain unchanged, such ending date is currently estimated to fall on or around 25 December 2022. On that basis, the Temporary Settlement Period (Properties No. 1) is estimated to be approximately 59 months)</i></p>	<p>The Temporary Settlement Allowance Period (Properties No. 1) would end on the Filing Day (First Supplemental Agreement)</p> <p><i>(Remarks: On the basis that the Filing Day (First Supplemental Agreement) would fall at the end of January 2022, the Temporary Settlement Period (Properties No. 1) is estimated to be 48 months)</i></p>
<i>Estimate amount of Temporary Settlement Allowance (Properties No. 1)</i>	RMB42.73 million (based on the estimation that the Temporary Settlement Allowance Period (Properties No. 1) would be 59 months as mentioned above)	RMB34.76 million (based on the estimation that the Temporary Settlement Allowance Period (Properties No. 1) is 48 months as mentioned above)

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## LETTER FROM THE BOARD

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	First Relocation and Compensation Agreement	First Supplemental Agreement
<i>Timing of payment of Temporary Settlement Allowance (Properties No. 1)</i>	<p>(i) Temporary Settlement Allowance (Properties No. 1) for the first 12 months was required to be paid to Xinhongcheng within 5 business days of the completion of the inspection of the vacant Properties No. 1 by, and the handover of them to, the Project Company (i.e. on or before 7 February 2018)</p> <p>(ii) The rest of the Temporary Settlement Allowance (Properties No. 1) is required to be paid to Xinhongcheng every 12 months and within 5 business days of the expiry of each 12-month period</p> <p><i>(Remarks: As at the Latest Practicable Date, the Project Company had not paid any Temporary Settlement Allowance (Properties No. 1) to Xinhongcheng yet)</i></p>	<p>The entire amount of the Temporary Settlement Allowance (Properties No. 1) is required to be paid to Xinhongcheng within 1 month from the Filing Day (First Supplemental Agreement) but prior to the grant of pre-sale permit</p> <p><i>(Remarks: On the basis that the Filing Day (First Supplemental Agreement) would fall at the end of January 2022, the Temporary Settlement Allowance (Properties No. 1) is estimated to be paid on or around the end of February 2022)</i></p>
<i>Estimated amount of interest on late payments</i>	RMB5.28 million	RMB3.91 million

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## LETTER FROM THE BOARD

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### *Basis of determination of the monetary compensation*

The Substitute Compensation No. 1 of RMB2,011.29 million is determined with reference to the market value attributable to Resettlement Properties No. 1 as of 30 September 2021 which was in turn determined (i) with reference to the market value of Resettlement Properties (Xinhongcheng) as of 30 September 2021 according to the valuation prepared by an independent valuer, using the direct comparison approach to assess the market value of Resettlement Properties (Xinhongcheng) with reference to comparable price information of similar off plan properties situated nearby, and (ii) on a pro rata basis based on total gross floor area of the Resettlement Properties (Xinhongcheng).

As disclosed in the 2018 Circular, at the time of entering into of the Relocation and Compensation Agreements, the Resettlement Properties No. 1 as compensation to Xinhongcheng was determined with reference to the market value of Properties No. 1 and the equivalent residential area to be provided based on the average unit price of new residential flats sold in the locality with reference to the then preliminary valuation report prepared by an independent property valuer. Based on such preliminary valuation report, the market value of Properties No. 1 in the existing state as at 28 February 2018, having considered the redevelopment rights under the Redevelopment Project, was RMB1,386 million, which was equivalent to the then value of the residential area of Resettlement Properties No. 1. For further details, please refer to the 2018 Circular.

While both the valuation of Properties No. 1 and that of Resettlement Properties No. 1 adopted the direct comparison approach by making reference to comparable information available at the relevant time of valuation, the valuation of Properties No. 1 and that of Resettlement Properties No. 1 were different and may not be directly comparable because, among others, (i) the subject matter being assessed was different, (ii) the time of valuation was different (the two valuations were carried out more than 3 years apart from each other), and (iii) the market conditions surrounding the valuation were different.

### *Condition Precedent*

The First Supplemental Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders of the First Supplemental Agreement and the transactions contemplated thereunder at the EGM.

### *Termination*

If the Relevant Departments do not approve the Project Company's filing of change of compensation method as contemplated under the First Supplemental Agreement, the Project Company is required to inform Xinhongcheng of such disapproval in writing, and the First Supplemental Agreement will be terminated on the date on which Xinhongcheng receives such written notice from the Project Company. In such circumstances, the original terms of the First Relocation and Compensation Agreement will continue to apply

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## LETTER FROM THE BOARD

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and the Project Company will, among others, provide Resettlement Properties No. 1 to Xinhongcheng as originally agreed upon in the First Relocation and Compensation Agreement, and the Project Company will pay to Xinhongcheng interest on the overdue amount of Temporary Settlement Allowance (Properties No. 1) calculated at the LPR (Loan Prime Rate) applicable for the relevant period at the time of payment of the Temporary Settlement Allowance (Properties No. 1) pursuant to the First Relocation and Compensation Agreement.

Save for the amendments disclosed above, all other terms and conditions of the First Relocation and Compensation Agreement (including but not limited to the calculation and payment terms of compensation for loss due to suspension of operation and allowance for relocation under the First Relocation and Compensation Agreement) will remain unchanged and continue to apply.

### **(2) *The Second Supplemental Agreement***

#### *Date*

29 October 2021

#### *Parties*

- (1) Project Company; and
- (2) Xinhongcheng

#### *Revised terms of relocation compensation*

The provision of Resettlement Properties No. 2 (Xinhongcheng) as originally provided under the Second Relocation and Compensation Agreement will be replaced by the payment of monetary compensation in the amount of RMB38.71 million (“**Substitute Compensation No. 2**”) to Xinhongcheng by the Project Company. The Substitute Compensation No. 2 will be funded by the Project Company by the internal resources of the Group.

The Substitute Compensation No. 2 is required to be paid by the Project Company to Xinhongcheng in two installments as follows:

- (i) the first installment in the amount of RMB19.355 million (i.e. 50% of the Substitute Compensation No. 2) is required to be paid within one (1) month from the date of completion of the Project Company’s filing of change of compensation method as contemplated under the Second Supplemental Agreement with the Relevant Departments (the “**Filing Day (Second Supplemental Agreement)**”) but prior to the grant of pre-sale permit; and

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## LETTER FROM THE BOARD

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- (ii) the second installment in the amount of RMB19.355 million (i.e. the remaining 50% of the Substitute Compensation No. 2) is required to be paid within two (2) months from the Filing Day (Second Supplemental Agreement) but prior to the grant of pre-sale permit.

*Revised terms of the Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2)*

According to the Second Supplemental Agreement,

- (i) the Temporary Settlement Allowance Period (Properties No. 2) will end on the Filing Day (Second Supplemental Agreement) instead of on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 2 (Xinhongcheng) as originally provided, and while the monthly amount of the Temporary Settlement Allowance (Properties No. 2) will be calculated at the same rate as originally provided, the monthly amount is payable in its full amount for any period of less than a whole month. It is currently expected that the Filing Day (Second Supplemental Agreement) will fall on or around the end of January 2022. Thus, the aggregate amount of the Temporary Settlement Allowance (Properties No. 2) is currently estimated to be in the amount of approximately RMB1.09 million. The Temporary Settlement Allowance (Properties No. 2) is required to be paid to Xinhongcheng within one (1) month from the Filing Day (Second Supplemental Agreement) but prior to the grant of pre-sale permit;
- (ii) the Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2) are required to be paid to Xinhongcheng within one (1) month from the Filing Day (Second Supplemental Agreement) but prior to the grant of pre-sale permit; and
- (iii) as there has been delay in the payments of the Temporary Settlement Allowance (Properties No. 2), the Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2), the Project Company and Xinhongcheng have also agreed that the Project Company should pay to Xinhongcheng interest on the late payments calculated at LPR (Loan Prime Rate) applicable for the relevant period at the time of payments of the Temporary Settlement Allowance (Properties No. 2), the Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2). Assuming that payments of the Temporary Settlement Allowance (Properties No. 2), the Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2) are made at the end of February 2022 (assuming that the Filing Day (Second Supplemental Agreement) falls on the end of January 2022), the amount of interest payable by the Project Company is estimated to be approximately RMB138,000.

## LETTER FROM THE BOARD

The Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2), and interest on overdue payments were and will be funded by the Project Company by the internal resources of the Group.

The following table compares, and shows the key differences in, the terms of resettlement and relocation compensation to Xinhongcheng under the Second Relocation and Compensation Agreement and the Second Supplemental Agreement:

	<b>Second Relocation and Compensation Agreement</b>	<b>Second Supplemental Agreement</b>
<i>Mode of resettlement compensation</i>	Provision of Resettlement Properties No. 2, being residential resettlement properties with a total area of 808.15 sq.m. to be constructed on the Project Land	Payment of Substitute Compensation No. 2, being a monetary compensation in the amount of RMB38.71 million
<i>Timing of resettlement compensation</i>	The Project Company would notify Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 2 as soon as it has obtained filing records of construction project planning inspection* (建設工程規劃驗收) and construction project completion inspection* (建設工程竣工驗收) for Resettlement Properties No. 2	<p>The Substitute Compensation No. 2 is payable in two equal instalments:</p> <p>(i) 50% of which required to be paid within 1 month from the Filing Day (Second Supplemental Agreement) but prior to the grant of pre-sale permit</p> <p>(ii) the remaining 50% is required to be paid within 2 months from the Filing Day (Second Supplemental Agreement) but prior to the grant of pre-sale permit</p> <p><i>(Remarks: It is currently expected that Filing Date (Second Supplemental Agreement) will fall on or around the end of January 2022 and the grant of pre-sale permit will fall on or around the end of March 2022. On that basis, it is currently expected that approximately RMB19.355 million is payable on or around the end of February 2022 and approximately RMB19.355 million is payable on or around the end of March 2022)</i></p>

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## LETTER FROM THE BOARD

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	<b>Second Relocation and Compensation Agreement</b>	<b>Second Supplemental Agreement</b>
<i>Length of Temporary Settlement Allowance Period (Properties No. 2 (for the purpose of calculating the amount of Temporary Settlement Allowance (Properties No. 2))</i>	<p>The Temporary Settlement Allowance Period (Properties No. 2) would end on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 2</p> <p><i>(Remarks: If the terms of the Second Relocation and Compensation Agreement remain unchanged, such ending date is currently estimated to fall on or around 25 December 2022. On that basis, the Temporary Settlement Period (Properties No. 2) is estimated to be approximately 59 months)</i></p>	<p>The Temporary Settlement Allowance Period (Properties No. 2) would end on the Filing Day (Second Supplemental Agreement)</p> <p><i>(Remarks: On the basis that the Filing Day (Second Supplemental Agreement) would fall at the end of January 2022, the Temporary Settlement Period (Properties No. 2) is estimated to be 48 months)</i></p>
<i>Estimate amount of Temporary Settlement Allowance (Properties No. 2)</i>	RMB1.27 million (based on the estimation that the Temporary Settlement Allowance Period (Properties No. 2) would be 59 months as mentioned above)	RMB1.09 million (based on the estimation that the Temporary Settlement Allowance Period (Properties No. 2) is 48 months as mentioned above)



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## LETTER FROM THE BOARD

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	<b>Second Relocation and Compensation Agreement</b>	<b>Second Supplemental Agreement</b>
<i>Timing of payment of Temporary Settlement Allowance (Properties No. 2)</i>	<p>(i) Temporary Settlement Allowance (Properties No. 2) for the first 12 months was required to be paid to Xinhongcheng within 5 business days of the completion of the inspection of the vacant Properties No. 2 by, and the handover of them to, the Project Company (i.e. on or before 7 February 2018)</p> <p>(ii) The rest of the Temporary Settlement Allowance (Properties No. 2) is required to be paid to Xinhongcheng every 12 months and within 5 business days of the expiry of each 12-month period</p> <p><i>(Remarks: As at the Latest Practicable Date, the Project Company had not paid any Temporary Settlement Allowance (Properties No. 2) to Xinhongcheng yet)</i></p>	<p>The entire amount of the Temporary Settlement Allowance (Properties No. 2) is required to be paid to Xinhongcheng within 1 month from the Filing Day (Second Supplemental Agreement) but prior to the grant of pre-sale permit</p> <p><i>(Remarks: On the basis that the Filing Day (Second Supplemental Agreement) would fall at the end of January 2022, the Temporary Settlement Allowance (Properties No. 2) is estimated to be paid on or around the end of February 2022)</i></p>

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## LETTER FROM THE BOARD

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	<b>Second Relocation and Compensation Agreement</b>	<b>Second Supplemental Agreement</b>
<i>Timing of payment of Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2)</i>	<p>The Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2) were required to be paid to Xinhongcheng within 5 business days of the completion of the inspection of the vacant Properties No. 2 by, and the handover of them to, the Project Company</p> <p><i>(Remarks: As at the Latest Practicable Date, the Project Company had not paid any Operation Suspension Compensation (Properties No. 2) or Relocation Allowance (Properties No. 2) to Xinhongcheng yet)</i></p>	<p>The Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2) are required to be paid to Xinhongcheng within 1 month from the Filing Day (Second Supplemental Agreement) but prior to the grant of pre-sale permit</p> <p><i>(Remarks: On the basis that the Filing Day (Second Supplemental Agreement) would fall at the end of January 2022, the Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2) are estimated to be paid on or around the end of February 2022)</i></p>
<i>Estimated amount of interest on late payments</i>	RMB183,000	RMB138,000

### *Basis of determination of the monetary compensation*

The Substitute Compensation No. 2 of RMB38.71 million is determined with reference to the market value attributable to Resettlement Properties No. 2 (Xinhongcheng) as of 30 September 2021 which was in turn determined (i) with reference to the market value of Resettlement Properties (Xinhongcheng) as of 30 September 2021 according to the valuation prepared by an independent valuer, using the direct comparison approach to assess the market value of Resettlement Properties (Xinhongcheng) with reference to comparable price information of similar off plan properties situated nearby, and (ii) on a pro rata basis based on total gross floor area of the Resettlement Properties (Xinhongcheng).

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## LETTER FROM THE BOARD

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As disclosed in the 2018 Circular, at the time of entering into of the Relocation and Compensation Agreements, the Resettlement Properties No. 2 as compensation to Xinhongcheng was determined with reference to the market value of Properties No. 2 and the equivalent residential area to be provided based on the average unit price of new residential flats sold in the locality with reference to the then preliminary valuation report prepared by an independent property valuer. Based on such preliminary valuation report, the market value of Properties No. 2 in the existing state as at 28 February 2018, having considered the redevelopment rights under the Redevelopment Project, was RMB205 million, which was equivalent to the then value of the residential area of Resettlement Properties No. 2. For further details, please refer to the 2018 Circular.

While both the valuation of Properties No. 2 and that of Resettlement Properties No. 2 adopted the direct comparison approach by making reference to comparable information available at the relevant time of valuation, the valuation of Properties No. 2 and that of Resettlement Properties No. 2 were different and may not be directly comparable because, among others, (i) the subject matter being assessed was different, (ii) the time of valuation was different (the two valuations were carried out more than 3 years apart from each other), and (iii) the market conditions surrounding the valuation were different.

### *Condition Precedent*

The Second Supplemental Agreement is conditional upon the Company having obtained the approval of the Independent Shareholders of the Second Supplemental Agreement and the transactions contemplated thereunder at the EGM.

### *Termination*

If the Relevant Departments do not approve the Project Company's filing of change of compensation method as contemplated under the Second Supplemental Agreement, the Project Company is required to inform Xinhongcheng of such disapproval in writing, and the Second Supplemental Agreement will be terminated on the date on which Xinhongcheng receives such written notice from the Project Company. In such circumstances, the original terms of the Second Relocation and Compensation Agreement will continue to apply and the Project Company will, among others, provide Resettlement Properties No. 2 (Xinhongcheng) to Xinhongcheng as originally agreed upon in the Second Relocation and Compensation Agreement, and the Project Company will pay to Xinhongcheng interest on the overdue amount of Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2) calculated at the LPR (Loan Prime Rate) applicable for the relevant period at the time of payment of the such compensation and allowances pursuant to the Second Relocation and Compensation Agreement.

Save for the amendments disclosed above, all other terms and conditions of the Second Relocation and Compensation Agreement (including but not limited to the compensation and resettlement arrangements as agreed between the Project Company and Hengxing, including the provision of Resettlement Properties No. 2 (Hengxing) by the Project Company to Hengxing under the Second Relocation and Compensation Agreement) will remain unchanged and continue to apply.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Replacing the provision of Resettlement Properties (Xinhongcheng) to Xinhongcheng by payment of the Substitute Compensation would provide the Project Company with greater flexibility in overall sales arrangement (as it is no longer necessary to take into consideration the distribution of Resettlement Properties (Xinhongcheng)). In addition, such change in compensation would also provide tax savings to the Project Company. For value added tax purpose, the provision of relocation compensation in the form of Resettlement Properties will be deemed as income from sale of properties but no deduction of the costs in relation to the Resettlement Properties will be allowed. However, treatment for value added tax purpose will be different if the relocation compensation takes the form of cash. The amount of Substitute Compensation is allowed to be deducted from the amount of income from sale of properties, so the proposed change in compensation to Xinhongcheng will provide savings in value added tax and the corresponding additional tax to the Project Company (the amount of such tax savings is estimated to be approximately RMB30 million based on the current tax laws and regulations). Such tax savings will in turn impact on other forms of tax payable by the Project Company. As savings in value added tax and additional tax will result in an increase in the amount of value added and the amount of profits before taxation, it will in turn result in an increase in the amount of land appreciation tax and enterprise income tax payable by the Project Company (such additional amount of tax is estimated to be approximately RMB14 million based on the current tax laws and regulations). The overall amount of tax savings to the Project Company is therefore estimated to be approximately RMB16 million based on the current tax laws and regulations. On the other hand, the Project Company will bear the risk associated with the sales of the Resettlement Properties (including the amount of selling price and the volume of sales) and there will be a reduction in the cash flow of the Project Company as a result of the payment of the Substitute Compensation. However, in view of the stable residential property market in Shenzhen and the Group's extensive experience in property development, especially in Shenzhen area, the Directors believe that the risk of decreasing selling price or poor sales in relation to the Resettlement Properties is low. Furthermore, since the Substitute Compensation is expected to be payable in two instalments in around the end of February 2022 and the end of March 2022 respectively, and it is expected that the residential properties of the Redevelopment Projects would be offered for sale in April 2022, as such, it is anticipated that the impact on the Project Company's cash flow will only be short-term. Having considered the above, the Directors believed that replacing the provision of Resettlement Properties (Xinhongcheng) to Xinhongcheng by payment of the Substitute Compensation is beneficial to the Project Company and the Company.

According to the Relocation and Compensation Agreements, the Temporary Settlement Allowance Period (Properties No. 1) and the Temporary Settlement Allowance Period (Properties No. 2) will end on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1 and Resettlement Properties No. 2 (Xinhongcheng) respectively. However, under the revised terms of the Supplemental Agreements, there will be no provision of Resettlement Properties No. 1 or Resettlement Properties No. 2 (Xinhongcheng) to Xinhongcheng. It is therefore necessary to modify the end date of the Temporary Settlement Allowance Period (Properties No. 1) and the end date of the Temporary Settlement Allowance Period (Properties No. 2).

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

#### *Project Company*

The Project Company is a limited liability company established in the PRC and is a non-wholly owned subsidiary of the Company. The Project Company is principally engaged in property development and related matters under the Redevelopment Project.

#### *Xinhongcheng*

Xinhongcheng is a limited liability company established in the PRC and a wholly-owned subsidiary of the Shum Yip Group, which is in turn wholly-owned by Shenzhen Municipal People's Government of the PRC. Xinhongcheng is principally engaged in property development.

### LISTING RULES IMPLICATIONS

Xinhongcheng is a subsidiary of Shum Yip Group (the ultimate holding company of the Company), as such, it is a connected person of the Company. Accordingly, the transactions contemplated under the Supplemental Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregate amount of (i) the Substitute Compensation and (ii) the estimated amounts of Temporary Settlement Allowance (Properties No. 1), Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2) and interest on the late payments thereon payable to Xinhongcheng pursuant to the Supplemental Agreements is more than 5%, the transactions contemplated under the Supplemental Agreements are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholders who have a material interest in the Supplemental Agreements and the transactions contemplated thereunder will be required to abstain from voting on the ordinary resolution in respect of the Supplemental Agreements and the transactions contemplated thereunder at the EGM. As of the Latest Practicable Date, Shum Yip Holdings is beneficially interested in approximately 5,622,994,189 Shares, representing approximately 63.18% of the issued share capital of the Company. Shum Yip Holdings and its associates are required to abstain from voting on the resolution approving the Supplemental Agreements and the transactions contemplated thereunder at the EGM.

None of the Directors has a material interest in the Transactions for which he/she shall be required to abstain from voting on the board resolution approving the Transactions.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Transactions and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving the Transactions, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Supplemental Agreements and the transactions contemplated thereunder. The text of the letter from the Independent Board Committee is set out on page 31 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is out on pages 32 to 45 of this circular.

### EGM AND PROXY ARRANGEMENT

#### *EGM*

The EGM will be held as originally scheduled at Academy Rooms, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 30 December 2021, to approve, among other things, the Transactions.

#### *Supplemental Notice and Revised Proxy Form*

As a result of the additional resolution proposed subsequent to the despatch of the First Notice, the First Notice and the original form of proxy (the “**Original Proxy Form**”) sent together with the First Circular did not contain the additional resolution proposed to approve the Transactions. In this connection, the supplemental notice of the EGM (the “**Supplemental Notice**”) containing the additional ordinary resolution number 3 is set out on pages EGM-1 – EGM-2 of this circular and a revised form of proxy for use at the EGM (the “**Revised Proxy Form**”) which include the ordinary resolutions set out in the First Notice as well as the additional ordinary resolution numbered 3 is enclosed herewith. All the resolutions originally proposed and set out in the First Notice will remain unchanged.

Whether or not you intend to attend the EGM, you are requested to complete and return the Revised Proxy Form in accordance with the instructions printed thereon to the office of the Company’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the Original Proxy Form and/or the Revised Proxy Form will not preclude you from attending and voting at the EGM or any adjourned EGM should you so wish.

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## LETTER FROM THE BOARD

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### *Shareholders who have not yet lodged the Original Proxy Form*

A Shareholder who has not yet lodged the Original Proxy Form with the Company's share registrar is required to lodge the Revised Proxy Form if he/she wishes to appoint proxies to attend and vote at the EGM on his/her behalf. In this case, **the Original Proxy Form should not be lodged with the Company's share registrar.**

### *Shareholders who have already lodged the Original Proxy Form*

A Shareholder who has already lodged the Original Proxy Form with the Company's share registrar should note that:

- (1) If no Revised Proxy Form is lodged with the Company's share registrar, the Original Proxy Form, if correctly completed, will be treated as a valid proxy form lodged by him/her. The proxy appointed by the Shareholder under the Original Proxy Form will also be entitled to cast the vote at his/her discretion or to abstain from voting on any resolution properly put to the EGM other than those referred to in the First Notice, including ordinary resolution number 3 set out in the Supplemental Notice.
- (2) If the Revised Proxy Form is lodged with the Company's share registrar not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting, the Revised Proxy Form, if correctly completed, will revoke and supersede the Original Proxy Form previously lodged by him/her. The Revised Proxy Form will be treated as a valid proxy form lodged by the Shareholder.
- (3) If the Revised Proxy Form is lodged with the Company's share registrar less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting, or if lodged not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting but is incorrectly completed, the proxy appointment under the Revised Proxy Form will be invalid. The proxy appointed by the Shareholder under the Original Proxy Form, if correctly completed, will be entitled to vote in the manner as mentioned in (1) above as if no Revised Proxy Form was lodged with the Company's share registrar. Accordingly, Shareholders are advised to complete the Revised Proxy Form carefully and lodge the Revised Proxy Form with the Company's share registrar by not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting.

The register of members of the Company will be closed as originally scheduled from Friday, 24 December 2021 to Thursday, 30 December 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 December 2021.

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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 31 of this circular and the letter from the Independent Financial Adviser on pages 32 to 45 of this circular to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Supplemental Agreements.

The Directors (including the independent non-executive Directors) are of the view that the Supplemental Agreements has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Supplemental Agreements and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on such resolution to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,

For and on behalf of the Board of  
**SHENZHEN INVESTMENT LIMITED**

**LU Hua**

*Chairman*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of incorporation in this circular.*



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

*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 00604)**

6 December 2021

*To the Independent Shareholders,*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS  
SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND  
COMPENSATION AGREEMENTS**

We refer to the circular of the Company dated 6 December 2021 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Supplemental Agreements and the transactions contemplated thereunder. Altus Capital Limited has been appointed as the independent financial adviser to advise you and us in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 32 to 45 of the Circular. Your attention is also drawn to the “*Letter from the Board*” in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Supplemental Agreements and the transactions contemplated thereunder, and taking into account the advice of the Independent Financial Adviser, in particular the principal factors, reasons and advice as set out in their letter, we consider that the terms of the Supplemental Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Supplemental Agreements and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Supplemental Agreements and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Mr. LI Wai Keung**

**Mr. WU Wai Chung,  
Michael**

**Dr. WONG Yau Kar,  
David**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, which have been prepared for the purpose of incorporation in this Circular.*

# ALTUS.

**Altus Capital Limited**

21 Wing Wo Street  
Central, Hong Kong

6 December 2021

*To the Independent Board Committee and the Independent Shareholders*

**Shenzhen Investment Limited**

8th Floor, New East Ocean Centre  
9 Science Museum Road  
Tsim Sha Tsui  
Kowloon, Hong Kong

Dear Sir and Madam,

**CONNECTED TRANSACTIONS  
SUPPLEMENTAL AGREEMENTS TO THE RELOCATION AND  
COMPENSATION AGREEMENTS**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Supplemental Agreements and the transactions contemplated thereunder (the “**Transactions**”), details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 6 December 2021 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 29 October 2021 (after trading hours), the Project Company and Xinhongcheng entered into the Supplemental Agreements pursuant to which they have conditionally agreed to vary the terms of compensation to Xinhongcheng under each of the Relocation and Compensation Agreements (i) to the effect that monetary compensation would be paid by the Project Company to Xinhongcheng instead of the provision of Resettlement Properties (Xinhongcheng) as originally agreed upon under the Relocation and Compensation Agreements; and (ii) to make corresponding changes to certain terms concerning the calculation and/or payment of compensation for loss due to suspension of operation and allowances for relocation and temporary settlement payment to Xinhongcheng under the Relocation and Compensation Agreements. The terms of compensation to Hengxing under the Second Relocation and Compensation Agreement are unaffected by the entering into of the Supplemental Agreements and will remain unchanged.

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## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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### **LISTING RULES IMPLICATIONS**

As Xinhongcheng is a subsidiary of Shum Yip Group (the ultimate holding company of the Company), as such, it is a connected person of the Company. Accordingly, the transactions contemplated under the Supplemental Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregate amount of (i) the Substitute Compensation; and (ii) the estimated amounts of Temporary Settlement Allowance (Properties No. 1), Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2) and interest on the late payments thereon payable to Xinhongcheng pursuant to the Supplemental Agreements is more than 5%, the transactions contemplated under the Supplemental Agreements are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As of the Latest Practicable Date, Shum Yip Holdings is beneficially interested in approximately 5,622,994,189 Shares, representing approximately 63.18% of the issued share capital of the Company. Shum Yip Holdings and its associates are required to abstain from voting on the resolution approving the Supplemental Agreements and the transactions contemplated thereunder at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David, has been established to advise the Independent Shareholders as to (i) whether the terms of the Supplemental Agreements are fair and reasonable; (ii) whether the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in respect of the resolution to approve the Transactions to be proposed at the EGM, taking into account the recommendation of the Independent Financial Adviser.

### **THE INDEPENDENT FINANCIAL ADVISER**

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Supplemental Agreements are fair and reasonable; (ii) whether the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions to be proposed at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Except that we were engaged as the independent financial adviser in relation to the Company's connected transaction in relation to the exercise of land acquisition option, details of which are set out in the Company's circular dated 30 November 2021, we have not acted as independent financial adviser or financial adviser in relation to any transactions of the Company in the past two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Transactions is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling Shareholder(s) or connected person(s).

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Supplemental Agreements; (ii) the legal opinion issued by the Company's legal adviser in relation to the Transactions (the "**PRC Legal Opinion**"); (iii) the Relocation and Compensation Agreements; (iv) the 2018 Announcement and the 2018 Circular; (v) the valuation report on the Resettlement Properties (Xinhongcheng) (the "**Valuation Report**"); (vi) the interim report of the Company for the six months ended 30 June 2021 ("**2021 Interim Report**") and the annual report of the Company for the year ended 31 December 2020 ("**2020 Annual Report**"); and (vii) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the "**Management**"). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility for such statements, information, opinions and representations, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any such statements, information, opinions or representations we relied on in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors:

### 1. Background information of the Group and the Project Company

The Group is principally engaged in property development, property investment and property management business and the Project Company is a non-wholly owned subsidiary of the Company and is principally engaged in property development and related matters under the Redevelopment Project. Set out below is a table summarising certain financial information of the Group extracted from the 2020 Annual Report and the 2021 Interim Report.

#### *Extract of consolidated statement of profit or loss*

	For the six months ended		For the year ended	
	30 June		31 December	
	2021	2020	2020	2019
	(HK\$	(HK\$	(HK\$	(HK\$
	million)	million)	million)	million)
	( <i>unaudited</i> )	( <i>unaudited</i> )	( <i>audited</i> )	( <i>audited</i> )
Revenue	19,404	4,122	18,803	14,919
– Property development	16,904	2,170	14,080	10,532
Profit for the year/period	1,855	369	3,963	4,377

#### *Extract of consolidated statement of financial position*

	As at	As at
	30 June	31 December
	2021	2020
	(HK\$ million)	(HK\$ million)
	( <i>unaudited</i> )	( <i>audited</i> )
Cash and cash equivalents	19,025	16,166
Net assets	57,071	55,406

We note that property development has been the major business segment of the Group, contributing approximately 87.1%, 74.9% and 70.6% of the total revenue of the Group for the six months ended 30 June 2021 and each of the years ended 31 December 2019 and 2020 respectively. We also note that property development projects in Shenzhen have been the main focus of the Group which contributed approximately 60.0%, 75.1% and 85.0% of sales revenue derived from property development business for the six months ended 30 June 2021 and each of the years ended 31 December 2019 and 2020 respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the 2020 Annual Report and 2021 Interim Report, the Group will continue to intensify its development in Shenzhen and has been proactively acquiring property development projects in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**Greater Bay Area**”) to enhance its land bank. During the first half of 2021, the Group has acquired quality land resources in certain key cities including Shenzhen and launched the first urban renewal project in Bagualing, Shenzhen. As at 30 June 2021, the Group’s land reserve in the Greater Bay Area accounted for approximately 67% and 64% of the total planned gross floor area (“**GFA**”) and total capacity building area of the Group’s land reserve respectively. Taking into account the principal business of the Group and its strategic focus on the Greater Bay Area, we are of the view that the Transactions in relation to the entering into of the Supplemental Agreements, in particular, the replacement of provision of Resettlement Properties (Xinhongcheng) by payment of Substitute Compensation, pursuant to which the Project Company will have greater flexibility in overall sales arrangement in relation to the Redevelopment Project in Shenzhen, are entered into in the ordinary and usual course of business of the Group.

### **2. Background of the Transactions and the Resettlement Properties (Xinhongcheng)**

#### *Background of the Transactions*

References are made to the 2018 Announcement and the 2018 Circular in relation to, among others, the entering into of (i) the First Relocation and Compensation Agreement by the Project Company with Xinhongcheng in respect of Properties No. 1; and (ii) the Second Relocation and Compensation Agreement by the Project Company with Xinhongcheng and Hengxing in respect of Properties No. 2, and the transactions contemplated thereunder respectively.

We note from the 2018 Announcement and the 2018 Circular that, the Project Company is the principal of the Redevelopment Project and has the right to redevelop and reconstruct the Project Land into a community with residential and commercial functions, as approved by the Urban Planning Land and Resources Commission of Shenzhen Municipality (深圳市規劃和國土資源委員會). As the Redevelopment Project involves, among others, the demolition of buildings on the Project Land (where Properties No. 1 and Properties No. 2 were both situated) and arranging the corresponding resettlement, the Relocation and Compensation Agreements were entered into on 27 March 2018.

Pursuant to the Relocation and Compensation Agreements, among others, (i) the Resettlement Properties No. 1 will be provided to Xinhongcheng as part of the compensation in exchange for the vacation and handover of Properties No. 1 to the Project Company for demolition; (ii) the Resettlement Properties No. 2 (Xinhongcheng) and Resettlement Properties No. 2 (Hengxing) will be provided to Xinhongcheng and Hengxing respectively as part of the compensation in exchange for the vacation and handover of Properties No. 2 to the Project Company for demolition; and (iii) the Project Company will pay the corresponding (a) compensation for loss due to suspension of operation; (b) allowance for relocation; and (c) allowance for temporary settlement to Xinhongcheng. For further details of the original

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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terms under the Relocation and Compensation Agreements, please refer to the paragraph headed “Original terms of resettlement and relocation compensation” under the section headed “Supplemental Agreements to the Relocation and Compensation Agreements” in the “Letter from the Board” of the Circular.

As further elaborated below, it is conditionally agreed under the Supplemental Agreements that (i) monetary compensation would be paid by the Project Company to Xinhongcheng instead of the provision of Resettlement Properties No. 1 and Resettlement Properties No. 2 (Xinhongcheng) (collectively, the “**Resettlement Properties (Xinhongcheng)**”); and (ii) corresponding changes will be made to certain terms concerning the calculation and/or payment of compensation for loss due to suspension of operation and allowances for relocation and temporary settlement payment to Xinhongcheng under the Relocation and Compensation Agreements.

### *Information on the Resettlement Properties (Xinhongcheng)*

We note from the Valuation Report and/or the Circular that the Resettlement Properties (Xinhongcheng) constitute certain residential units which are being constructed within the Redevelopment Project with a total GFA of 42,798.14 sq.m., where (i) 41,989.99 sq.m. or approximately 98.1% of which represents Resettlement Properties No. 1; and (ii) 808.15 sq.m. or approximately 1.9% of which represents Resettlement Properties No. 2 (Xinhongcheng). We further note that the Resettlement Properties (Xinhongcheng) shall be constituted by a total of 403 commodity residential units within 6 out of 7 residential buildings of phase 1 of the Redevelopment Project. As at the Latest Practicable Date, the construction of properties on the Project Land (including the Resettlement Properties (Xinhongcheng)) was in progress. We understand from the Management that based on the latest development schedule, the construction of the Resettlement Properties (Xinhongcheng) is expected to be completed by the end of 2022.

### **3. Principal terms of the Supplemental Agreements**

The Supplemental Agreements stipulated (i) the revised terms of relocation compensation; and (ii) revised terms of Temporary Settlement Allowance (Properties No. 1), Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2).

#### *Revised terms of relocation compensation*

The provision of Resettlement Properties No. 1 and Resettlement Properties No. 2 (Xinhongcheng) will be replaced by the payment of monetary compensation in the amount of RMB2,011.29 million (“**Substitute Compensation No. 1**”) and RMB38.71 million (“**Substitute Compensation No. 2**”) (collectively, the “**Substitute Compensation**”) to Xinhongcheng by the Project Company respectively.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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***Revised terms of Temporary Settlement Allowance (Properties No. 1), Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2) and Relocation Allowance (Properties No. 2)***

- (i) The Temporary Settlement Allowance Period (Properties No. 1) and the Temporary Settlement Allowance Period (Properties No. 2) will end on the Filing Day (First Supplemental Agreement) and the Filing Day (Second Supplemental Agreement) (collectively, the “**Filing Days**”) respectively, instead of on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1 and Resettlement Properties No. 2 (Xinhongcheng) as originally provided. The monthly amount of the Temporary Settlement Allowance (Properties No. 1) and the Temporary Settlement Allowance (Properties No. 2) (collectively, the “**Temporary Settlement Allowances**”) will be calculated at the same rates as originally provided. It is currently expected that the Filing Days will fall on or around the end of January 2022 and thus, the aggregate amount of the Temporary Settlement Allowances is expected to be approximately RMB35.85 million.
- (ii) As there has been delay in payments of (a) the compensation for loss due to suspension of operation, allowance for relocation and the Temporary Settlement Allowance (Properties No. 1) under the First Relocation and Compensation Agreement; and (b) the Temporary Settlement Allowance (Properties No. 2), the Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2) under the Second Relocation and Compensation Agreement, the Project Company and Xinhongcheng have agreed that the Project Company should pay to Xinhongcheng interest on past and any future late payments calculated at LPR (Loan Prime Rate) applicable for the relevant period. Assuming that payment of the Temporary Settlement Allowance (Properties No. 1), the Temporary Settlement Allowance (Properties No. 2), the Operation Suspension Compensation (Properties No. 2) and the Relocation Allowance (Properties No. 2) will be made at the end of February 2022 (assuming that the Filing Days fall on the end of January 2022), it is estimated that the aggregate interest payable will amount to approximately RMB4.05 million.

For further details of the terms of the Supplemental Agreements, as well as the key differences of terms under the Relocation and Compensation Agreements and the Supplemental Agreements, please refer to the paragraph headed “The Supplemental Agreements” under the section headed “Supplemental Agreements to the Relocation and Compensation Agreements” in the “Letter from the Board” of the Circular. To assess the fairness and reasonableness of the terms of the Supplemental Agreements, we have considered the following factors.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Basis of determination of the Substitute Compensation*

We note that the Substitute Compensation No. 1 and Substitute Compensation No. 2 of RMB2,011.29 million and RMB38.71 million respectively are determined based on (i) the market value of Resettlement Properties (Xinhongcheng) amounted to RMB2,050 million as of 30 September 2021 according to the Valuation Report prepared by an independent valuer, Asset Appraisal Limited (the “**Valuer**”), details of which are set out in Appendix I to the Circular; and (ii) a pro rata basis based on total GFA of the Resettlement Properties (Xinhongcheng). In assessing the fairness and reasonableness of the Substitute Compensation, we have in particular considered the Valuation Report.

### *Valuation Report*

In assessing the competence and experience of the Valuer, we have reviewed the qualification and experience of the Valuer in relation to the preparation of the Valuation Report and noted that the principal signing off the Valuation Report has over ten years’ experience in valuation of Property in Hong Kong, Macau and the PRC, is a Registered Professional Surveyor in General Practice and is on the list of Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors. Having reviewed the scope of work detailed in the engagement letter of the Valuer, we are satisfied that the scope of work is sufficient and appropriate for the valuation of the Resettlement Properties (Xinhongcheng), which in turn, forms the basis for determining the monetary amount of Substitute Compensation. In addition, as elaborated below, we have conducted an interview with the Valuer and has confirmed that save for its engagement as the independent valuer to the Company in relation to the connected transaction on the exercise of land acquisition option (details of which are set out in the Company’s circular dated 30 November 2021), as well as the independent valuer for the Company’s audit purpose, the Valuer has no other current or prior relationships with the Company, other parties to the Transactions, and core connected persons of either the Company or another party to the Transactions.

We note from the Valuation Report that the Valuer has mainly assumed that:

- (i) The owner sells the Resettlement Properties (Xinhongcheng) on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the such property.

As advised by the Management, there is no such arrangement of benefit attributable to Xinhongcheng (as the owner of Resettlement Properties (Xinhongcheng)) under deferred terms contracts, leaseback, joint ventures, management agreements.

- (ii) The owner has free and uninterrupted rights to use the Resettlement Properties (Xinhongcheng) for the whole of the respective unexpired terms of the land use rights.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the PRC Legal Opinion, the Resettlement Properties (Xinhongcheng) are free from any judicial closure or freezing order up to the date of the PRC Legal Opinion.

As such, we are of the view that the major assumptions of the Valuation Report are fair and reasonable.

We have reviewed the Valuation Report and performed an independent interview with the Valuer to discuss the methodology which it has adopted. We understand from the Valuer that it has applied direct comparison approach to arrive at the market value of the Resettlement Properties (Xinhongcheng) with reference to price information of comparable off-plan properties situated nearby. As the Resettlement Properties (Xinhongcheng) was under construction as at the date of valuation, we understand the valuation has been made on the basis of off-plan property transactions (in which the willing seller shall procure the full completion at its own costs of the properties and deliver the same in full completion state to the willing buyer in due course) to come up with a monetary amount by which Xinhongcheng can purchase similar off-plan properties on the market as substitute properties of the Resettlement Properties (Xinhongcheng) on the date of valuation. In this regard, we note under the Relocation and Compensation Agreements that the Project Company is required to procure the full completion of the Resettlement Properties (Xinhongcheng) at its own costs and deliver the same in full completion state to Xinhongcheng. As such, we are of the view that the aforementioned valuation basis is fair and reasonable. We further understand from the Valuer that the direct comparison approach is commonly adopted when determining the market value of off-plan properties. We consider it is an appropriate method to derive the market value of Resettlement Properties (Xinhongcheng) such that Xinhongcheng can purchase similar off-plan properties on the market as substitute properties.

We have obtained from the Valuer details of price information of the comparable off-plan properties (the “**Comparables**”) that it has applied to evaluate the market value of the Resettlement Properties (Xinhongcheng). Details of Comparables collected and analysed by the Valuer are as follows:

Comparable off-plan property	Location	Commencement of pre-sale	Expected completion of construction	Delivery standard	Unit rate (per sq.m.) (approximate)
Comparable A	Shuguang Road, Guangming District, Shenzhen City	August 2020	Early 2023	Without fitment	RMB47,200
Comparable B	Huaxia Second Road, Guangming District, Shenzhen City	September 2021	October 2023	With fitment	RMB51,400

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable off-plan property	Location	Commencement of pre-sale	Expected completion of construction	Delivery standard	Unit rate (per sq.m.) (approximate)
Comparable C	Xinhu Jiedao, Guangming District, Shenzhen City	September 2021	December 2023	With fitment	RMB51,740
Comparable D	Bright Avenue, Guangming New District, Shenzhen City	March 2021	October 2022	Without fitment	RMB48,900
Comparable E	Guangqiao Road, Guangming District, Shenzhen City	July 2021	Early 2024	With fitment	RMB51,600
Resettlement Properties (Xinhongcheng)	Gongming Street, Guangming New District, Shenzhen City	N/A	End of 2022	Without fitment	RMB47,700 to RMB49,400

We have conducted research to independently verify the information of comparable off-plan properties provided by the Valuer, including but not limited to (i) the pre-sale price; (ii) the pre-sale commencement date; (iii) the estimated completion time of construction; (iv) the location; and (v) the delivery standard, and the details are consistent with the Valuer's representation. We noted that the selected comparable properties (i) are off-plan residential properties located near the Resettlement Properties (Xinhongcheng); and (ii) were available for pre-sale since 2020 or 2021 and the construction of which were scheduled for completion between 2022 and early 2024, which is similar to that of the Resettlement Properties (Xinhongcheng). We noted that the price information of comparable off-plan properties were adjusted where the Valuer considered appropriate based on factors such as difference in delivery standard (i.e. with or without fitment) between the Resettlement Properties (Xinhongcheng) and the Comparables and the range of unit rate applied by the Valuer in valuing the Resettlement Properties (Xinhongcheng) are within the range of that of the Comparables from approximately RMB47,200 per sq.m. to RMB51,740 per sq.m.. We are of the view that the number of comparable off-plan properties chosen for comparison is adequate and the nature and particulars of these off-plan properties are appropriate and relevant for providing a fair and reasonable basis for the Valuer's opinion.

In summary, having considered that:

- (i) the Valuer has sufficient qualification and experience to undertake the valuation of the Resettlement Properties (Xinhongcheng);
- (ii) the valuation methodology adopted by the Valuer is appropriate for determining the value of off-plan properties; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the major assumptions and underlying basis for valuation of the Resettlement Properties (Xinhongcheng) are fair and reasonable,

we are of the view that the Substitute Compensation, which is determined based on the valuation of the Resettlement Properties (Xinhongcheng), is fair and reasonable.

***Revised terms in relation to the calculation and/or payment of compensation for loss due to suspension of operation and allowances for relocation and temporary settlement***

Pursuant to the Supplemental Agreements, the Temporary Settlement Allowance Period (Properties No. 1) and the Temporary Settlement Allowance Period (Properties No. 2) will end on the Filing Days respectively instead of on the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1 and Resettlement Properties No. 2 (Xinhongcheng) as originally provided. We are of the view that as Xinhongcheng will no longer be provided with Resettlement Properties No. 1 and Resettlement Properties No. 2 (Xinhongcheng) under the revised compensation arrangement, it is no longer appropriate to adopt the date on which the Project Company notifies Xinhongcheng to complete the occupation formalities of Resettlement Properties No. 1 or Resettlement Properties No. 2 (Xinhongcheng) (as the case may be) as the end date of the Temporary Settlement Allowance Period (Properties No. 1) or the Temporary Settlement Allowance Period (Properties No. 2). The amendments provided in the Supplemental Agreements which seek to modify the end date of such periods to the Filing Days to reflect the change in the compensation arrangement are fair and reasonable.

Further, pursuant to the Supplemental Agreements, the overdue amount payable to Xinhongcheng by the Project Company under the Relocation and Compensation Agreements shall carry an interest calculated at LPR (Loan Prime Rate) applicable for the relevant period. For illustrative purpose, the one-year LPR as at the Latest Practicable Date was 3.85%. Considering the LPR is the official benchmark lending rate published by the People's Bank of China, we are of the view that the basis of determining the aforesaid interest for late payments to Xinhongcheng from the Project Company is fair and reasonable.

#### **4. Reasons for and benefits of the Transactions**

As mentioned in the paragraph headed “1. Background information of the Group and the Project Company” above, the Group is principally engaged in property development, property investment and property management business with a strategic focus in property development projects in the Greater Bay Area, and the Project Company is principally engaged in property development and related matters under the Redevelopment Project. We noted that the Supplemental Agreements are in essence to replace the delivery of Resettlement Properties (Xinhongcheng) to Xinhongcheng with the payment of Substitute Compensation, with which the Project Company will be able to enjoy a greater flexibility in overall sales arrangement of the Redevelopment Project. In addition, such change in compensation would also provide net tax savings to the Project Company. For illustrative purpose only, according to the following calculation as detailed in the section headed “Reasons for and benefits of the Transactions” in the “Letter from the Board” of the Circular, such net tax savings is estimated to be approximately RMB16 million based on the current tax laws and regulations.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Management, for value added tax purpose, the provision of relocation compensation in the form of Resettlement Properties will be deemed as income from sale of properties but no deduction of the costs in relation to the Resettlement Properties will be allowed. However, treatment for value added tax purpose will be different if the relocation compensation takes the form of cash. The amount of Substitute Compensation is allowed to be deducted from the amount of income from sale of properties, so the proposed change in compensation to Xinhongcheng will provide savings in value added tax and the corresponding additional tax to the Project Company (the amount of such tax savings is estimated to be approximately RMB30 million based on the current tax laws and regulations). Such tax savings will in turn impact on other forms of tax payable by the Project Company. As savings in value added tax and additional tax will result in an increase in the amount of value added and the amount of profits before taxation, it will in turn result in an increase in the amount of land appreciation tax and enterprise income tax payable by the Project Company (such additional amount of tax is estimated to be approximately RMB14 million based on the current tax laws and regulations). The net amount of tax savings to the Project Company is therefore estimated to be approximately RMB16 million based on the current tax laws and regulations.

On the other hand, we note the discussion of disadvantages of the Supplemental Agreements for the Group in the section headed “Reasons for and benefits of the Transactions” in the “Letter from the Board” of the Circular, including the risk associated with the sale of Resettlement Properties and a reduction in cash flow of the Project Company. We consider that (i) such risk associated with the sale of properties, which forms part of the Redevelopment Project, exists since the Project Company acted as the principal of the Redevelopment Project; (ii) such risk could be mitigated to an extent that the Project Company gains full control with greater flexibility in the overall sales arrangement for the Redevelopment Project; (iii) such risk is in the ordinary and usual course of business of the Group; and (iv) the Group has indeed possessed years of experience and expertise in the property development industry in the PRC, in particular, in Shenzhen. Further, although the Supplemental Agreements will result in a reduction of cash flow, as further discussed in the paragraph headed “5. Possible financial effects of the Transactions” below, we are of the view that the Transactions will not have material adverse impact on the working capital position of the Group.

Overall, taking into account (i) the Resettlement Properties (Xinhongcheng) are part of the Redevelopment Project in Shenzhen; (ii) the Group’s strategic focus on the Greater Bay Area including Shenzhen; (iii) the discussion on net tax savings above; and (iv) despite the business risk, which can be mitigated by having greater flexibility in the overall sales and marketing arrangement of the Redevelopment Project, we concur with the Directors’ view that the entering into of the Supplemental Agreements is in line with the development strategy of the Group and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Possible financial effects of the Transactions

The Substitute Compensation and Other Payments (as defined below) payable to Xinhongcheng under the Supplemental Agreements will be funded by internal resources of the Group.

Given that the Project Company is a non-wholly owned subsidiary of the Company, its financial statements are being consolidated into that of the Company. Upon signing of the Supplemental Agreements and filing of the same to Relevant Departments and completing related administrative procedures, the Project Company shall be entitled to the property interests of the Resettlement Properties (Xinhongcheng), which will be recorded as the Project Company's properties under development initially at the Substitute Compensation. As the Substitute Compensation will be settled by internal resources of the Group, the replacement of Resettlement Properties (Xinhongcheng) with monetary compensation will not have material impact on the Group's net asset value. Further, as illustrated in the paragraph headed "4. Reasons for and benefits of the Transactions" above, the change in compensation under the Supplemental Agreements may provide net tax savings to the Project Company, which in turn may give rise to a positive financial impact to the Company.

The cash and cash equivalents of the Group will decrease by RMB2,050 million following the full settlement of the Substitute Compensation, which accounted for approximately 13.0% of the cash and cash equivalents of approximately HK\$19,025 million (equivalent to approximately RMB15,800 million) of the Group as at 30 June 2021. The estimated total amount of Temporary Settlement Allowance (Properties No. 1), Temporary Settlement Allowance (Properties No. 2), Operation Suspension Compensation (Properties No. 2), Relocation Allowance (Properties No. 2) and interest on the late payments thereon (the "**Other Payments**") payable to Xinhongcheng under the Supplemental Agreements is approximately RMB40.1 million, assuming the payments are made at the end of February 2022, which accounted for approximately 0.3% of the cash and cash equivalents of the Group as at 30 June 2021. We further note that as disclosed in the Company's circular dated 30 November 2021 in relation to the exercise of land acquisition option, subject to independent shareholders' approval, the Company is required to settle the respective consideration amounted to RMB3,970 million by its internal resources, which accounted for approximately 25% of the cash and cash equivalents of the Group as at 30 June 2021. We understand from the Management that save for the above, the Group has no other immediate plan to use its available funds. Overall, having taken into account the above, we are of the view that the Transactions will not have material adverse impact on the working capital position of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Supplemental Agreements are fair and reasonable; and (ii) the Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Transactions at the EGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Executive Director*

**Simon Kwok**  
*Senior Manager*

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions.*

*Mr. Simon Kwok (“**Mr. Kwok**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in financial services industry, including over five years of corporate finance advisory experience in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Kwok is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*



*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 September 2021 of the Resettlement Properties (Xinhongcheng).*



**Asset Appraisal Limited**  
**中誠達資產評估顧問有限公司**

Rm 901 9/F On Hong Commercial Building  
No.145 Hennessy Road Wanchai HK  
香港灣仔軒尼詩道145號安康商業大廈9樓901室  
Tel: (852) 2529 9448 Fax: (852) 3521 9591

6 December 2021

**The Board of Directors**

**Shenzhen Investment Limited**

8th Floor, New East Ocean Centre  
No.9 Science Museum Road  
Tsimshatsui, Kowloon  
Hong Kong

Dear Sirs,

**Re: Valuation of the resettlement properties (the “Resettlement Properties (Xinhongcheng)”) being constructed within the urban renewal project situated at Xinhongcheng District City, Gongming Street, Guangming New District, Shenzhen City, Guangdong Province, the People’s Republic of China (the “Redevelopment Project”) and originally agreed to be provided to Shenzhen Shumyip Xinhongcheng Investment Co., Ltd. (“Xinhongcheng”) pursuant to two relocation and compensation agreements both dated 27 March 2018 entered into between (among others) the Project Company (as defined below) and Xinhongcheng**

**INSTRUCTIONS**

In accordance with the instructions from **Shenzhen Investment Limited** (the “**Company**”) to value the Resettlement Properties (Xinhongcheng) which are being constructed within the Redevelopment Project being undertaken by Shenzhen Shumyip Minghong Real Estate Development Co., Ltd. (深圳市深業明宏地產開發有限公司, the “**Project Company**”), we confirm that we have inspected the Redevelopment Project, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Resettlement Properties (Xinhongcheng) as at **30 September 2021** (the “**date of valuation**”).



**BASIS OF VALUATION**

Our valuation of the Resettlement Properties (Xinhongcheng) represents their market value, which in accordance with The HKIS Valuation Standards 2020 Edition published by the Hong Kong Institute of Surveyors, is defined as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently, and without compulsion”.

The Resettlement Properties (Xinhongcheng) was under construction as at the date of valuation and are scheduled for completion by end of 2022. Our valuation has been made on the basis of off-plan property transaction (in which the willing seller shall procure the full completion at its own costs of the Resettlement Properties (Xinhongcheng) and deliver the same in full completion state to the willing buyer in due course) to come up with a monetary amount by which Xinhongcheng can purchase similar off-plan properties on the market as substitute properties of the Resettlement Properties (Xinhongcheng) on the date of valuation.

**TITLESHIP**

We have been provided with copies of legal documents regarding the Redevelopment Project and the Resettlement Properties (Xinhongcheng). However, we have not verified ownership of the Resettlement Properties (Xinhongcheng) and the existence of any encumbrances that would affect their ownership.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Deheng Law Offices (the “**PRC Legal Opinion**”), to the Company on the relevant laws and regulations in the PRC, on the nature of the owner’s land use rights in the Redevelopment Project and the validity on the contractual arrangements in relation to the Resettlement Properties (Xinhongcheng). Its material content has been summarized in the valuation certificate attached herewith.

**VALUATION METHODOLOGY**

We have valued the Resettlement Properties (Xinhongcheng), which is currently under construction, on off-plan property basis assuming that it shall be developed and completed by the Project Company in accordance with the latest approved development scheme of the Redevelopment Project within the timeframe as scheduled by the Project Company. In arriving at our opinion of value, we have adopted the Direct Comparison Approach to assess the market value of the Resettlement Properties (Xinhongcheng) with reference to comparable price information of similar off plan properties situated nearby.

**ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the Resettlement Properties (Xinhongcheng) on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the such property.

As the Resettlement Properties (Xinhongcheng) is held by the owner by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the Resettlement Properties (Xinhongcheng) for the whole of the respective unexpired terms of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

**LIMITING CONDITIONS**

No allowance has been made in our report for any charges, mortgages or amounts owing on the Resettlement Properties (Xinhongcheng) nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Resettlement Properties (Xinhongcheng) is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and the Project Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, development scheme, construction work schedule and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor area in respect of the Resettlement Properties (Xinhongcheng) but have assumed that the floor areas shown on the development scheme handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Redevelopment Project was last inspected on 19 October 2021 by Zhou Tong, who is a registered PRC Real Estate Appraiser. However, we have not carried out site investigations to determine the suitability of ground conditions or the services for any property development of the Redevelopment Project. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during construction period. No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated. During the site inspection, we have ascertained the following matters of the Resettlement Properties (Xinhongcheng):

- The general environment and development conditions of the area in which the Redevelopment Project is situated;

- the designed use(s) of the Resettlement Properties (Xinhongcheng);
- the occupancy of the Redevelopment Project;
- the facilities (if any) provided by the Redevelopment Project;
- the existence of any non-conformity use within the Redevelopment Project;
- the physical state of the Redevelopment Project; and
- the existing of any construction work permits, closure order and resumption order affixed to the Redevelopment Project.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from abnormal earth movement or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Resettlement Properties (Xinhongcheng), we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

All monetary sums stated in this report are in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,  
for and on behalf of  
**Asset Appraisal Limited**

**Tse Wai Leung**  
*MFin MRICS MHKIS RPS(GP)*  
*Director*

*Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of Property in Hong Kong, in Macau and in the PRC.*

## VALUATION CERTIFICATE

## Property interests to be acquired and held for sale

Property	Description and tenure	Particulars of occupancy	Market Value as Off-Plan Property as at 30 September 2021 RMB
The Resettlement Properties (Xinhongcheng) within the Redevelopment Project situated at Xinhongcheng District City Gongming Street Guangming New District Shenzhen City Guangdong Province the PRC (深圳市光明新區公明街道信宏城片區城市更新項目)	<p>The Redevelopment Project named as “Shun Yip Yunzhu (深業雲築)” is sited on two parcels of land with the Phase 1 land (namely Lot No. A626-0180) situated at the south-western corner of the intersection formed by the planned Yue An Road (悅安路) and the planned Fang Yuan Road (芳園路) and the Phase 2 land (namely Lot No. A626-0181) situated at the north-east corner of the same intersection. The respective registered areas of the Phase 1 and Phase 2 land are 30,181.03 square metres and 18,499.95 square metres.</p> <p>The Redevelopment Project is falling within an industrial zone which is located approximately 40 kilometres at the north-west of the downtown of Shenzhen City or approximately 20 kilometres at the north of the Shenzhen Baoan International Airport.</p> <p>Immediate locality of the Redevelopment Project is generally industrial in nature and is gradually, through various relocation and redevelopment of industrial developments, transformed into a residential area.</p> <p>According to the proposed development scheme of the Project Company, Phase 1 of the Redevelopment Project shall be developed into 7 blocks of 30 to 33-storey residential towers (with shop, amenity and community facilities on ground floor level) and a 3-storey free standing kindergarten complex. In addition, 3 basement levels for carparking purpose (with a portion of the basement level 1 designated for community facilities) shall be provided underneath the development.</p>	The Resettlement Properties (Xinhongcheng) are currently under construction.	2,050,000,000 (see note 6 below)

Property	Description and tenure	Particulars of occupancy	Market Value as Off-Plan Property as at 30 September 2021 RMB
	<p>The total construction area or gross floor area ("GFA") of Phase 1 of the Redevelopment Project is 195,555.52 square metres of which 117,000 square metres for residential use, 8,000 square metres for commercial use, 3,200 square metres for kindergarten use and the remainder for amenity, community and carparking uses. Ground breaking of this phase was taken placed in July this year and construction of structural frames of the super-structures of this phase is currently underway and the development is scheduled for full completion by end of 2022.</p> <p>Phase 2 of the Redevelopment Project shall be developed into 5 blocks of 32 to 33-storey residential towers (with shop, amenity and community facilities on ground floor level). In addition, 3 basement levels for carparking purpose shall be provided underneath the development.</p> <p>The total GFA of Phase 2 of the Redevelopment Project is 131,586.07 square metres of which 82,319.75 square metres for residential use, 4,000 square metres for commercial use and the remainder for amenity, community and carparking uses. Ground breaking of this phase was taken placed in July this year and construction of sub-structure of this phase is currently underway and the development is scheduled for full completion by end of 2022.</p> <p>The Resettlement Properties (Xinhongcheng) constitute certain residential units which are being constructed within the Redevelopment Project with a total contracted GFA of 42,798.14 square metres (see note 5 below).</p> <p>The land use right term of both the Phase 1 land (namely Lot No. A626-0180) and the Phase 2 land (namely Lot No. A626-0181) of the Redevelopment Project is 70 years commencing on 17 November 2020 and expiring on 16 November 2090 for residential (Type II) uses.</p>		

*Notes:*

1. The Redevelopment Project has been enlisted in Second Batch Proposals of Urban Renewal Projects in Shenzhen of 2015 (2015年深圳市城市更新單元計劃第二批計劃) approved by the Town Planning and Land Resources Administrative Committee (深圳市規劃和國土資源委員會). The Project Company has been authorized as the principal of the Redevelopment Project and has been granted the rights to vacate the land through resettlement and compensation arrangement with interested parties and to redevelop within the boundary as delineated by the Government authority. Two Real Property Certificates were subsequently issued in the name of the Project Company for the land parcels of the Redevelopment Project.

2. As revealed from the Real Property Certificate (Ref. Yue (2021) Shen Zhen Shi Bu Dong Chan Quan No. 0140263) registered on 9 August 2021, the land use rights of the Phase 1 land (namely Lot No. A626-0180) of the Redevelopment Project with an area of 30,181.03 square metres are held by Shenzhen Shumyip Minghong Real Estate Development Co., Ltd. (深圳市深業明宏地產開發有限公司, a 65%-owned subsidiary of the Company) for a term of 70 years commencing on 17 November 2020 and expiring on 16 November 2090 for residential (Type II) uses. As remarked in the said Real Property Certificate, the land parcel is subject to the following material land use conditions:

Land use : Residential (type II) uses

Land Nature : Commodity Property

GFA : 130,650 square metres of which 117,000 square metres is attributable to residential use (inclusive of 19,340 square metre for subsidized housing and 234 square metres for property management offices), 8,000 square metres attributable to commercial use (inclusive 100 square metres for property management offices), 3,200 square metres attributable to kindergarten use, 1,000 square metres attributable to social healthcare centre use, 1,000 square metres is attributable to the use as cultural activity rooms, 450 square metres is attributable to elderly daycare centre and 1,200 square metres is attributable to the use as social athletic venue

3. As revealed from the Real Property Certificate (Ref. Yue (2021) Shen Zhen Shi Bu Dong Chan Quan No. 0152097) registered on 30 August 2021, the land use rights of the Phase 2 land (namely Lot No. A626-0181) of the Redevelopment Project with an area of 18,499.95 square metres are held by Shenzhen Shumyip Minghong Real Estate Development Co., Ltd. (深圳市深業明宏地產開發有限公司, a 65%-owned subsidiary of the Company) for a term of 70 years commencing on 17 November 2020 and expiring on 16 November 2090 for residential (Type II) uses. As remarked in the said Real Property Certificate, the land parcel is subject to the following material land use conditions:

Land use : Residential (type II) uses

Land Nature : Commodity Property

GFA : 89,590 square metres of which 82,734 square metres is attributable to residential use (inclusive of 165 square metres for property management offices), 4,000 square metres attributable to commercial use (inclusive 100 square metres for property management offices), 300 square metres attributable to social administrative offices, 400 square metres attributable to residents' service station, 50 square metres attributable to police station, 2,500 square metres attributable to public transport terminal and 800 square metres is attributable to the use as social athletic venue

4. Amongst various interested parties of the land parcels of the Redevelopment Project, Xinhongcheng has been the owner of an industrial compound comprising a total of 12 buildings and structures with a total land area and GFA of 63,466.78 square metres and 74,693.90 square metres respectively.

5. On 27 March 2018, Xinhongcheng entered in the Relocation and Compensation Agreement (房屋搬遷補償安置協議) with the Project Company. On the same date, Xinhongcheng together with Hengxing Industrial (Shenzhen) Co., Ltd. (liquidation team) (恒興實業(深圳)有限公司清算組, a wholly-owned subsidiary of Shun Yip Holdings Company Limited which is the controlling shareholder of the Company) entered into another Relocation and Compensation Agreement with the Project Company (the two Relocation and Compensation Agreements are collectively referred to as the "Relocation and Compensation Agreements"). By virtue of the Relocation and Compensation Agreements, Xinhongcheng has forgone its property interests in the aforesaid industrial compound in return for the property interests in the Resettlement Properties (Xinhongcheng) with the contracted total gross floor area of 42,798.14 square metres plus cash compensation for disturbances (including but not limited to suspension of operations, relocation and temporary settlement costs). According to the Resettlement Property Confirmation Agreement (回遷房安置確認協議書) entered into between the Project Company and Xinhongcheng on 29 January 2021, it has been agreed by both parties that the Resettlement Properties (Xinhongcheng) shall be constituted by a total of 403 commodity residential units within 6 out of the 7 residential buildings of Phase 1 of the Redevelopment Project.
6. As provided in the Relocation and Compensation Agreements, the Project Company shall procure the full completion at its own costs of the Resettlement Properties (Xinhongcheng) and handover the same to Xinhongcheng within a period of 36 months counting from the date when the Project Company is issued by the Housing Construction Administrative Bureau with the Construction Work Undertaking Permit for the Redevelopment Project. The first Construction Work Undertaking Permit of the Redevelopment Project was issued on 29 September 2020.
7. As revealed from two sets of Confirmation on Property Handover (房屋移交確認書) executed by the same parties mentioned in note 5 above, the aforesaid industrial compound has been vacated and was handed over from Xinhongcheng to the Project Company on 1 February 2018.
8. In accordance with the information provided by the Company, the status of title and grant of major approvals and licences are as follows:
- |                                       |   |
|---------------------------------------|---|
| Land Use Right Grant Contract         | Yes (Phase 1 & Phase 2)                         |
| Real Property Certificate             | Yes (Phase 1 & Phase 2)                         |
| Construction Land Use Planning Permit | Yes (Phase 1 & Phase 2)                         |
| Construction Work Planning Permit     | Yes (Phase 1)                                   |
| Construction Work Undertaking Permit  | Yes (Sub-structural works of Phase 1 & Phase 2) |
9. The PRC Legal Opinion is summarized as follows:
- 9.1 As per the public information revealed from the Government official website, the Redevelopment Project is on the list of the Second Batch Proposals of Urban Renewal Projects in Shenzhen of 2015 (2015年深圳市城市更新單元計劃第二批計劃).
- 9.2 According to the written reply from the Town Planning and Land Resources Administrative Committee over the status of planning approval process for the Redevelopment Project, the Redevelopment Project has gained approval from the Town Planning and Land Resources Administrative Committee on 28 March 2016.
- 9.3 As revealed from the written confirmation issued by the Guangming District Urban Renewal Bureau (光明區城市更新局) on 24 December 2018, the Project Company has been nominated as the implementation principal of the Redevelopment Project.
- 9.4 Project Implementation Supervision Agreement for Phase 1 and Phase 2 of the Redevelopment Project was executed among the Shenzhen Guangming Housing and Construction Bureau (Urban Renewal Bureau), the Project Company and China Construction Bank Corporation Shenzhen Branch in December 2018.
- 9.5 Land grant approval for the Redevelopment Project was acquired on 15 July 2020.
- 9.6 Construction Land Use Planning Permit (Ref: Di Zi Nos. 440311202000002 and 440311202000005) were issued on 21 July 2020 to Phase 1 and Phase 2 of the Redevelopment Project.



- 9.7 Construction Work Undertaking Permit (Ref: Project Nos. 2018-440309-70-03-71974201 and 2018-440309-70-03-71974202) were issued for the foundation pit supporting work and earth work of Phase 1 and Phase 2 of the Redevelopment Project on 29 September 2020 and 17 November 2020 respectively.
- 9.8 Construction Work Undertaking Permit (Ref: Project No. 2018-40909-7003-71974203) was issued for the foundation work for Phase 1 of the Redevelopment Project on 7 June 2021.
- 9.9 Land Use Right Grant Contracts were entered into between the Shenzhen Guangming District Urban Renewal and Land Formation Bureau (深圳市光明區城市更新和土地整備局, as the grantor) and the Project Company (as the grantee) for Phase 1 and Phase 2 of the Redevelopment Project on 17 November 2020.
- 9.10 Construction Work Planning Permit (Ref Shen Gui Hua Zi Yuan Jian Xu Zi No. MG-2021-0004) was issued by the Shenzhen Town Planning and Natural Resources Administrative Bureau to Phase 1 of the Redevelopment Project on 31 May 2021.
- 9.11 Two sets of Real Property Certificate (Ref. Yue (2021) Shen Zhen Shi Bu Dong Chan Quan Nos. 0140263 and 0152097) were issued to Phase 1 and Phase 2 of the Redevelopment Project on 9 August 2021 and 30 August 2021 respectively.
- 9.12 Saved for the Construction Work Planning Permit yet to be issued for Phase 2, the Redevelopment Project has gone through and completed the necessary procedures in relation to Government project approval, planning approval for urban renewal project, project implementation principal nomination, project implementation supervision agreement execution, land use right granting agreement execution, Government land grant approval, issuance of the Construction Land Use Planning Permits, issuance of the Real Estate Right Certificates, issuance of the Construction Work Planning Permit (for Phase 1) and issuance of Construction Work Undertaking Permit for the foundation pit supporting work and earth work.
- 9.13 It is opined that the legal status of the property interests of the demolished buildings within the site boundary of the Redevelopment Project have been checked and admitted by the Government authority in the manner that is compliant with the relevant requirements under the Shenzhen Urban Renewal policies.
- 9.14 The Project Company has legally secured the land use rights of the land parcels of the Redevelopment Project and has the rights to undertake the Redevelopment Project. Upon completing the relevant application processes, the Project Company shall have no legal impediment in obtaining the Construction Work Planning Permit for Phase 2 of the Redevelopment Project.
- 9.15 The Relocation and Compensation Agreement entered into between the Project Company and Xinhongcheng and the Relocation and Compensation Agreement entered into among the Project Company, Xinhongcheng and Hengxing Industrial (Shenzhen) Co., Ltd. (liquidation team) on 27 March 2018 have been filed to and accepted by the relevant Government authorities and are legal, valid and enforceable in law. Hence, Xinhongcheng's property interests in the Resettlement Properties (Xinhongcheng) as mentioned in the aforesaid Relocation and Compensation Agreements are legal and protected by law.
- 9.16 Up to the date of the PRC Legal Opinion, the Resettlement Properties (Xinhongcheng) are free from any judicial closure or freezing order.
- 9.17 As mentioned in the Real Property Certificates of the land parcels of the Redevelopment Projects, their land use rights are in the nature of commodity property. Upon signing the supplemental agreement to the Relocation and Compensation Agreements to be entered into between the Project Company and Xinhongcheng for replacing the Resettlement Properties (Xinhongcheng) with monetary compensation (the "Supplemental Relocation and Compensation Agreement"), completing the filing of the Supplemental Relocation and Compensation Agreement with acknowledgement from the Government authority, posting the Supplemental Relocation and Compensation Agreement by the Government authority for public display and performing all contractual obligations contained in the Supplemental Relocation and Compensation Agreement by both parties, Xinhongcheng shall cease to have any interest in the Resettlement Properties (Xinhongcheng) and the Project Company shall be exclusively entitled to the property interests of the Resettlement Properties (Xinhongcheng) and shall have the rights to possess, use, transfer, lease, mortgage or otherwise dispose of the Resettlement Properties (Xinhongcheng).

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****(A) Interests and short positions of Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or (ii) entered in the register required to be kept under Section 352 of the SFO or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) adopted by the Company were as follows:

***Long positions in the Shares and underlying Shares of the Company:***

Name of Director	Capacity	Number of Shares	Underlying Shares pursuant to share options	Aggregate interests	Percentage of issued Shares <sup>1</sup>
LU Hua	Beneficial owner	1,154,562	9,305,948	10,460,510	0.12%
HUANG Wei	Beneficial owner	–	8,840,169	8,840,169	0.10%
DONG Fang	Beneficial owner	–	6,236,143	6,236,143	0.07%
LI Wai Keung	Beneficial owner	1,180,880	–	1,180,880	0.01%

*Note:*

1. The percentage was calculated based on 8,899,893,115 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, none of the Directors and chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives of the Company were taken or deemed to have pursuant to Divisions 7 and 8 of Part XV of the SFO), or which were entered in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(B) Interests and short position of the Shareholders in the Shares and underlying Shares**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the interests and short positions of the Shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, and, where any Director is a director or employee of such Shareholders, the names and the positions held by them in such Shareholders, were as follows:

Name of Shareholder	Capacity of Shareholder	Number of Shares held by Shareholder	Percentage of Shares in Issue <sup>1</sup>	Name of Director	Capacity of the Director in the Shareholder
Shum Yip Group	Interest in controlled corporation	5,622,994,189(L) <sup>2</sup>	63.18%	LU Hua	Chairman and director
				HUANG Wei	President and director
				CAI Xun	Director
				SHI Xiaomei	Director and Chief Financial Officer
Shum Yip Holdings	Beneficial owner	5,546,307,730(L)	62.32%	LU Hua	Director
				HUANG Wei	Director
				CAI Xun	Director
				SHI Xiaomei	Director
	Interest in controlled corporation	76,686,459(L) <sup>3</sup>	0.86%		
ALPHA-OMEGA CORPORATION	Beneficial owner	981,486,312(L)	11.03%	–	–

*Notes:*

1. The percentage was calculated based on 8,899,893,115 Shares in issue as at the Latest Practicable Date.
2. Shum Yip Group is deemed to be interested in the 5,622,994,189 Shares which Shum Yip Holdings is interested in by virtue of Shum Yip Holdings being its direct wholly-owned subsidiary.
3. These 76,686,459 Shares were held by Goldclass Industrial Limited, a wholly-owned subsidiary of Successful Years Holdings Limited, which in turn is wholly-owned by Shum Yip Finance Company Limited. Shum Yip Finance Company Limited is a wholly-owned subsidiary of Shum Yip Holdings and accordingly, Shum Yip Holdings is deemed to be interested in these 76,686,459 Shares.
4. The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any person (other than Directors and chief executives of the Company) who had interests or short positions in the Shares and underlying Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were entered in the register required to be kept under Section 336 of the SFO.

### 3. DIRECTORS’ INTERESTS

As at the Latest Practicable Date,

- (a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

### 4. MATERIAL ADVERSE CHANGE

According to the requirements under the Hong Kong Financial Reporting Standards, the equity interests held by the Group in Hengda Real Estate Group Company Limited (“**Hengda Real Estate**”) is accounted for as financial assets through profit or loss in the Company’s financial statements at fair value, with changes in fair value recognized in profit or loss for the relevant periods. As disclosed in the Company’s interim report for the period ended 30 June 2021, the fair value of the Group’s 2.6439% equity interest in Hengda Real Estate as at 30 June 2021 was HK\$5,979.0 million, representing 4% of the then total assets of the Group. The Group noted that the prospect of Hengda Real Estate and thereby the fair value has been adversely affected by the negative news concerning itself and its controlling shareholder, China Evergrande Group. Should there be a significant decrease in the fair value of the Group’s 2.6439% equity interest in Hengda Real Estate as at 31 December 2021, a considerable amount of losses on fair value change in the Group’s said equity interest in Hengda Real Estate would be recorded in the Company’s financial statements for the year ending 31 December 2021 and

thereby adversely affect the profit and loss of the Group for the year ending 31 December 2021. At present, it is uncertain as to the magnitude of the fair value loss in the Group's said equity interest in Hengda Real Estate as at 31 December 2021. Since unrealised fair value change is a non-cash item, it will not affect the cash flow of the Group.

Save as mentioned above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## **5. COMPETING INTERESTS**

As at the Latest Practicable Date, Dr. LU Hua is the chairman and a director, Mr. HUANG Wei, is the president and director, Ms. CAI Xun is a director and Ms. SHI Xiaomei is a director and the chief financial officer of Shum Yip Group. Each of Dr. LU Hua, Mr. HUANG Wei, Ms. CAI Xun and Ms. SHI Xiaomei is also a director of Shum Yip Holdings. Shum Yip Group and Shum Yip Holdings, through their subsidiaries and associates, have interests in property investment and development businesses in PRC.

In addition, Mr. DONG Fang and Ms. CAI Xun are also non-executive directors of Road King Infrastructure Limited (1098.HK), an associated company of the Company, whose shares are listed on the Stock Exchange and engages in property investment and development businesses.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his close associates were appointed to represent the interests of the Company and/or the Group.

## **6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not expiring or may not be terminated by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

**7. EXPERTS AND CONSENTS**

The following are the qualifications of the experts whose advice and/or report are contained in this circular:

<b>Name</b>	<b>Qualification</b>
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 under the SFO
Asset Appraisal Limited	Qualified property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its statement as set out in this circular and references to name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, none of the above experts had any shareholding directly or indirectly in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did any of them have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up.

**8. DOCUMENT AVAILABLE FOR INSPECTION**

Copies of the Relocation and Compensation Agreements and the Supplemental Agreements are available for inspection on the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.shenzheninvestment.com](http://www.shenzheninvestment.com)) for a period of 14 days from the date of this circular.

**9. MISCELLANEOUS**

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

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## SUPPLEMENTAL NOTICE OF EGM

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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)**

### SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Reference is made to the notice of the extraordinary general meeting (the “**Meeting**”) dated 30 November 2021 (the “**First Notice**”) of Shenzhen Investment Limited (the “**Company**”), by which the Company convenes the Meeting to be held at Academy Rooms, 1st Floor, InterContinental Grand Stanford Hong Kong, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 10:30 a.m. on Thursday, 30 December 2021. This supplemental notice shall be read together with the First Notice.

**SUPPLEMENTAL NOTICE IS HEREBY GIVEN** that the Meeting will be held as originally scheduled, for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company in addition to the resolutions as set out in the First Notice:

#### ORDINARY RESOLUTION

3. “**THAT:**

- (a) the two supplemental agreements both dated 29 October 2021 entered into between Shenzhen Shumyip Minghong Real Estate Development Co., Ltd.\* (深圳市深業明宏地產開發有限公司) (the “**Project Company**”) and Shenzhen Shumyip Xinhongcheng Investment Co., Ltd.\* (深圳市深業信宏城投資有限公司) (“**Xinhongcheng**”) (the “**Supplemental Agreements**”, copies of which have been produced before the Meeting marked “B” and “C” respectively, and initialled by the chairman of the Meeting for the purpose of identification), in respect of the variation of terms of compensation to Xinhongcheng under the relocation and compensation agreement dated 27 March 2018 entered into between the Project Company and Xinhongcheng and the relocation and compensation agreement dated 27 March 2018 entered amongst the Project Company, Xinhongcheng and Hengxing Industrial (Shenzhen) Co., Ltd. (liquidation team)\* (恒興實業(深圳)有限公司清算組), and all transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, execute, perfect, perform and deliver all such other agreements, instruments, deeds and documents and do all such acts or things and take all such steps as they may in their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement or give effect to or otherwise in connection with or incidental to the Supplemental Agreements and all the transactions contemplated thereunder and to agree to such variations, amendments or waivers as are, in the opinion of the directors of the Company, in the interests of the Company.”

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



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## SUPPLEMENTAL NOTICE OF EGM

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Hong Kong, 6 December 2021

*Registered office:*

8th Floor, New East Ocean Centre  
9 Science Museum Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

\* *For identification purpose only*

*Notes:*

1. Save as otherwise indicated, the terms herein shall have the same meaning as those defined in the circular of the Company dated on 6 December 2021 (the “**Circular**”).
2. As a result of the additional resolution proposed subsequent to the despatch of the First Notice, the First Notice and the Original Proxy Form sent together with the First Circular did not contain the additional resolution set out in this Supplemental Notice. In this connection, the Revised Proxy Form for the Meeting including ordinary resolutions numbered 1 and 2 as well as the additional ordinary resolution numbered 3 is enclosed with this Supplemental Notice.
3. The additional resolution set out in this Supplemental Notice will be decided by way of poll.
4. Whether or not you intend to attend the Meeting, you are requested to complete and return the Revised Proxy Form in accordance with the instructions printed thereon to the office of the Company’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the Original Proxy Form and/or the Revised Proxy Form will not preclude you from attending and voting at the Meeting or any adjourned meeting should you so wish.
5. A Shareholder who has not yet lodged the Original Proxy Form with the Company’s share registrar is required to lodge the Revised Proxy Form if he/she wishes to appoint proxies to attend and vote at the Meeting on his/her behalf. In this case, the Original Proxy Form **should not** be lodged with the Company’s share registrar.
6. A Shareholder who has already lodged the Original Proxy Form with the Company’s share registrar should note that:
  - (a) If no Revised Proxy Form is lodged with the Company’s share registrar, the Original Proxy Form, if correctly completed, will be treated as a valid proxy form lodged by him/her. The proxy appointed by the Shareholder under the Original Proxy Form will also be entitled to cast the vote at his/her discretion or to abstain from voting on any resolution properly put to the Meeting other than those referred to in the First Notice, including ordinary resolution numbered 3 set out in the Supplemental Notice.
  - (b) If the Revised Proxy Form is lodged with the Company’s share registrar not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting, the Revised Proxy Form, if correctly completed, will revoke and supersede the Original Proxy Form previously lodged by him/her. The Revised Proxy Form will be treated as a valid proxy form lodged by the Shareholder.
  - (c) If the Revised Proxy Form is lodged with the Company’s share registrar less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting, or if lodged not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting but is incorrectly completed, the proxy appointment under the Revised Proxy Form will be invalid. The proxy appointed by the Shareholder under the Original Proxy Form, if correctly completed, will be entitled to vote in the manner as mentioned in (a) above as if no Revised Proxy Form was lodged with the Company’s share registrar. Accordingly, Shareholders are advised to complete the Revised Proxy Form carefully and lodge the Revised Proxy Form with the Company’s share registrar by not less than 48 hours before the time appointed for the holding of the Meeting or any adjourned meeting.
7. Save for the above amendments, there are no other changes to the resolutions set out in the First Notice. Please refer to the First Notice and the First Circular for details of the other resolutions to be considered at the Meeting, closure of register of members of the Company, eligibility for attending the Meeting, appointment of proxy and other relevant matters.