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首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

CONNECTED TRANSACTION

CAPITAL INCREASE IN SHOZHONG PARKING

THE CAPITAL INCREASE AGREEMENT AND THE JOINT VENTURE AGREEMENT

On 30 December 2018, Shouxing Zhixing (an indirect wholly-owned subsidiary of the Company), Shouzhong Investment (an indirect wholly-owned subsidiary of the Company), Shouzhong Parking, Shougang Fund and Gonglian Anda entered into the Capital Increase Agreement, pursuant to which, (i) Shouxing Zhixing agreed to contribute RMB76,000,000 to the registered capital of Shouzhong Parking, and (ii) the registered capital of Shouzhong Parking will thereby be increased from RMB144,000,000 to RMB220,000,000.

In connection with the Capital Increase Agreement, on 30 December 2018, Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda also entered into the Joint Venture Agreement in relation to, among other things, the operation and management of Shouzhong Parking.

LISTING RULES IMPLICATIONS

Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), is interested in approximately 52.54% of the total number of Shares in issue as at the date of this announcement and is therefore a controlling shareholder of the Company. Therefore, Shougang Fund, being an associate of Shougang Group, is a connected person of the Company. As at the date of this announcement, Shouzhong Parking is a non-wholly owned subsidiary of Shougang Fund and is, therefore, also a connected person of the Company. Accordingly, the entering into of the Capital Increase Agreement and the Joint Venture Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Capital Increase are more than 0.1% but less than 5%, the entering into of the Capital Increase Agreement and the Joint Venture Agreement is subject to the reporting and announcement requirements, but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

On 30 December 2018, Shouxing Zhixing (an indirect wholly-owned subsidiary of the Company), Shouzhong Investment (an indirect wholly-owned subsidiary of the Company), Shouzhong Parking, Shougang Fund and Gonglian Anda entered into the Capital Increase Agreement, pursuant to which, (i) Shouxing Zhixing agreed to contribute RMB76,000,000 to the registered capital of Shouzhong Parking, and (ii) the registered capital of Shouzhong Parking will thereby be increased from RMB144,000,000 to RMB220,000,000.

In connection with the Capital Increase Agreement, on 30 December 2018, Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda also entered into the Joint Venture Agreement in relation to, among other things, the operation and management of Shouzhong Parking.

REASONS FOR AND BENEFITS OF THE TRANSACTION

In August 2016, Shougang Fund, Shouzhong Investment and Gonglian Anda formed a project consortium, which won the bid on Beijing Daxing International Airport Parking Building Project with 25-year operation right, and subsequently in November 2016, the project consortium built a professional management team and established Shouzhong Parking which entered the field of operation and management of airport parking buildings with Beijing Daxing International Airport Parking Building Project as a starting point. Over the past two years, Shouzhong Parking has accumulated rich experience in the construction, operation and management of airport parking buildings.

Beijing Daxing International Airport is an ultra large-scale international aviation integrated transportation hub in Beijing, which will be completed on 30 June 2019 and put into operation on 30 September 2019. Passenger throughput is expected to reach 72 million man-time in the near future and 100 million in the long term. The parking building is located on south of terminal building, having 4,200 parking lots on four floors (including 630 parking lots with charging equipment) with passengers and consummate supportive commercial facilities. There is a railway station hall on the ground floor of the parking building, which can realize dimensional transfer with the fast track on the second floor underground and other modes of transportations. The parking building offers world-class services with great convenience, accessibility and humanization design.

The Capital Increase will significantly add to the capital strength of Shouzhong Parking, and thereby expanding the Group's business in investment and operation of airport parking building in the future.

PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT AND THE JOINT VENTURE AGREEMENT

The principal terms of the Capital Increase Agreement and the Joint Venture Agreement are set forth below:

The Capital Increase

The parties to the Capital Increase Agreement have agreed to increase the registered capital of Shouzhong Parking from RMB144,000,000 to RMB220,000,000. Pursuant to the Capital Increase Agreement, Shouxing Zhixing shall make a capital contribution in the amount of RMB76,000,000 to the registered capital of Shouzhong Parking. None of Shouzhong Investment, Shougang Fund and Gonglian Anda will make additional capital contribution under the Capital Increase Agreement. After the Capital Increase, the equity interest of Shouxing Zhixing, Shouzhong Investment, Shougang Fund and Gonglian Anda in Shouzhong Parking will become 34.545%, 31.5%, 33.136% and 0.818%, respectively.

The Capital Increase shall be made by Shouxing Zhixing in cash before 31 January 2019 and will be funded by its internal resources.

The amount of Capital Increase was determined after arm's length negotiations among the parties of the Capital Increase Agreement with reference to the working capital currently available to Shouzhong Parking, the estimated business needs and future business development of Shouzhong Parking.

Capital Structure of Shouzhong Parking

The capital structure of Shouzhong Parking (i) prior to the Capital Increase; and (ii) immediately after the Capital Increase are set out below:

	Prior to the Capital Increase		Immediately after the Capital Increase	
	Capital Contribution (RMB)	Equity Interest %	Capital Contribution (RMB)	Equity Interest %
Shougang Fund	72,900,000	50.625	72,900,000	33.136
Gonglian Anda	1,800,000	1.25	1,800,000	0.818
The Group				
– Shouzhong Investment	69,300,000	48.125	69,300,000	31.5
– Shouxing Zhixing	–	–	76,000,000	34.545
Total	144,000,000	100	220,000,000	100

After the Capital Increase, the Company's aggregate indirect equity interest in Shouzhong Parking will be increased from approximately 48.125% to approximately 66.045% and accordingly, Shouzhong Parking will be accounted for as a subsidiary and consolidated in the Company's accounts after the Capital Increase.

Board of Directors, Supervisor and Senior Management

The board of directors of Shouzhong Parking will comprise three directors, each of whom shall be nominated by Shouxing Zhixing, Shougang Fund and Shouzhong Investment, respectively. The chairman of the board of directors of Shouzhong Parking shall be nominated by Shouxing Zhixing.

Shouzhong Parking will have only one supervisor, who shall be nominated by Gonglian Anda.

The general manager, vice general manager, chief financial officer and other senior management of Shouzhong Parking shall be appointed or dismissed by the board of directors of Shouzhong Parking.

INFORMATION OF SHOUZHONG PARKING

Shouzhong Parking, principally engaged in management of motor vehicle parking, is a joint venture company established in November 2016 under the laws of the PRC with limited liability with an initial registered capital of RMB144,000,000, of which Shouzhong Investment, Shougang Fund and Gonglian Anda had contributed RMB69,300,000, RMB72,900,000 and RMB1,800,000, respectively. As at the date of this announcement, the Company (through Shouzhong Investment), Shougang Fund and Gonglian Anda hold approximately 48.125%, 50.625% and 1.25% of the equity interest in Shouzhong Parking, respectively. Upon completion of the Capital Increase, the Company (through Shouzhong Investment and Shouxing Zhixing), Shougang Fund and Gonglian Anda will hold approximately 66.045%, 33.136% and 0.818% of the equity interest in Shouzhong Parking, respectively and accordingly, Shouzhong Parking will be accounted for as a subsidiary of the Company.

Based on the audited financial statements of Shouzhong Parking as at 31 December 2017 and 31 December 2016, the net asset value of Shouzhong Parking amounted to approximately RMB140,679,764.56 and RMB144,003,611.25, respectively. The audited net profits of Shouzhong Parking for the two years ended 31 December 2017 and 31 December 2016, which were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, are set forth below:

	For the year ended	
	31 December	
	2017	2016
	<i>(RMB)</i>	<i>(RMB)</i>
Profit/(Loss) before taxation	(3,323,846.69)	3,611.25
Profit/(Loss) after taxation	(3,323,846.69)	3,611.25

INFORMATION OF THE PARTIES

Shouxing Zhixing

Shouxing Zhixing is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Shouxing Zhixing is principally engaged in the investments in areas where foreign investment is permitted by laws of the PRC.

Shouzhong Investment

Shouzhong Investment is a company established in the PRC with limited liability. Shouzhong Investment first became a non-wholly owned subsidiary of the Company in October 2018 and subsequently became a wholly-owned subsidiary of the Company in September 2018. Shouzhong Investment is principally engaged in the business of car parking facilities investment and operation in the PRC with a focus on public car parks with high traffic flow such as airports, railway stations and hospitals. Shouzhong Investment became a holder of equity interest in Shouzhong Parking as to approximately 48.125% since establishment of Shouzhong Parking.

Shougang Fund

Shougang Fund is a company established in the PRC with limited liability and is principally engaged in the investment, management and advisory of non-securities businesses.

Gonglian Anda

Gonglian Anda is a company established in the PRC with limited liability and is principally engaged in provision of motor vehicle parking services and estate management. Gonglian Anda is independent from the Company and its connected persons.

LISTING RULES IMPLICATIONS

Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), is interested in approximately 52.54% of the total number of Shares in issue as at the date of this announcement and is therefore a controlling shareholder of the Company. Therefore, Shougang Fund, being an associate of Shougang Group, is a connected person of the Company. As at the date of this announcement, Shouzhong Parking is a non-wholly owned subsidiary of Shougang Fund and is, therefore, also a connected person of the Company. Accordingly, the entering into of the Capital Increase Agreement and the Joint Venture Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Capital Increase are more than 0.1% but less than 5%, the entering into of the Capital Increase Agreement and the Joint Venture Agreement is subject to the reporting and announcement requirements, but is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The entering into of the Capital Increase Agreement and the Joint Venture Agreement and the transactions contemplated thereunder (including, among others, the Capital Increase) is in the ordinary and usual course of business of the Group. At the Board meeting approving the Capital Increase Agreement and the Joint Venture Agreement and the transactions contemplated thereunder, Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi, by virtue of their connection with Shougang Group, have abstained from voting in respect of the relevant resolutions approving the Capital Increase Agreement and the Joint Venture Agreement and the transactions contemplated thereunder. Other Directors (including the independent non-executive Directors) consider that the Capital Increase Agreement and the Joint Venture Agreement have been entered into on normal commercial terms and is in the ordinary and usual course of business of the Group, that such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Capital Increase”	the proposed increase in registered capital of Shouzhong Parking from RMB144,000,000 to RMB220,000,000 to be contributed by Shouxing Zhixing pursuant to the Capital Increase Agreement;

“Capital Increase Agreement”	the capital increase agreement dated 30 December 2018 entered into among Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda in relation to, among other things, the Capital Increase;
“Company”	Shougang Concord International Enterprises Company Limited (stock code: 697), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Gonglian Anda”	Beijing Gonglian Anda Car Parking Management Co., Ltd.* (北京公聯安達停車管理有限公司), a company established in the PRC with limited liability;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Joint Venture Agreement”	the joint venture agreement dated 30 December 2018 entered into among Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda in relation to, among other things, operation and management of Shouzhong Parking;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary shares of the Company;

“Shougang Fund”	Beijing Shougang Fund Co., Ltd.* (北京首鋼基金有限公司), a company established in the PRC with limited liability;
“Shouxing Zhixing”	Beijing Shouxing Zhixing Investment Co., Ltd.* (北京首興智行投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Shouzhong Investment”	Shouzhong Investment Management Co., Ltd.* (首中投資管理有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Shouzhong Parking”	Beijing Shouzhong Car Parking Management Co., Ltd.* (北京首中停車管理有限公司), a company established in the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules.

By order of the Board
**Shougang Concord International
Enterprises Company Limited**
Zhao Tianyang
Chairman

Hong Kong, 30 December 2018

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Li Shaofeng (Vice Chairman), Mr. Xu Liang and Mr. Liang Hengyi (Managing Director) as Executive Directors; Dr. Li Yinhui, Mr. Liu Jingwei, Mr. Ho Gilbert Chi Hang and Mr. Li Hao as Non-executive Directors; Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao and Ms. Zhang Quanling as Independent Non-executive Directors.

* For identification purposes only