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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)

VOLUNTARY ANNOUNCEMENT FORMATION OF FUND UNDER FRAMEWORK AGREEMENT

Reference is made to the Previous Announcement and Circular relating to the Framework Agreement in relation to the formation of Funds. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Previous Announcement and Circular.

FORMATION OF FUND UNDER FRAMEWORK AGREEMENT

On 28 February 2019, Jingji Capital, a wholly-owned subsidiary of the Company, as the general partner, entered into the Partnership Agreement with Shougang Fund and Fengzexin, as limited partners, for the establishment of the Partnership.

Reference is made to the Previous Announcement and Circular relating to the Framework Agreement in relation to the formation of Funds. Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Previous Announcement and Circular.

REASONS FOR THE PARTNERSHIP

Upon establishment, the Partnership will take the opportunity of the action plans in respect of the balancing development between northern and southern Beijing and the new development of the southern region and fully integrate the planning and construction of Nanzhongzhou and Nanyuan-Dahongmen areas, Lize Financial Business District and Fengtai Park of Zhongguancun Science and Technology Park to promote the optimization of functions and the consolidation of resources with the aim to make such district a modern central urban area with enhanced functions, a demonstration area of the high-quality and high-livability life in the capital city, an ecological garden city exemplifying the new development concept, a smart manufacturing innovation zone with global competitiveness, a new highland of financial development with global influence, as well as a business innovation zone with international standard.

The Company will cooperate with Fengtai District government and Shougang Fund to fully utilize the Company's professional advantages in finance, park operation, industrial research and project reserve; actively introduce high-quality resources, industries and projects around the key industrial areas of Fengtai District. By forming the Partnership with a targeted fund size of RMB10 billion, the Company strives to achieve the “Funds + Bases + Industries” model; and contributes to the development, introduction and cultivation of new industry attitude and new projects to achieve investment returns for the fund while implementing the vision of enterprise development and social value.

THE PARTNERSHIP AGREEMENT

On 28 February 2019, Jingji Capital, a wholly-owned subsidiary of the Company, as the general partner, entered into the Partnership Agreement with Shougang Fund and Fengzexin, as limited partners, for the establishment of the Partnership.

Jingji Capital will act as the general partner and the executive partner of the Partnership, responsible for the management, control, decision-making and operation of the Partnership.

Shougang Fund and Fengzexin, as limited partners, will participate in the investment of the Partnership.

Shougang Fund is a pioneer in Shougang Group's transition from iron and steel manufacturing to an urban integrated service provider, as well as a core platform of the transformation and development of Shougang Group, which has been continuously supported by Beijing municipal government. In the past eight years, Shougang Fund has been in rapid development and in active integration of industry and finance in serving the economic entities. Commencing from business in respect of parent funds and equity investments, Shougang Fund is gradually becoming a new industry investment holding platform based on the core industries with the integration of finance, investment and operation. Shougang Fund's primary investment industries include supply chain and finance, travelling, health-care, car-parking and urbanization. At present, Shougang Fund manages 16 funds with an accumulated amount exceeding RMB50 billion.

Fengzexin is a limited partnership established by Shougang Fund (entrusted by Beijing Fengtai District government as a nominee holding entity for the governmental financial funds) and Jingxiang Bensheng.

ESTABLISHMENT OF THE PARTNERSHIP

The term of the Partnership shall be eight years. Subject to agreement by all partners, the term of the Partnership may be extended twice, each time for one year.

The first five years of the term shall be the investment period (the “**Investment Period**”) and the remaining years of the term shall be the exit period (the “**Exit Period**”), during which the Partnership shall not carry out any further investments.

The Partnership will mainly invest in the following areas: the operation and management of industrial park; cutting-edge technology fields such as rail transit, military and civilian cooperation, electronic technology, intelligent manufacturing, big data; consumption upgrades such as smart city, health-care, energy conservation and environmental protection, and sports entertainment; the industrial ecological field of urban comprehensive service industry, which makes use of the vacation space to supplement and improve the urban function; and other areas supported by the national industrial policy.

CAPITAL CONTRIBUTION TO THE PARTNERSHIP

The targeted total capital contribution to the Partnership is RMB10 billion. The initial amount of committed capital contribution shall be RMB2.02 billion, which shall be paid by Shougang Fund, Fengzixin and Jingji Capital as follows:

	Amount to be contributed (RMB)	Percentage interest in the Partnership (approximately)	Nature of holding
Shougang Fund	1,000,000,000	49.50%	Limited Partner
Fengzixin	1,000,000,000	49.50%	Limited Partner
Jingji Capital	20,000,000	1.00%	General Partner
Total	2,020,000,000	100.00%	

MANAGEMENT OF THE PARTNERSHIP

Jingji Capital will be appointed as the fund manager of the Partnership to provide management services to the Partnership. The Partnership and the fund manager shall enter into an entrusted management agreement in respect of such appointment.

MANAGEMENT FEE

The Partnership shall pay to the fund manager a management fee as follows:

- (i) during the Investment Period, an annual management fee at a rate of 1.5% per annum on the total paid-in capital contribution amount to the Partnership (for each single paid-in contribution, the management fee shall be calculated from the date on which such paid-in contribution as required by the general partner becomes due and payable);
- (ii) during the Exit Period as well as any extensions of the term of the Partnership, a quarterly management fee at a rate of 1.5% per annum of the total investment amount of the investment portfolio held by the Partnership on the first working day of each quarter, excluding any portfolio investment projects which the Partnership has exited from and written off.

PROFIT DISTRIBUTION

After exiting from an investment project, the distributable profit of the Partnership shall be distributed by the general partner in the following order:

- (i) to all of its partners in proportion to their paid-in contribution up to their respective paid-in capital contribution amount;
- (ii) the remaining distributable amount to all partners in proportion to their paid-in contribution and to the general partner as to 80% and 20%, respectively.

UTILIZATION OF FRAMEWORK AGREEMENT

On 12 August 2018, the Company, Jingji Capital and Shougang Fund entered into the Framework Agreement, pursuant to which not more than 15 funds shall be established by the Company, Jingji Capital and Shougang Fund. The expected aggregate total size of the Funds shall not exceed RMB30 billion, of which (1) Shougang Fund and its associates shall, in aggregate, contribute not more than RMB10 billion; and (2) the Company and its subsidiaries shall, in aggregate, contribute not more than RMB500 million. With the agreement of the parties, third party investors may participate in the Funds.

After the establishment of the Partnership, the quota under the Framework Agreement shall remain as: not more than 14 funds shall be further established by the Company, Jingji Capital and Shougang Fund and the expected aggregate total size of the Funds other than the initial committed capital contribution to the Partnership shall not exceed RMB27.98 billion, of which (1) Shougang Fund and its associates shall, in aggregate, contribute not more than RMB8 billion; and (2) the Company and its subsidiaries shall, in aggregate, contribute not more than RMB480 million.

DEFINITIONS

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

“Fengzexin”	北京豐澤信管理諮詢中心（有限合夥）(Beijing Fengzexin Management Consulting Centre (Limited Partnership)*), a limited partnership established in the PRC and is held as to 0.1% equity interest and 99.9% equity interest by Jingxiang Bensheng and Shougang Fund respectively;
“Jingxiang Bensheng”	北京京祥本盛經濟諮詢有限公司(Beijing Jingxiang Bensheng Economic Consulting Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of Jingji Capital;

“Partnership”	the limited partnership (proposed name: 北京豐首產業投資基金中心（有限合夥）(Beijing Fengshou Industry Investment Fund Centre (Limited Partnership)*) to be established in the PRC pursuant to the terms of the Partnership Agreement;
“Partnership Agreement”	the partnership agreement in relation to establishment of the Partnership dated 28 February 2019 among Jingji Capital, Shougang Fund and Fengzexin; and
“Previous Announcement and Circular”	the Company’s announcement and circular dated 12 August 2018 and 29 August 2018 respectively relating to the Framework Agreement in relation to formation of Funds.

** For reference purposes only, the Chinese names of the PRC entities, addresses or terms have been translated into English in this announcement. In the event of any discrepancies between the Chinese names of these PRC entities, addresses or terms and their respective English translations, the Chinese version shall prevail.*

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

Hong Kong, 28 February 2019

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.