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首程控股有限公司
SHOUCHENG HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
PARKING LOTS COOPERATION AGREEMENT**

PARKING LOTS COOPERATION AGREEMENT

On 28 October 2020, Shouzhong Investment, an indirect wholly-owned subsidiary of the Company, entered into the Parking Lots Cooperation Agreement with Shoushi Changtai in relation to the continuing connected transactions involving entrusting the management and leasing of the parking lots under the Project by Shoushi Changtai to Shouzhong Investment.

LISTING RULES IMPLICATIONS

As at the date hereof, Shougang Group indirectly holds approximately 35.95% of the issued Shares and is a substantial shareholder and connected person of the Company. Shougang Group indirectly holds approximately 48.86% interest in Shoushi Changtai. Accordingly, Shoushi Changtai is a connected person of the Company by virtue of it being an associate of the connected person of the Company and hence, the transactions contemplated under the Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Annual Caps under the Agreement are more than 0.1% but are all less than 5%, such transactions are subject to reporting, announcement and annual review but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. As the term of the Agreement exceeds three years, the Company has appointed the Independent Financial Adviser to explain why the Agreement requires a term that is longer than three years and to confirm that it is normal business practice for agreements of such type to be of such duration. The opinion of the Independent Financial Adviser has been set out in the section headed "OPINION FROM THE INDEPENDENT FINANCIAL ADVISER" in this announcement.

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Principal terms of the Parking Lots Cooperation Agreement are set out below:

- Date** : 28 October 2020
- Parties** : (1) Shouzhong Investment; and
(2) Shoushi Changtai.
- Subject matter** : Pursuant to the terms of the Agreement, Shoushi Changtai as the operator and lessee of the Project will entrust the management of the parking lots under the Project to Shouzhong Investment for an annual management fee (including all the costs of operating the parking lots) and shall be entitled to all revenues generated therefrom for the first five (5) years of the Agreement (the “**Entrusted Management Period**”). Thereafter, Shoushi Changtai shall lease the parking lots under the Project to Shouzhong Investment for operation and management for the remaining years of the Agreement (the “**Lease Period**”), during which Shouzhong Investment shall be entitled to all the revenues generated from operating the parking lots under the Project and shall share a specified percentage of the profit derived therefrom with Shoushi Changtai.
- Term** : Subject to termination in accordance with the terms of the Agreement, the initial term of the Agreement shall be ten (10) years and shall be extended automatically for another ten (10) years as follows in accordance with the Agreement:
- (i) Entrusted Management Period: five (5) years from the day after the date of completion and successful acceptance of construction of all parking lots under the Project; and
 - (ii) Lease Period: five (5) years from the day after the date of expiry of the Entrusted Management Period, and shall be extended automatically for ten (10) years provided that Shouzhong Investment has not breached any specific terms as stipulated in the Agreement.
- Fees** : (i) During the Entrusted Management Period, Shoushi Changtai shall pay to Shouzhong Investment (a) an entrusted management service fee of RMB4,500,000 for the first year; and (b) for the second to fifth years, a fixed annual service fee of RMB480,000 together with all operating costs incurred by Shouzhong Investment during

- the relevant period (collectively, the “**Management Fee**”); and
- (ii) During the Lease Period, Shouzhong Investment shall pay to Shoushi Changtai an annual fee representing 65% of the profit (before tax) generated from the operation of the parking lots under the Project (the “**Variable Lease Payment**”).

The Management Fee and Variable Lease Payment were arrived at after arm’s length negotiation between the parties and were determined with reference to (i) terms in relation to the provision of service of similar nature in the market by or to independent third parties; (ii) the future development of the Project; and (iii) the operation experience and mode of parking project of industry/office park.

Termination : The Agreement shall be terminated (i) upon its expiry of its term; (ii) by mutual agreement of both parties; (iii) upon occurrence of any force majeure events as stipulated in the Agreement; or (iv) by either party upon the other party’s breach of certain terms as stipulated in the Agreement.

ANNUAL CAPS AND BASIS OF DETERMINATION

The annual caps for the (i) annual Management Fee to be paid by Shoushi Changtai to Shouzhong Investment during the Entrusted Management Period, which is expected to commence by mid-2021, and (ii) annual Variable Lease Payment to be paid by Shouzhong Investment to Shoushi Changtai during the Lease Period (the “**Annual Caps**”) are set out below:

	During the Entrusted Management Period RMB	During the Lease Period RMB
Annual Management Fee payable to Shouzhong Investment	6,000,000	-
Annual Variable Lease Payment payable by Shouzhong Investment	-	6,000,000

The Annual Caps for the annual Management Fee are determined after taking into account the following principal factors: (i) the estimated cost and expenditure for the improvement of facilities of the Project and maintenance thereafter; (ii) the estimated cost and expenditure for optimizing, upgrading and iterating of intelligent parking management system; (iii) the estimated cost for daily operation and service; (iv) the growth of the consumer price index; (v) the parking industry and market development; and (vi) a reasonable buffer to cater for disbursement that may become payable under the terms of the Agreement and for any upwards adjustments including inflation or otherwise and taking into account the possible fit-out or alteration works to be conducted to improve the quality of service and user experience.

The Annual Caps for the annual Variable Lease Payment are determined after taking into account the following principal factors: (i) the future commercial development of Chang'an Mills, including the increase of enterprises, shops, brands and other tenants; (ii) the growth of traffic volumes of the Project; (iii) the value brought by parking service to the Project; and (iv) the synergistic effect of the Shougang Park and Chang'an Mills with the Project.

In the event the annual Management Fee or the annual Variable Lease Payment is likely to exceed the Annual Caps, Shoushi Changtai shall cooperate with Shouzhong Investment to comply with applicable Listing Rules and to obtain all necessary approvals and authorization, if required, in relation to the Agreement and the transactions contemplated thereunder. In the event that the Company fails to obtain any such necessary approvals or authorization, Shouzhong Investment shall terminate the Agreement by serving a written notice to Shoushi Changtai in accordance with the terms of the Agreement.

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances. As the duration of the Parking Lots Cooperation Agreement (being 20 years) exceeds three years, the Company has appointed the Independent Financial Adviser to explain why the Parking Lots Cooperation Agreement requires a duration that is longer than three years and to confirm that it is normal business practice for agreements of similar nature to be of such duration.

In assessing the reasons as to why the duration of the Parking Lots Cooperation Agreement should be longer than three years, the Independent Financial Adviser has relied on the information set out in this announcement, and has taken into account the following factors considered by the management of the Company:

- (a) strict compliance with the three-year requirements in respect of the cooperation arrangement will be unduly burdensome to the Group, taking into account the nature of cooperation arrangement and the potential disruption to the business operations caused by discontinuance of such arrangement, and any unnecessary administration costs to the Company for the renewal of the Parking Lots Cooperation Agreement by limiting its term to three years or less and/or any potential delay of renewal of the Parking Lots Cooperation Agreement as a result of further negotiation between the parties during the agreement renewal process;
- (b) the long-term arrangement protects the interests of the Company by minimising the risk of disruption to cooperation arrangement and loss of economic benefits of the Group during the term of the Parking Lots Cooperation Agreement; and
- (c) considering the nature and characteristics of the car park operation and management business, the long-term arrangement is expected to benefit the Group in terms of the operational consistency and stability in respect of the operation and management of the Project.

In considering whether it is normal business practice for agreements of a similar nature to the

Parking Lots Cooperation Agreement to have a term of such duration, the Independent Financial Adviser has:

- (a) reviewed the terms of the existing agreements entered into by the Group in respect of the operation and management of car parks, and noted that the duration of an agreement entered into between the Group and an independent third party is 15 years;
- (b) identified seven announcements issued by other companies listed on the Stock Exchange within approximately two years prior to the date of the Parking Lots Cooperation Agreement, which involved the entering into of agreements in relation to the provision of management service and/or payment of management fee (or equivalent) which stipulated an initial term/duration of over three years (the “**Comparable Agreements**”), which the Independent Financial Adviser considered to be appropriate to reflect the recent market practices on agreements of similar nature; and
- (c) noted that (i) there were seven Comparable Agreements carrying an initial term/duration of over three years, suggesting that it is not uncommon for agreements of similar nature to have a term/duration of three years or more; (ii) the initial term/duration of the seven Comparable Agreements ranged from 4.5 to 25 years, with the duration of the Parking Lots Cooperation Agreement falling within such range; and (iii) three out of the seven Comparable Agreements carry an initial term/duration of 20 years or more, suggesting that it is not uncommon for agreements of similar nature to have a term/duration comparable to that of the Parking Lots Cooperation Agreement.

Based on the foregoing, the Independent Financial Adviser is of the opinion that (a) a term of longer than three years is required for the Parking Lots Cooperation Agreement; and (b) it is normal business practice for agreements of similar nature to be of such duration.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

Chang’an Mills is one of the first batch of key urban renewal projects to be developed and implemented in the north area of Shougang Park, jointly developed and constructed by the Company and Tishman Speyer, the world’s leading industrial operator and assets management company. Chang’an Mills will focus on creating a new urban complex of modern creative offices, compound business, multi-functional activity centers and green public spaces, its construction being expected to be completed at the end of the second quarter of 2021 as a new landmark of the capital’s urban renewal.

The Company undertaking the Project, on one hand, is for that the industrial/office parking is the key focus of the Company. After acquiring the park projects in 成都西部智谷 (Chengdu Western Smart Valley*), 北京電子城園區 (BEZ Industrial Park*), 北京順義空港科技園 (Beijing Shunyi Airport Science and Technology Park*) etc., it is a beneficial exploration of in-depth integration of both parking assets operation and management and urban renewal business of the Company. Taking advantages of combining offices, catering, commerce and multi-functional activity centers in Chang’an Mills, the Company will provide enterprises, merchants, and customers with high-quality, comfortable and technological parking services by digital smart management and five-star service standard, and will look for possibility of more income-generating formats created by the flow entry based on the continuous increasing customer flow. On the other hand, the Company will work with Shoushi Changtai to build parking lots with international green standard under the guidance

of the goal of unified brand image, service model, management standards, operation and maintenance support, and internal control and supervision of Shougang Park. The Company will actively participate in the parking assets operation and management of Shougang Park with the “Internet + parking” mode through intelligent parking management platform, reverse car-finding system and other technological means, which will not only help the renewal and development of Shougang Park, but also benefit the Group in gaining more high-quality parking assets in the future.

The Agreement and the transactions contemplated thereunder reflect the collaborative development between parking assets management business and urban renewal fund business of the Group. In addition to Chang’an Mills, the International Talent Community Project and the Urban Weaving Workshop Innovation Project in Shougang Park will be gradually completed and put into operation in the next three to five years, and more high-quality parking assets will be released by then, which will further highlight the synergistic effect of the operation and management of parking assets and urban renewal fund business of the Group.

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Mr. Zhao Tianyang, Mr. Xu Liang and Mr. Liang Hengyi, by virtue of their connection with Shougang Group, have abstained from voting on the Board resolutions approving the Agreement and the transactions contemplated thereunder (including the Annual Caps). Save as disclosed, none of the Directors has any material interest in the Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting on the relevant Board resolutions) consider that the Agreement and the transactions contemplated thereunder are conducted on arm’s length basis

and on normal commercial terms in the ordinary and usual course of business of the Company and the terms thereof are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

The Group mainly focuses on the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment.

Shouzhong Investment, an indirect wholly-owned subsidiary of the Company, is a company established in the PRC with limited liability and 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.

Shoushi Changtai which is held as to approximately 48.86% by Shougang Group, is a company established in the PRC and is principally engaged in rental of commercial housing, business management consulting, market research, conference services, exhibition activities, real estate brokerage business and property management etc.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Shoucheng Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 697);
“connected person”	has the meaning as ascribed to it under the Listing Rules;
“continuing connected transaction(s)”	has the meaning as ascribed to it under the Listing Rules;
“Chang’an Mills”	an urban renewal project in 新首鋼高端產業綜合服務區 (New Shougang High-end Industry Comprehensive Service Park*) (“ Shougang Park ”) in Beijing, the PRC;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), which has

	been appointed as the independent financial adviser for the purpose of Rule 14A.52 of the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parking Lots Cooperation Agreement” or “Agreement”	the parking lots cooperation agreement dated 28 October 2020 entered into between Shouzhong Investment and Shoushi Changtai in respect of the management and leasing of the parking lots under the Project;
“percentage ratios”	the percentage ratios calculated according to Rule 14.07 of the Listing Rules;
“PRC”	the People’s Republic of China, and does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement;
“Project”	parking lots of the Chang’an Mills, comprising a total of approximately 1,285 parking spaces;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a solely state-owned company established in the PRC, a substantial shareholder of the Company;
“Shoushi Changtai”	北京首獅昌泰商貿有限公司 (Beijing Shoushi Changtai Trading Co., Ltd.*), a limited liability company established in the PRC and which is owned as to approximately 48.86% by Shougang Group, 9.81% by the Company and the remaining approximately 41.33% by independent third parties of the Company and its connected persons as at the date of this announcement;
“Shouzhong Investment”	首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the Board
Shoucheng Holdings Limited
Zhao Tianyang
Chairman

Hong Kong, 28 October 2020

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Xu Liang, Mr. Li Wei (President), Mr. Liang Hengyi (Managing Director) and Ms. Zhang Meng 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, Ms. Zhang Quanling and Dr. Qiao Yongyuan as Independent Non-executive Directors.

** For identification purposes only*