
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shougang Concord International Enterprises Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

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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)

**(I) CONNECTED TRANSACTIONS INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(III) CONNECTED TRANSACTION – ENTERING INTO OF FUND SUBSCRIPTION
AGREEMENT AND PROPOSED PARTNERSHIP AGREEMENT;
AND
NOTICE OF GENERAL MEETING**

Financial Advisers to the Company in respect of the Connected Subscription and the Subscription



中信建投國際
CHINA SECURITIES INTERNATIONAL



VMS 鼎珮
VMS Securities Limited

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



**Lego Corporate
Finance Limited**
力高企業融資有限公司

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 7 to 28 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 29 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder is set out on pages 30 to 63 of this circular.

A notice convening the GM to be held at 10:00 a.m. on Thursday, 13 September 2018 at Concord Room 1, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong is set out on pages GM-1 to GM-4 of this circular. A form of proxy for the GM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the GM (i.e., at or before 10:00 a.m. on Tuesday, 11 September 2018 (Hong Kong Time)) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

Hong Kong, 27 August 2018

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Beijing Shize”	北京獅澤投資管理有限公司 (Beijing Shize Investment and Management Co., Ltd.*), a limited liability company established in the PRC and a subsidiary of Tishman Speyer Crown Equities 2007 L.L.C.;
“Board”	the board of Directors;
“Business Day”	any day (excluding a Saturday or Sunday or public Holiday in Hong Kong or the PRC) on which banks are generally open for business in Hong Kong and the PRC;
“CIMC Transportation”	CIMC Transportation Equipment (International) Holdings Limited, a company incorporated in Hong Kong;
“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(s)”	has the meaning ascribed to it under the Listing Rules;
“Connected Subscribers”	collectively, Jingxi Holdings and Rocket Parade;
“Connected Subscription”	collectively, the Jingxi Subscription and the Rocket Subscription;
“Connected Subscription Agreements”	collectively, the Jingxi Subscription Agreement and the Rocket Subscription Agreement;
“Connected Subscription Price”	HK\$0.25 per Connected Subscription Share, which is the same as the Subscription Price;
“Connected Subscription Shares”	collectively, the Jingxi Subscription Shares and the Rocket Subscription Shares;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Existing Partnership Agreement”	the partnership agreement dated 13 July 2018 between Shougang Fund and Shoushi Company in relation to the establishment of the Partnership, the material terms of which are set out in the Previous Announcement;

DEFINITIONS

“Fund Managers”	Jingji Capital and Shanghai Shiwei;
“Fund Subscription”	the subscription for interest in the Partnership by the Company as limited partner (directly or through its designated subsidiary) by entering into the Fund Subscription Agreement and the Proposed Partnership Agreement;
“Fund Subscription Agreement”	the fund subscription agreement dated 24 July 2018 between the Company and Shoushi Company in relation to the Company’s participation in the Partnership as a limited partner (directly or through its designated subsidiary) for a capital commitment of RMB135 million, subject to the Independent Shareholders’ approval at the GM;
“Games”	the 2022 Olympic and Paralympic Winter Games;
“GM”	a general meeting to be held by the Company to, among others, (i) grant the specific mandate to the Directors; and (ii) approve the Connected Subscription Agreements, the Subscription Agreement, the Fund Subscription Agreement, the Proposed Partnership Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent Board committee comprising all independent non-executive Directors, which has been formed to advise the Independent Shareholders on the Connected Subscription Agreements, the Fund Subscription Agreement, the Proposed Partnership Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder;
“Independent Shareholders”	(i) in respect of the Connected Subscription, the Shareholders other than Jingxi Holdings and Rocket Parade and their respective associates; or (ii) in respect of the Fund Subscription, the Shareholders other than Shougang Group and its associates (as the case may be);

DEFINITIONS

“Jingji Capital”	京冀協同發展示範區(唐山)基金管理有限公司 (Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this circular;
“Jingxi Holdings”	Jingxi Holdings Limited, a company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of Shougang Group;
“Jingxi Subscription”	subscription of the Jingxi Subscription Shares by Jingxi Holdings pursuant to the Jingxi Subscription Agreement;
“Jingxi Subscription Agreement”	a conditional subscription agreement entered into between the Company and Jingxi Holdings on 24 July 2018 in respect of the subscription of the Jingxi Subscription Shares by Jingxi Holdings;
“Jingxi Subscription Shares”	2,800,000,000 new Shares to be allotted and issued to Jingxi Holdings pursuant to the Jingxi Subscription Agreement;
“Latest Practicable Date”	23 August 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long-Stop Date”	the date falling six months after the date of the Jingxi Subscription Agreement, the Rocket Subscription Agreement and the Subscription Agreement, or such later date as the parties thereto may agree;
“NWS Group”	NWS Holdings and its subsidiaries;
“NWS Holdings”	NWS Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 659), which is a substantial shareholder of the Company;
“Open Offer”	the issue of 8,957,896,227 Shares by open offer as announced by the Company on 8 September 2017;
“ORIX Asia”	ORIX Asia Capital Limited, a company incorporated in Hong Kong;
“Partnership”	北京首獅銘智瑾信經濟諮詢企業(有限合夥) (Beijing Shoushi Ming Zhi Jin Xin Economic Consulting Firm (Limited Partnership)*), the limited partnership established in the PRC pursuant to the terms of the Existing Partnership Agreement;
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;

DEFINITIONS

“Previous Announcement”	the Company’s announcement dated 13 July 2018 in respect of establishment of the Partnership;
“Previous Transactions”	the transactions in relation to (i) the agreement dated 12 February 2018 among Jingji Capital, Shougang Fund, 曹妃甸金融發展集團有限公司 (Caofeidian Financial Development Group Co., Ltd.*) and 招商證券資產管理有限公司 (China Merchants Securities Assets Management Co., Ltd.*) for the establishment of 京冀曹妃甸協同發展示範區基金一期 (Beijing-Hebei Caofeidian Co-development Exhibition Zone Fund I*) for the investment in 京冀曹妃甸協同發展示範區 (BeijingHebei Caofeidian Co-development Exhibition Zone*); (ii) the agreement dated 28 March 2018 among 黑龍江首和創業投資管理企業(有限合夥) (Heilongjiang Shouhe Venture Capital Limited Partnership*), Shougang Fund, 黑龍江省科力高科技產業投資有限公司 (Heilongjiang Keli High Technology Industry Investment Co., Ltd.*) and 哈爾濱創業投資集團有限公司 (Harbin Venture Capital Group Co., Ltd.*) for the establishment of 黑龍江首科振興基金合夥企業(有限合夥) (Heilongjiang Shouke Revitalization Fund Limited Partnership*); (iii) the agreement dated 8 May 2018 between Jingji Capital and Shougang Group for the establishment of 北京首鋼產業轉型基金有限公司 (Beijing Shougang Industry Transformation Fund Co., Ltd.*); and (iv) the Existing Partnership Agreement dated 13 July 2018 between Shoushi Company and Shougang Fund for the establishment of the Partnership. For details, please refer to the Company’s announcements dated 12 February 2018, 28 March 2018, 8 May 2018 and 13 July 2018 respectively;
“Proposed Partnership Agreement”	the partnership agreement to be entered into among the Company (or its designated subsidiary), Shoushi Company (as general partner), Shougang Fund and other limited partners (if any) upon approval by the Independent Shareholders at the GM;
“Rocket Parade”	Rocket Parade Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of NWS Holdings, which is a substantial shareholder of the Company;
“Rocket Subscription”	subscription of the Rocket Subscription Shares by Rocket Parade pursuant to the Rocket Subscription Agreement;
“Rocket Subscription Agreement”	a conditional subscription agreement entered into between the Company and Rocket Parade on 24 July 2018 in respect of the subscription of the Rocket Subscription Shares by Rocket Parade;
“Rocket Subscription Shares”	600,000,000 new Shares to be allotted and issued to Rocket Parade pursuant to the Rocket Subscription Agreement;

DEFINITIONS

“SFC”	the Securities and Futures Commission;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai Shiwei”	上海獅威投資諮詢有限公司 (Shanghai Shiwei Investment Advisory Co., Ltd.*) (and/or its wholly-owned subsidiary, 上海獅耀投資諮詢有限公司 (Shanghai Shiyao Investment Advisory Co., Ltd.*)), a limited liability company established in the PRC and a subsidiary of Tishman Speyer Properties, L.P.;
“Share(s)”	the ordinary share(s) of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Shougang Fund”	北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of Shougang Group;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC, the controlling shareholder of the Company;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, the controlling shareholder of the Company and a wholly-owned subsidiary of Shougang Group;
“Shougang Park”	新首鋼高端產業綜合服務區 (New Shougang High-end Industry Comprehensive Service Park*);
“Shoushi Company”	北京首獅管理諮詢有限公司 (Beijing Shoushi Management Advisory Co., Ltd.*), a limited liability company established in the PRC which is held by Jingji Capital and Beijing Shize as to 60% and 40%, respectively, and a non wholly-owned subsidiary of the Company as at the date of this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	subscription of the Subscription Shares by ORIX Asia pursuant to the Subscription Agreement;
“Subscription Agreement”	a conditional subscription agreement entered into between the Company and ORIX Asia on 24 July 2018 in respect of the subscription of the Subscription Shares by ORIX Asia;

DEFINITIONS

“Subscription Price”	HK\$0.25 per Subscription Share, which is the same as the Connected Subscription Price;
“Subscription Shares”	1,503,741,731 new Shares to be allotted and issued to ORIX Asia pursuant to the Subscription Agreement;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

* *The English translation of Chinese name(s) in this circular, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhao Tianyang (*Chairman*)
Mr. Li Shaofeng (*Vice Chairman*)
Mr. Xu Liang
Mr. Liang Hengyi (*Managing Director*)

Non-executive Directors:

Dr. Li Yinhui
Mr. Liu Jingwei
Mr. Ho Gilbert Chi Hang

Independent Non-executive Directors:

Dr. Wang Xin
Mr. Choi Fan Keung Vic
Mr. Deng Yougao
Ms. Zhang Quanling

Registered Office:

7th Floor
Bank of East Asia
Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

27 August 2018

To the Shareholders

Dear Sir/Madam,

**(I) CONNECTED TRANSACTIONS INVOLVING
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(II) SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;
(III) CONNECTED TRANSACTION – ENTERING INTO OF FUND SUBSCRIPTION
AGREEMENT AND PROPOSED PARTNERSHIP AGREEMENT;
AND
NOTICE OF GENERAL MEETING**

1. INTRODUCTION

Reference is made to the two announcements of the Company both dated 24 July 2018 in relation to (i) the Connected Subscription and the Subscription; and (ii) the entering into of the Fund Subscription Agreement respectively.

LETTER FROM THE BOARD

The purposes of this circular are to provide you:

- (i) a letter from the Board containing further details of the Connected Subscription, the Subscription, the Fund Subscription and the transactions contemplated thereunder;
- (ii) the opinions of the Independent Financial Adviser in respect of the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder;
- (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder;
- (iv) notice of convening the GM; and
- (v) other information as required under the Listing Rules.

2. CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 24 July 2018, the Company entered into (i) the Jingxi Subscription Agreement with Jingxi Holdings; and (ii) the Rocket Subscription Agreement with Rocket Parade. Pursuant to the Connected Subscription Agreements, the Company has conditionally agreed to allot and issue, and Jingxi Holdings and Rocket Parade have conditionally agreed to subscribe for, an aggregate of 3,400,000,000 Connected Subscription Shares under the specific mandate. The Connected Subscription Shares will be issued at the Connected Subscription Price of HK\$0.25 per Connected Subscription Share which is equal to the Subscription Price.

The Jingxi Subscription Agreement

Date

24 July 2018 (after trading hours)

Parties

- (A) the Company, as issuer; and
- (B) Jingxi Holdings, as subscriber

Jingxi Holdings, which held 1,791,579,245 Shares, representing approximately 9.447% of the total number of issued Shares as at the Latest Practicable Date, is an investment holding company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of Shougang Group, a controlling shareholder of the Company. Shougang Group is a state-owned enterprise established in the PRC.

LETTER FROM THE BOARD

The Jingxi Subscription

Pursuant to the Jingxi Subscription Agreement, Jingxi Holdings has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, 2,800,000,000 new Shares at the Connected Subscription Price of HK\$0.25 per Connected Subscription Share which is equal to the Subscription Price, with an aggregate cash consideration of HK\$700 million.

Jingxi Subscription Shares represent (i) approximately 14.765% of the existing total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 11.731% of the total number of issued Shares as enlarged by the allotment and issue of the Connected Subscription Shares and the Subscription Shares in aggregate, subject to completion of the Connected Subscription and the Subscription and assuming there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the date of completion of the Connected Subscription and the Subscription.

The Rocket Subscription Agreement

Date

24 July 2018 (after trading hours)

Parties

- (A) the Company, as issuer; and
- (B) Rocket Parade, as subscriber

Rocket Parade, a substantial shareholder of the Company which held 1,900,000,000 Shares, representing approximately 10.019% of the total number of issued Shares as at the Latest Practicable Date, is an investment holding company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of NWS Holdings whose shares are listed on the Stock Exchange (stock code: 659). NWS Group is principally engaged in (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, construction, transport and strategic investments.

The Rocket Subscription

Pursuant to the Rocket Subscription Agreement, Rocket Parade has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, 600,000,000 new Shares at the Connected Subscription Price of HK\$0.25 per Connected Subscription Share which is equal to the Subscription Price, with an aggregate cash consideration of HK\$150 million.

Rocket Subscription Shares represent (i) approximately 3.164% of the existing total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 2.514% of the total number of issued Shares as enlarged by the allotment and issue of the Connected Subscription Shares and the Subscription Shares in aggregate, subject to completion of the Connected Subscription and the Subscription and assuming there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the date of completion of the Connected Subscription and the Subscription.

LETTER FROM THE BOARD

Conditions precedent to the Connected Subscription

Pursuant to the Connected Subscription Agreements, completion of the Connected Subscription is conditional upon the fulfillment (or waiver) of the following conditions:

- (a) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before completion (save for any temporary suspension or halt in trading pending the release of an announcement or circular in connection with the Connected Subscription Agreements), the Stock Exchange or the SFC not having expressed that it will raise any objection against the listing status of the Shares or require the trading of Shares to be suspended due to the transactions contemplated under the Connected Subscription Agreements or any reasons in connection with the transactions contemplated thereunder;
- (b) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Connected Subscription Shares, and such approval not having been revoked before completion of the Connected Subscription;
- (c) the compliance of any other requirements under the Listing Rules and all applicable laws, rules and regulations by the Company in relation to the Connected Subscription Agreements and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Connected Subscription Shares);
- (d) the Independent Shareholders having passed all necessary resolutions in the GM granting a specific mandate relating to the allotment and issue of the Connected Subscription Shares and approving, among other things, the Connected Subscription Agreements and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Connected Subscription Shares);
- (e) the passing of the resolution(s) by the Shareholders (who are entitled to vote and not required to abstain from voting under the Listing Rules) in the GM approving, among other things, the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Subscription Shares);
- (f) the Board having passed all necessary resolutions in approving the Connected Subscription Agreements and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Connected Subscription Shares);
- (g) the transactions contemplated under the Subscription Agreement and the Jingxi Subscription Agreement (in respect of the Rocket Subscription Agreement only) or the Rocket Subscription Agreement (in respect of the Jingxi Subscription Agreement only) having become unconditional (including but not limited to the subscription of the Subscription Shares and the subscription of the Jingxi Subscription Shares (in respect of the Rocket Subscription Agreement only) or the subscription of the Rocket Subscription Shares (in respect of the Jingxi Subscription Agreement only)); and

LETTER FROM THE BOARD

- (h) the representations and warranties given by the Company under the Connected Subscription Agreements being true, correct, complete and not misleading when made and remaining true, correct, complete and not misleading as at the completion date of the Connected Subscription Agreements.

The Connected Subscribers may at any time by notice in writing to the Company waive the conditions precedent set out above (save for conditions (b) to (f) which are not waivable). If the above conditions have not been fulfilled or waived (as the case may be) before the Long-Stop Date, the Connected Subscription Agreements will be automatically terminated and lapse, and all rights, obligations and liabilities of the parties thereto will be released, and neither party shall have any claim against the other, save for any antecedent breach of the terms thereof.

As at the Latest Practicable Date, except for condition (f), none of the above conditions has been waived or fulfilled.

Completion of the Connected Subscription

Completion of the Connected Subscription shall take place on the third Business Day upon satisfaction of the conditions set out above, when the Subscription Agreement is completed simultaneously, or such other date as the Company and the Connected Subscribers may agree in writing.

3. SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 24 July 2018, the Company entered into the Subscription Agreement with ORIX Asia, pursuant to which the Company has conditionally agreed to allot and issue, and ORIX Asia has conditionally agreed to subscribe for, an aggregate of 1,503,741,731 new Shares. The Subscription Shares will be issued at the Subscription Price of HK\$0.25 per Subscription Share which is equal to the Connected Subscription Price.

The Subscription Agreement

Date

24 July 2018 (after trading hours)

Parties

- (A) the Company, as issuer; and
- (B) ORIX Asia, as subscriber

ORIX Asia is an investment holding company incorporated in Hong Kong and is a wholly-owned subsidiary of ORIX Corporation, a leading global financial institution which is dual-listed in both New York and Japan. ORIX Asia is a leading principal investment firm focusing on diversified investments including private equity, fund of funds, restructuring of PRC state-owned enterprises and structured financing. Its investment partners are global leading financial institutions and industrial forerunners.

LETTER FROM THE BOARD

The Subscription

Pursuant to the Subscription Agreement, ORIX Asia has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, 1,503,741,731 new Shares at the Subscription Price of HK\$0.25 per Subscription Share which is equal to the Connected Subscription Price to ORIX Asia, with an aggregate cash consideration of HK\$375,935,433.

The Subscription Shares represent (i) approximately 7.93% of the existing total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 6.3% of the total number of issued Shares as enlarged by the allotment and issue of the Connected Subscription Shares and the Subscription Shares in aggregate, subject to completion of the Connected Subscription and the Subscription and assuming there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the date of completion of the Connected Subscription and the Subscription.

CONDITIONS PRECEDENT TO THE SUBSCRIPTION

Pursuant to the Subscription Agreement, completion of the Subscription is conditional upon the fulfillment (or waiver in writing) of the following conditions:

- (a) the execution and delivery of the Subscription Agreement by the parties to the Subscription Agreement;
- (b) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before completion (save for any temporary suspension or halt in trading pending the release of an announcement or circular in connection with the Subscription Agreement), the Stock Exchange or the SFC not having expressed that it will raise any objection against the listing status of the Shares or require the trading of Shares to be suspended due to the transactions contemplated under the Subscription Agreement or any reasons in connection with the transactions contemplated thereunder;
- (c) the Stock Exchange granting the approval for the listing of the Subscription Shares, and such approval not having been revoked before completion of the Subscription;
- (d) there being no action which has been taken and no statute, rule, regulation or order which have been enacted, adopted or issued by any national, provincial or local governmental or regulatory authority that would, as of the completion date of the Subscription, prevent the issuance or sale of the Subscription Shares or the consummation of the transaction contemplated in the Subscription Agreement; and no injunction or order of any national, provincial or local court shall have been issued that would, as of the completion date of the Subscription, prevent the issuance or sale of the Subscription Shares or the consummation of the transaction contemplated thereunder;
- (e) the passing of the resolution(s) by the Independent Shareholders at the GM approving (i) the grant of specific mandate relating to the allotment and issue of the Connected Subscription Shares; and (ii) the Connected Subscription Agreements and the transactions contemplated thereunder;

LETTER FROM THE BOARD

- (f) Shougang Group holding (whether directly or indirectly), the legal and economic interest of not less than 9,833,903,865 Shares as at the completion date of the Subscription;
- (g) save as disclosed in writing, there not having occurred any material adverse change since 31 December 2017, being the date of the Company's latest annual audited financial statements prior to the date of the Subscription Agreement;
- (h) there not having occurred any breach of, or any event rendering untrue or inaccurate, any of the representations or warranties of the Company pursuant to the Subscription Agreement;
- (i) the Shareholders who are entitled to vote and not required to abstain from voting under the Listing Rules having passed all necessary resolutions in the GM approving, among other things, (i) the grant of specific mandate relating to the allotment and issue of the Subscription Shares; and (ii) the Subscription Agreement and the transactions contemplated thereunder;
- (j) completion of the Connected Subscription having occurred simultaneously; and
- (k) the legal opinion of the Company's Hong Kong legal counsel, issued to ORIX Asia in a form reasonably satisfactory to it on due incorporation, valid issuance of the Subscription Shares, the valid and binding effect and enforceability of the Subscription Agreement, the Stock Exchange's approval of the listing of the Subscription Shares, no litigation and no winding-up or liquidation of the Company or appointment of a receiver on the completion date of the Subscription.

ORIX Asia may waive in whole or in part any of the conditions set out above (other than conditions (c), (e) and (i)) by giving notice in writing to the Company to that effect. If the above conditions have not been fulfilled on or before the Long-Stop Date, the Subscription Agreement may be terminated by either party unless such party is responsible for the failure to fulfill such condition. Upon such termination, the obligations of the parties under the Subscription Agreement will be released, except for any rights or remedies which have accrued prior to such termination.

As at the Latest Practicable Date, except for condition (a), none of the conditions above has been waived or fulfilled.

Completion of the Subscription

Completion of the Subscription is expected to take place on the third Business Day upon which the last of the conditions set out in the Subscription Agreement has been satisfied or waived in writing, when the Connected Subscription Agreements are completed simultaneously, but in any event no later than the Long-Stop Date.

TRANSFER RESTRICTION

Save with the consent from the Company, each of Jingxi Holdings, Rocket Parade and ORIX Asia shall not, and shall procure that none of its subsidiaries or companies controlled by it or any nominee or

LETTER FROM THE BOARD

trustee holding in trust for it shall, at any time during the period of six months from the date of completion of the Connected Subscription Agreements or the Subscription Agreement (as the case may be), create or permit to subsist any encumbrance or other security interest whatsoever on or over or in respect of the Jingxi Subscription Shares, the Rocket Subscription Shares or the Subscription Shares (as the case may be) and otherwise dispose of any of the Jingxi Subscription Shares, the Rocket Subscription Shares or the Subscription Shares (as the case may be) or otherwise purport to deal with the beneficial or economic interest therein (including but not limited to its voting rights) or any right relating thereto. In respect of the Jingxi Subscription Agreement and the Rocket Subscription Agreement, any transfer within their respective group shall not be considered as a breach of the terms thereof.

CONNECTED SUBSCRIPTION PRICE AND SUBSCRIPTION PRICE

The Connected Subscription Price of HK\$0.25 per Connected Subscription Share and the Subscription Price of HK\$0.25 per Subscription Share represent:

- (i) a premium of approximately 28.8660% over the closing price of HK\$0.1940 per Share as quoted on the Stock Exchange on 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement;
- (ii) a premium of approximately 30.2083% over the average closing price of HK\$0.1920 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 24 July 2018;
- (iii) a premium of approximately 33.0495% over the average closing price of HK\$0.1879 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 24 July 2018; and
- (iv) a premium of approximately 29.5337% over the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Taking into account the expenses of the Connected Subscription and the Subscription in the amount of approximately HK\$7.7 million, the net price of each of the Connected Subscription Share and Subscription Share is approximately HK\$0.248. The respective subscription price was arrived at after arm's length negotiations between the Company and each of Jingxi Holdings, Rocket Parade and ORIX Asia with reference to the recent market prices of the Shares, recent trading volume of the Shares and financial and trading prospects of the Group.

The Directors (other than (i) Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi (who abstained from voting in the relevant Board meeting by virtue of their connection with Shougang Group); (ii) Mr. Ho Gilbert Chi Hang (who abstained from voting in the relevant Board meeting by virtue of his connection with NWS Group); and (iii) the independent non-executive Directors whose view in respect of, among others, the Connected Subscription Price is set out in the Letter from the Independent Board Committee after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular) consider that the Connected Subscription Price and the Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

RANKING OF CONNECTED SUBSCRIPTION SHARES AND SUBSCRIPTION SHARES

The Connected Subscription Shares and the Subscription Shares shall rank, upon issue, pari passu in all respects among themselves and with the Shares in issue, and shall be freely transferable, free and clear of all liens, encumbrances, security interests or claims of third parties and will not be subject to any pre-emptive or similar rights or calls for further payments.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Connected Subscription Shares and the Subscription Shares.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the fund raising activity mentioned below, the Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds	Proposed use of the net proceeds
8 September 2017	Issue of 8,957,896,227 Shares under the Open Offer	Approximately HK\$2,004.5 million	(i) Payment for the consideration and related expenses of the acquisitions; (ii) payment for the committed and unpaid capital in respect of the sale shares; (iii) support of further development of the target companies; (iv) repayment of bank loans; (v) support operations of the trading business; and (vi) future strategic acquisitions complementary to the business of the Group and general working capital and other general corporate purposes. For details, please refer to the Company's announcement dated 8 September 2017.

As at the Latest Practicable Date, save for about HK\$600 million which has not yet been used, the proceeds from the issue of Shares under the Open Offer have been fully utilised as intended. The remaining HK\$600 million is expected to be utilised for parking facilities operations and management and further subscription of potential funds as intended by mid-2019.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 18,963,723,510 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Connected Subscription; (iii) immediately after completion of the Subscription; and (iv) immediately after completion of the Connected Subscription and the Subscription, assuming that there is no other change to the total number of issued Shares and shareholding structure of the Company from the Latest Practicable Date to the completion date of the Connected Subscription and the Subscription:

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Connected Subscription (Note 1)		Immediately after completion of the Subscription (Note 1)		Immediately after completion of the Connected Subscription and the Subscription (Note 2)	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Shougang Group and its subsidiaries including Jingxi Holdings (an indirect wholly-owned subsidiary of Shougang Group)	9,833,903,865	51.8564	12,633,903,865	56.4929	9,833,903,865	48.0465	12,633,903,865	52.9336
Rocket Parade	1,900,000,000	10.0191	2,500,000,000	11.1788	1,900,000,000	9.2830	2,500,000,000	10.4745
ORIX Asia	-	-	-	-	1,503,741,731	7.3470	1,503,741,731	6.3004
CIMC Transportation	1,047,931,056	5.5260	1,047,931,056	4.6859	1,047,931,056	5.1200	1,047,931,056	4.3906
Liang Hengyi (Note 3)	2,716,000	0.0143	2,716,000	0.0121	2,716,000	0.0133	2,716,000	0.0114
Liu Jingwei (Note 3)	500,000	0.0026	500,000	0.0022	500,000	0.0024	500,000	0.0021
Wang Xin (Note 3) together with his spouse	1,200,000	0.0063	1,200,000	0.0054	1,200,000	0.0059	1,200,000	0.0050
Other Shareholders	6,177,472,589	32.5753	6,177,472,589	27.6227	6,177,472,589	30.1819	6,177,472,589	25.8824
Total	18,963,723,510	100.00	22,363,723,510	100.00	20,467,465,241	100.00	23,867,465,241	100.00

Notes:

- These shareholding structures are prepared for illustration purpose only as both of the Connected Subscription and the Subscription are inter-conditional to each other and shall take place simultaneously.
- Completion of the Connected Subscription and the Subscription shall take place simultaneously.
- Directors.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Group is principally engaged in (i) the business of car parking facilities and investment operation in the PRC with a focus on smart car parking market; (ii) the business of provision of private fund management services in the PRC; and (iii) trading of iron ore, steel and related products.

For the car parking business, the Group aims to provide integrated car park management and solution services to car park owners with a view to offering safe, secure, efficient and tidy parking facilities to customers. The services involve the design, architecture, operation and management of smart car parking system in the PRC and provision of solutions and services in relation thereto. A well-managed car park can contribute to a property's value and returns. Accordingly, the Group's experienced car park business management team will try its best to maximise revenue potential of car parks by applying the management team's industry knowledge. The management team may analyse the business performance of car parks and develop strategies to raise the revenue potential of car parks.

The Group focuses on developing its car park business in the first and second-tier cities of the PRC such as Beijing, Shanghai, Shenzhen and Guangzhou. The Group intends to apply its resources on potential projects with busy traffic, room for price increment, and reasonable return potential. In particular, the Group will target those locations in major transportation hubs such as railway stations and airports, regional core hospitals, commercial districts and high frequency roads. A number of car park business opportunities are being currently explored, evaluated and discussed by the Group so as to expand the car parking business of the Group.

The Group acquires additional car parking spaces from respective car park owners (which may be private corporations, state-owned enterprises and governmental bodies) by, among other things, (1) entering into long-term leases ranging from 5 to 10 years; (2) entering into franchise agreements or operation right agreements; (3) entering into build-operate-transfer agreements; and (4) direct acquisition of car parking spaces.

Depending on the negotiation with the counterparty and the terms of the respective agreement, the Group recognises revenue by way of revenue/profit sharing, receipt of rental payment or a combination of both. The Group also actively explores other ancillary business opportunities, such as provision of battery charging piles and car rental services.

The Group has two main competitive strengths in the car parking operating business. Firstly, the Group is equipped with leading market development capabilities, particularly in terms of its extensive investor network, profound corporate image, and distinct advantages in raising capital as a listed company on the Stock Exchange, which would enable the Group to strategically map out its car park locations at prime spots in the first and second-tier cities of China. Secondly, the Group is capable of providing integrated solutions to regional static traffic control as well as smart car parking facilities, so as to raise the operating efficiency of both regional static traffic and dynamic traffic management. By continuously expanding the Group's car park locations and developing cross-region smart car park management system, the Group is expected to further enhance the overall smart management of its entire car parks.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CONNECTED SUBSCRIPTION AND THE SUBSCRIPTION

After the disposal of the Qinhuangdao business at the end of 2016, the Group ended the running of many years of steel business. The Group successfully acquired the equity interest of Jingji Capital and 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*). It consolidated the business foundation for the Group by virtue of diversifying its business into private fund management and car park operation in the PRC together with the original trading business of iron ore. At the same time, through investment in two associates listed in Hong Kong, namely, Shougang Fushan Resources Group Limited (stock code: 639) and Shougang Concord Century Holdings Limited (stock code: 103), the businesses of the Group include exploration and sales of hard coking coal and manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products in the PRC.

The Group's segmental loss of trading business for the year ended 31 December 2017 was mainly attributable to the unexpected change of market conditions during the year. Historically, the gross profit of the trading business of the Group was mainly generated from the discount offered to the Group under the long-term iron ore sale agreements entered into between the Group and its suppliers of iron ore ("Suppliers"). For the year ended 31 December 2017, large scale steel manufacturers have changed their purchase preference by switching to high grade iron ore from medium/low grade iron ore which was supplied by the Group. The change of purchase preference of large scale steel manufacturers was due to the increase in prices of steel and to comply with the increasing standard of environmental protection regulations. This change of purchase preference of large scale steel manufacturers has resulted in the increase in discount of medium/low grade iron ore in the market and the Group was required to offer such discount to its customers. However, the discount of iron ore provided by the Suppliers under the long-term iron ore sale agreements was fixed. As a result, the gross profit of the Group's trading business was much significantly squeezed and the Group incurred a segmental loss for its trading business during the year ended 31 December 2017.

It is expected that the prospects of the Group's trading business will remain challenging and therefore the Group will continue to adjust its trading business model to accommodate the changing market condition. In response to this, the Company has to strictly control the risk of iron ore trading and gradually reduce the revenue from iron ore trading as well as the volume of iron ore transactions. The Company will closely monitor the iron ore trading market and the development of the Group's iron ore trading business from time to time. Should the iron ore trading market become favourable subsequently, the Group may revisit and adjust its plan when the Company considers it to be in the interests of the Company to do so. The Company has no intention to dispose of the iron ore trading business at present.

The PRC is undergoing urbanization, leading to a significant improvement in living standards and an increasing demand for auto vehicles. This results in business opportunities for car parking business and operations in the PRC.

Shougang Park, covering an area of 8.63 square kilometers, is the only area in the city district of Beijing that allows large-scale and closely-grouped development. The development and construction of Shougang Park serves as a major strategy to optimise the function of the capital, to adjust the planning of major productive forces, and to promote the coordinated development of population, resources, as well as environment in the capital.

LETTER FROM THE BOARD

The planning and development of Shougang Park will be by stages in light of its vast size for development. As advised by the Directors, Shougang Group will first focus on the transformation of the northern and southeast areas of Shougang's old factory site from 2018 to 2020, and endeavor to complete construction of 首奧產業園 (Shouao Industrial Park*) by 2021 so as to establish it as the world's renowned landmark of revitalization.

In preparation for the Games, Shougang Park seized the opportunity of the moving-in of the Organising Committee for the Games by focusing on building a national sports industry demonstration zone of the highest world-class standard based on the construction of winter sports stadium facilities with the strong support from the General Administration of Sports of China. Currently, the construction of infrastructure and key projects within Shougang Park is accelerating. As at the Latest Practicable Date, the S1 Railway Line has been completed and opened to traffic, the Organising Committee for the Games has moved in to the area of Shougang Park, the winter sports stadium facilities have commenced construction, the workstation for overseas academician and experts has been completed, and the southern area of Shougang Park has begun detailed planning. It is expected that Shouao Industrial Park, which is the area where preparation of the Games is made and the national sports industry demonstration zone is to be built, shall substantially complete construction and commence operation in around 2021. At the same time of construction, Shouao Industrial Park will also start to approach internationally well-known sports industry leaders, cultural and creative enterprises and technology innovation companies for investment. It is intended that Shouao Industrial Park shall commence operation right after completion of construction. The Company is confident in the long term prospects of Shougang Park and would work closely with Shougang Group to participate in the development and management of Shougang Park.

The Directors are of the view that the further development of the car parking business and operations of the Group as well as the participation in the development and management of Shougang Park can strengthen the revenue base of the Group.

In or around May 2018, ORIX Asia approached the Group and expressed its intention to invest in the Group. Given the solid background of ORIX Asia as being a leading principal investment firm, the management of the Group commenced negotiation with ORIX Asia on the structure and expected amount of investment in about June 2018.

During the discussion and negotiation process between ORIX Asia and the management of the Group, the parties have also explored the feasibility for the Group's existing substantial Shareholders to further subscribe for the Shares. Moreover, ORIX Asia has requested the existing substantial Shareholders to demonstrate their respective support and commitment to the Group by subscribing for new Shares and retaining their respective shareholdings in the Company after completion of the Subscription. In this regard and given the funding need of the Group's development plan of car parking business and participating in the development of Shougang Park, the management of the Group approached the Company's existing substantial Shareholders and invited them to further invest in the Company by way of equity investment. Subsequently, Shougang Group (through its indirect wholly-owned subsidiary Jingxi Holdings) and Rocket Parade commenced negotiation with the Company on the terms of the Connected Subscription. Accordingly, the Connected Subscription and the Subscription are inter-conditional to each other with completion taking place simultaneously.

LETTER FROM THE BOARD

Equity financing, including a rights issue, open offer or placing to institutional investors, customarily involve the issue of new shares at a discount to the market price. In contrast, the prices for both of the Connected Subscription Shares and the Subscription Shares have been set at HK\$0.25 per Connected Subscription Share and Subscription Share, representing a premium over prevailing market price of the Shares prior to the date of the Connected Subscription Agreements and the Subscription Agreement. Moreover, it is not required for the Group to retain a portion of its business income for loan repayment under equity financing as compared to debt financing and thus all of its business income can be reinvested and/or used for dividend payment.

Accordingly, the Directors (other than (i) Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi (who abstained from voting in the relevant Board meeting by virtue of their connection with Shougang Group); (ii) Mr. Ho Gilbert Chi Hang (who abstained from voting in the relevant Board meeting by virtue of his connection with NWS Group); and (iii) the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular) believe that (i) it is in the interests of the Company and the Shareholders as a whole to proceed with the Connected Subscription and the Subscription; (ii) the terms of the Connected Subscription Agreements and the Subscription Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds of the Connected Subscription and the Subscription are expected to be approximately HK\$1,225.9 million in aggregate. After deducting related fees and expenses, the net proceeds of the Connected Subscription and the Subscription will amount to approximately HK\$1,218.2 million. The Company intends to apply the net proceeds in the following manner:

- (i) the entire net proceeds from the Subscription and 50% of the net proceeds from the Connected Subscription to invest in the car parking business and operations to accommodate the expansion plan of the car parking business as detailed in the section headed “Information of the Group”; and
- (ii) 50% of the net proceeds from the Connected Subscription to invest in the development of Shougang Park.

In respect of development of Shougang Park, the Group may directly or indirectly invest in the project.

The net proceeds from the Connected Subscription and/or the Subscription will not be used for the fund subscription under the framework agreement which was set out in the Company’s announcement dated 12 August 2018.

LETTER FROM THE BOARD

4. CONNECTED TRANSACTION – ENTERING INTO OF FUND SUBSCRIPTION AGREEMENT AND PROPOSED PARTNERSHIP AGREEMENT

THE FUND SUBSCRIPTION AGREEMENT

On 24 July 2018, the Company conditionally entered into the Fund Subscription Agreement with Shoushi Company (as the general partner of the Partnership) to participate in the Partnership as a limited partner (or through its designated subsidiary) for a capital commitment of RMB135 million. Subject to the Independent Shareholders' approval at the GM of the Fund Subscription Agreement, the Proposed Partnership Agreement and the transactions contemplated thereunder, the Company (or its designated subsidiary) shall further enter into the Proposed Partnership Agreement with Shoushi Company, Shougang Fund and other limited partners (if any).

THE PROPOSED PARTNERSHIP AGREEMENT

Shoushi Company 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.

Subject to the Independent Shareholders' approval of the Fund Subscription Agreement and the Proposed Partnership Agreement to be entered into, the Company (or its designated subsidiary), as a limited partner, will participate in the investment of the Partnership together with Shougang Fund and other limited partners (if any) and support the development of Shougang Park.

THE PARTIES TO THE PROPOSED PARTNERSHIP AGREEMENT

Shoushi Company is a non wholly-owned subsidiary of the Company principally engaged in enterprise management advisory and economic information advisory (excluding investment advisory).

Shougang Fund is principally engaged in the investment, management and advisory of non-securities businesses. Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), is interested in approximately 51.856% of the total number of Shares in issue as at the Latest Practicable Date and is a controlling shareholder and a connected person of the Company.

PARTNERSHIP

The Partnership has a term for six years (the "**Partnership Term**"). Shoushi Company as the general partner has the sole discretion to extend the Partnership Term twice, each time for one year. The Partnership Term, if it has already been extended for two years, may be further extended for one year by holding a partners' meeting. The initial first year of the Partnership Term shall be the investment period. Depending on the operation needs of the Partnership, Shoushi Company as the general partner may, at its sole discretion, extend the investment period for one year for one time only. The investment period shall be extended accordingly upon occurrence of force majeure event during that period.

LETTER FROM THE BOARD

The Partnership shall invest in Shouao Industrial Park project through a project company to be established and controlled directly or indirectly by it. The Partnership shall be principally engaged in enterprise management advisory (for projects subject to approval pursuant to the laws, approval must be obtained from relevant regulators prior to the commencement of any business activities).

CAPITAL CONTRIBUTION TO THE PARTNERSHIP

The Company's committed capital contribution to the Partnership shall be RMB135 million, which shall be paid by the Company (or its designated subsidiary). The interest holding of the Partnership will be as follows upon actual capital contribution by the parties in accordance with their respective capital commitment:

	Capital commitment <i>RMB</i>	Percentage interest in the Partnership <i>(approximate)</i>
Shougang Fund	900,000,000	86.12%
Shoushi Company	10,000,000	0.96%
The Company (or its designated subsidiary)	135,000,000	12.92%
Total	1,045,000,000	100%

Note: As at the Latest Practicable Date, Shougang Fund and Shoushi Company are the only limited partner and general partner of the Partnership, respectively.

Shoushi Company is committed to contributing RMB10 million under the Existing Partnership Agreement. When the committed capital contribution of the Partnership shall be increased by way of introduction of additional limited partners, separate legal documents will be signed. If necessary, Shoushi Company will be committed to making further capital contribution upon completing internal decision-making process and complying with the relevant requirements (including but not limited to the Listing Rules).

Given the nature of investment and interest holding in the Partnership by the Company (or through its designated subsidiary), the Directors confirmed that upon completion of the Fund Subscription and the transactions contemplated thereunder, the Partnership shall be recognised as an asset of financial instrument at fair value through profit or loss in the Group's consolidated financial statements and subject to the annual assessment on fair value which the gain or loss will be recognised in the Group's consolidated financial statements.

LETTER FROM THE BOARD

MANAGEMENT OF THE PARTNERSHIP

The Partnership, Shoushi Company (as the general partner) and the Fund Managers shall enter into an entrusted management agreement. Jingji Capital and Shanghai Shiwei shall act as joint Fund Managers, providing management services to the Partnership. Among them, Jingji Capital shall be the chief manager (the “**Chief Manager**”) of the Partnership and Shanghai Shiwei shall be the associate manager (the “**Associate Manager**”) of the Partnership.

Jingji Capital is a wholly-owned subsidiary of the Company.

Shanghai Shiwei is a subsidiary of Tishman Speyer Properties, L.P., which in turn is a renowned U.S. company that invests in and manages commercial properties.

MANAGEMENT FEE

Every year, the Partnership shall pay the Chief Manager and the Associate Manager a total of 1% of its committed capital contribution as management fee.

FUNDRAISING SERVICE FEE

The Partnership shall pay Shoushi Company (as the general partner) and/or its designated financial adviser(s), if any, a fundraising service fee in a total amount not exceeding 1% of the total committed capital contribution in the Partnership from all fundraising exercises.

PROFIT DISTRIBUTION AND LOSS SHARING

The Partnership shall distribute its profits in the following order:

- (i) to all of its partners (including Shoushi Company) up to their respective paid-in capital contribution amount;
- (ii) to all of its partners (including Shoushi Company) until they achieve an annual rate of return of 9% to their respective paid-in capital contribution amount; and
- (iii) the remaining distributable cash shall be distributed as to 80% to all of its limited partners in accordance with their respective paid-in capital contribution amount, and as to 20% to Shoushi Company (as the general partner), respectively.

Any loss incurred by the Partnership shall be borne by the partners in proportion to their respective contribution in the Partnership. The liability of each limited partners is capped by their respective contribution in the Partnership while the liability of the general partners is unlimited.

LETTER FROM THE BOARD

PARTNERS' MEETING

Partnership affairs relating to (a) amendments to the terms of the Proposed Partnership Agreement; (b) dissolution and/or liquidation of the Partnership; (c) joining or withdrawal from the Partnership; (d) transfer of Partnership interest by Shoushi Company as the general partner; (e) change of the general partner; and (f) extension of the Partnership Term shall be determined by the meetings of the partners. A partners' meeting shall be convened by Shoushi Company as the general partner. The partners shall exercise their voting power at the meetings in proportion to their respective paid-up capital contributions. For affairs relating to (a) to (c) above, resolutions shall be approved by partners whose paid-up capital contributions represents at least 67% of the total capital contributions paid up by those attending the meetings. For affairs relating to (d) and (f) above, resolutions shall be approved by partners whose paid-up capital contributions represents at least 67% of the total capital contributions paid up (excluding that of Shoushi Company as the general partner) by those attending the meetings. For affairs relating to (e) above, resolutions shall be approved by partners whose paid-up capital contributions represents at least 75% of the total capital contributions paid up (excluding that of Shoushi Company as the general partner) by those attending the meetings.

REASON FOR THE PARTNERSHIP

Reference is made to the Previous Announcement.

The Partnership is established to support the development of Shougang Park. Within Shougang Park, Shouao Industrial Park is the area where preparation of the Games is made and the national sports industry demonstration zone is built. The project consists of six parcels of land, with a total planned gross floor area of approximately 167,240 square meters. Shouao Industrial Park project is to provide the Organising Committee with offices and ancillary premises for training, as well as to develop itself as an influential industrial park in the PRC by bringing in internationally well-known sports industry leaders, cultural and creative enterprises and technology innovation companies. Through leasing and operation, the Partnership will deliver good supporting services to the Games Training Center and the Organising Committee, so as to enhance the capability of integration, innovation and international communication of, and to optimise industrial structure in the region.

In the Beijing Urban Master Plan (2016-2035), the municipal government of Beijing expressly states that "Shougang Park is the demonstration zone for green transformation and upgrading of traditional industries, high-end industrial innovative highland in Beijing-west, post-industrial, cultural, sports and creative base. Enhancement of the protection and utilization of industrial remains, focus on the construction of the northern area of Shougang's traditional industrial area, construction of the demonstration zone for the national sports industry", and Shouao Industrial Park project is located at the relatively core position of the northern area of Shougang Park. Upon completion and operation of the Shouao Industrial Park project, the Partnership is expected to receive a decent return from such project.

LETTER FROM THE BOARD

For further details, please refer to the Previous Announcement.

The management of the Company (through Jingji Capital, the Company's wholly-owned subsidiary) had been actively involved in the negotiation and formation stage of Shoushi Company and the Partnership. With the mission of "becoming a leading urban integrated services provider among Hong Kong listed companies", the Company intends to participate in the development and construction of Shougang Park through investing in the Partnership. In this regard, as set out in the Previous Announcement, on 13 July 2018, the Company entered into the strategic investment agreement with Shoushi Company, pursuant to which, the Company intends to, by acting as a limited partner (or through establishing a domestic entity or a third party designated by it), make capital contribution of not more than RMB300 million to the Partnership. Accordingly, the entering into of the Fund Subscription Agreement and the Proposed Partnership Agreement is meant to put the strategic investment agreement into practice and realise the Group's development plan.

The subscription for interest in the Partnership through entering into of the Fund Subscription Agreement and the Proposed Partnership Agreement is in the ordinary and usual course of business of the Group. The Directors (other than (i) Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi (by virtue of their connection with Shougang Group) who have abstained from voting for the resolutions proposed therein; and (ii) the independent non-executive Directors whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular) consider that the Fund Subscription Agreement has been and the Proposed Partnership Agreement will be entered into on normal commercial terms, such terms are fair and reasonable so far as the Company and the Shareholders are concerned and the Fund Subscription is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Connected Subscription

As at the Latest Practicable Date, (i) Jingxi Holdings is a subsidiary of Shougang Group, a controlling shareholder of the Company, which through its subsidiaries held 9,833,903,865 Shares, representing approximately 51.856% of the existing total number of issued Shares; and (ii) Rocket Parade was the beneficial owner of 1,900,000,000 Shares, representing approximately 10.019% of the existing total number of issued Shares and hence a substantial shareholder of the Company. As such, both Jingxi Holdings and Rocket Parade are connected persons of the Company under Rule 14A.07(1) of the Listing Rules and the Jingxi Subscription and the Rocket Subscription constitute connected transactions for the Company and are subject to the announcement, reporting and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Connected Subscription will be subject to the Independent Shareholders' approval at the GM. The Connected Subscription Shares will be allotted and issued under a specific mandate to allot, issue and deal with the Connected Subscription Shares by an ordinary resolution to be proposed for approval by the Independent Shareholders at the GM. To the best knowledge of the Directors, save for Jingxi Holdings and Rocket Parade and their respective associates, no Shareholder has a material interest in the Jingxi Subscription Agreement, the Rocket Subscription Agreement and the transactions contemplated thereunder. As such, Jingxi Holdings and Rocket Parade and their respective associates shall abstain from voting for the resolutions to approve the Connected Subscription (including the grant of specific mandate) and the transaction contemplated thereunder at the GM.

LETTER FROM THE BOARD

At the Board meeting held to approve the Connected Subscription 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), and Mr. Ho Gilbert Chi Hang (by virtue of his connection with NWS Group) have abstained from voting for the resolutions proposed therein.

Subscription

The Subscription is subject to the Shareholders' approval at the GM. The Subscription Shares will be allotted and issued under a specific mandate to allot, issue and deal with the Subscription Shares by an ordinary resolution to be proposed for approval by the Shareholders (who are entitled to vote and not required to abstain from voting under the Listing Rules) at the GM.

Given that the Connected Subscription Agreements and the Subscription Agreement are inter-conditional on each other, each of Jingxi Holdings and Rocket Parade has material interest in the Subscription. As such, Jingxi Holdings and Rocket Parade and their respective associates shall abstain from voting for the resolutions to approve the Subscription (including the grant of specific mandate) and the transactions contemplated thereunder. To the best knowledge of the Directors, save for Jingxi Holdings and Rocket Parade and their respective associates, no Shareholder has a material interest in the Subscription Agreement and the transactions contemplated thereunder.

At the Board meeting held to approve the Subscription 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), and Mr. Ho Gilbert Chi Hang (by virtue of his connection with NWS Group) have abstained from voting for the resolutions proposed therein.

Fund Subscription

Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), was interested in approximately 51.856% of the total number of Shares in issue as at the Latest Practicable Date and is a controlling shareholder and a connected person of the Company.

Pursuant to the Fund Subscription Agreement, the Company (or its designated subsidiary) shall enter into the Proposed Partnership Agreement with Shoushi Company (as general partner), together with Shougang Fund and any further investors as limited partners for investment in the Partnership. Accordingly, the entering into of the Fund Subscription Agreement and the Proposed Partnership Agreement will constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Company's capital commitment under the Fund Subscription Agreement when aggregated with the Previous Transactions are more than 5% but less than 25%, the entering into of the Fund Subscription Agreement and subsequently the Proposed Partnership Agreement by the Company (or its designated subsidiary) are subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, save for Shougang Group and their respective associates, no Shareholder has a material interest in the Fund Subscription and the transactions contemplated thereunder. As such, Shougang Group and its associates shall abstain from voting at the GM in respect of the resolutions proposed to approve the Fund Subscription and the transactions contemplated thereunder.

LETTER FROM THE BOARD

At the Board meeting held to approve the Fund Subscription (including the entering into of the Fund Subscription Agreement and the Proposed Partnership Agreement to be entered into) and 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 for the resolutions proposed therein.

GENERAL

The Connected Subscription and the Subscription are inter-conditional on each other and shall take place simultaneously. Completion of the Connected Subscription and the Subscription are subject to the fulfillment of the conditions under the Connected Subscription Agreements and the Subscription Agreement respectively. If the Connected Subscription does not proceed to completion, the Subscription will not take place and vice versa, and both the Connected Subscription Agreements and the Subscription Agreement will terminate in accordance with their respective terms.

Completion of the Fund Subscription is neither inter-conditional on the completion of the Connected Subscription nor the Subscription. Therefore, in the event that the Connected Subscription Agreements and the Subscription Agreement cannot complete, the Fund Subscription shall still continue according to its respective terms and conditions.

As completion of each of the Connected Subscription Agreements, the Subscription Agreement and the Fund Subscription (including the Fund Subscription Agreement and the Proposed Partnership Agreement) is subject to fulfilment of their respective conditions, the Connected Subscription, the Subscription and the Fund Subscription may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Connected Subscription (including the grant of specific mandate), the Fund Subscription and the transactions contemplated thereunder. Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription (including the grant of specific mandate), the Fund Subscription and the transactions contemplated thereunder.

GM

The GM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Connected Subscription and the Subscription (including the grant of specific mandate to allot and issue the Connected Subscription Shares and the Subscription Shares), the Fund Subscription and the transactions contemplated thereunder.

A notice convening the GM to be held at 10:00 a.m. on Thursday, 13 September 2018 at Concord Room 1, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong is set out on pages GM-1 to GM-4 of this circular for the purpose of considering and, if thought fit, passing the resolutions as set out therein.

A form of proxy for use by the Shareholders at the GM is enclosed herewith. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM (i.e., at or before 10:00 a.m. on Tuesday, 11 September 2018 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the GM shall demand voting on all resolutions set out in the notice of GM be taken by way of poll.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 29 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Advisor set out on pages 30 to 63 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular, but excluding Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi (who abstained from voting at the relevant Board meeting by virtue of their connection with Shougang Group), and Mr. Ho Gilbert Chi Hang (who abstained from voting at the relevant Board meeting by virtue of his connection with NWS Group)) consider that the terms of the Connected Subscription Agreements and the Subscription Agreement are on normal commercial terms, fair and reasonable, although the Connected Subscription and the Subscription are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly they recommend the Independent Shareholders or the Shareholders (as the case may be) to vote in favour of the relevant ordinary resolutions to be proposed at the GM.

The Directors (including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular, but excluding Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi (by virtue of their connection with Shougang Group)) consider that the terms of the Fund Subscription Agreement and the Proposed Partnership Agreement are on normal commercial terms, fair and reasonable, and the Fund Subscription is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly they recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the GM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

Yours faithfully
**Shougang Concord International
Enterprises Company Limited**
Zhao Tianyang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

27 August 2018

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 27 August 2018 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Connected Subscription Agreements, the Fund Subscription Agreement and the Proposed Partnership Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder, as set out on pages 30 to 63 of the Circular and the letter from the Board set out on pages 7 to 28 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that (i) the terms of the Connected Subscription Agreements are on normal commercial terms and are fair and reasonable, although the Connected Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of each of the Fund Subscription Agreement and the Proposed Partnership Agreement are on normal commercial terms, fair and reasonable, and the Fund Subscription is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder to be proposed at the GM.

Yours faithfully,
Independent Board Committee

Dr. Wang Xin

Mr. Choi Fan Keung Vic

Mr. Deng Yougao

Ms. Zhang Quanling

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



27 August 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTIONS INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND ENTERING INTO OF FUND SUBSCRIPTION AGREEMENT AND PROPOSED PARTNERSHIP AGREEMENT

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 Connected Subscription, the Fund Subscription and the transactions contemplated thereunder, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 27 August 2018 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Connected Subscription

On 24 July 2018 (after trading hours), the Company, and each of Jingxi Holdings, Rocket Parade and ORIX Asia (collectively, the “**Subscribers**”), entered into three separate subscription agreements (comprising the Connected Subscription Agreements and the Subscription Agreement), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for, an aggregate of 4,903,741,731 new Shares under the specific mandate at the subscription price of HK\$0.25 each, amounting to total gross proceeds of approximately HK\$1,225.9 million. The Connected Subscription and the Subscription are inter-conditional on each other and shall take place simultaneously, i.e. if the Connected Subscription does not proceed to completion, the Subscription will not take place and vice versa, and both the Connected Subscription Agreements and the Subscription Agreement will terminate in accordance with their respective terms. In respect of the Connected Subscription Agreements, the Company entered into (i) the Jingxi Subscription Agreement with Jingxi Holdings; and (ii) the Rocket Subscription Agreement with Rocket Parade. Pursuant to the Connected Subscription Agreements, the Company has conditionally agreed to allot and issue, and Jingxi Holdings and Rocket Parade have conditionally agreed to subscribe for, an aggregate of 3,400,000,000 Connected Subscription Shares under the specific mandate at the Connected Subscription Price of HK\$0.25 per Connected Subscription Share, which is equal to the Subscription Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Connected Subscription Shares represent (a) approximately 17.929% of the existing total number of issued Shares as at the Latest Practicable Date; and (b) approximately 14.245% of the total number of issued Shares as enlarged by the allotment and issue of the Connected Subscription Shares and the Subscription Shares in aggregate, subject to completion of the Connected Subscription and the Subscription. The Connected Subscription Shares will be allotted and issued pursuant to the specific mandate to be sought from the Independent Shareholders at the GM.

As at the Latest Practicable Date, (i) Jingxi Holdings is a subsidiary of Shougang Group, a controlling shareholder of the Company, which through its subsidiaries held 9,833,903,865 Shares, representing approximately 51.856% of the existing total number of issued Shares; and (ii) Rocket Parade was the beneficial owner of 1,900,000,000 Shares, representing approximately 10.019% of the existing total number of issued Shares and hence a substantial shareholder of the Company. As such, both Jingxi Holdings and Rocket Parade are connected persons of the Company under Rule 14A.07(1) of the Listing Rules, and the Jingxi Subscription and the Rocket Subscription constitute connected transactions for the Company and are subject to the announcement, reporting and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, save for Jingxi Holdings and Rocket Parade and their respective associates, no Shareholder has a material interest in the Jingxi Subscription Agreement, the Rocket Subscription Agreement and the transactions contemplated thereunder. As such, Jingxi Holdings and Rocket Parade and their respective associates shall abstain from voting for the resolutions to approve the Connected Subscription (including the grant of specific mandate) and the transactions contemplated thereunder at the GM.

The Fund Subscription

On 13 July 2018 (after trading hours), Shoushi Company, a non wholly-owned subsidiary of the Company (as general partner), entered into a partnership agreement with Shougang Fund (as limited partner), for the establishment of the Partnership in the form of limited partnership. The Company also entered into the strategic investment agreement with Shoushi Company, pursuant to which, the Company intends to act as a limited partner to make capital contribution of not more than RMB300 million to the Partnership.

On 24 July 2018 (after trading hours), the Company conditionally entered into the Fund Subscription Agreement with Shoushi Company (as a general partner of the Partnership) pursuant to which, the Company (or its designated subsidiary) conditionally agreed to participate in the Partnership as a limited partner (or through its designated subsidiary) for a capital commitment of RMB135 million. Subject to the Independent Shareholders' approval at the GM of the Fund Subscription Agreement, the Proposed Partnership Agreement and the transactions contemplated thereunder, the Company (or its designated subsidiary) shall further enter into the Proposed Partnership Agreement with Shoushi Company, Shougang Fund and other limited partners (if any). Pursuant to the Proposed Partnership Agreement, Shoushi Company 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, the entering into of the Fund Subscription Agreement and the Proposed Partnership Agreement will constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Company's capital commitment under the Fund Subscription Agreement when aggregated with the Previous Transactions are more than 5% but less than 25%, the entering into of the Fund Subscription Agreement and subsequently the Proposed Partnership Agreement by the Company (or its designated subsidiary) are subject to announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, save for Shougang Group and their respective associates, no Shareholder has a material interest in the Fund Subscription and the transactions contemplated thereunder. As such, Shougang Group and its associates shall abstain from voting at the GM in respect of the resolutions proposed to approve the Fund Subscription and the transactions contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao and Ms. Zhang Quanling, has been formed to advise the Independent Shareholders as to whether the terms of the Connected Subscription Agreements, the Fund Subscription Agreement and the Proposed Partnership Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions to be proposed at the GM to approve the Connected Subscription (including the grant of specific mandate), the Fund Subscription and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the terms of the Connected Subscription Agreements, the Fund Subscription Agreement, the Proposed Partnership Agreement and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the GM and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 13.80 of the Listing Rules until the GM. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the GM.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Subscribers or any of their respective subsidiaries and associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background information of the Group, the Subscribers and the parties to the Partnership

The Group

The Company is incorporated in Hong Kong with limited liability, and the Shares have been listed on the Stock Exchange since 30 April 1991.

As at the Latest Practicable Date, the Group is principally engaged in (i) the business of car parking facilities and investment operation in the PRC with a focus on smart car parking market; (ii) the business of provision of private fund management services in the PRC; and (iii) trading of iron ore, steel and related products.

The Subscribers

The subscriber of Jingxi Subscription, Jingxi Holdings, is an investment holding company incorporated in Hong Kong with limited liability and held 1,791,579,245 Shares representing approximately 9.447% of the total number of issued Shares as at the Latest Practicable Date. Jingxi Holdings is an indirect wholly-owned subsidiary of Shougang Group, a controlling shareholder of the Company, which is a state-owned enterprise established in the PRC.

The subscriber of Rocket Subscription, Rocket Parade, is an investment holding company incorporated in the British Virgin Islands with limited liability and held 1,900,000,000 Shares representing approximately 10.019% of the total number of issued Shares as at the Latest Practicable Date. Rocket Parade, a substantial shareholder of the Company, is a wholly-owned subsidiary of NWS Holdings whose shares are listed on the Stock Exchange (stock code: 659). As at the Latest Practicable Date, NWS Group is principally engaged in (i) the development, investment, operation and/or management of roads, environmental projects, commercial aircraft leasing as well as ports and logistics facilities; and (ii) the investment in and/or operation of facilities, construction, transport and strategic investments.

The subscriber of Subscription, ORIX Asia, is an investment holding company incorporated in Hong Kong and is a wholly-owned subsidiary of ORIX Corporation, a leading global financial institution which is dual-listed in both New York and Japan. ORIX Asia is a leading principal investment firm focusing on diversified investments including private equity, fund of funds, restructuring of PRC state-owned-enterprises and structured financing. Its investment partners are global leading financial institutions and industrial forerunners. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) ORIX Corporation, ORIX Asia and their respective ultimate beneficial owner(s) are third parties independent of the Company and its connected persons; and (ii) neither ORIX Corporation nor ORIX Asia is interested in any Shares as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Parties to the Partnership

Pursuant to the Fund Subscription Agreement, the Company (or its designated subsidiary) will participate in the Partnership as a limited partner.

Shoushi Company is principally engaged in enterprise management advisory and economic information advisory (excluding investment advisory). Shoushi Company is a limited liability company established in the PRC which is held by Jingji Capital and Beijing Shize as to 60% and 40%, respectively, and a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date. Shoushi Company 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 is principally engaged in the investment, management and advisory of non-securities businesses. Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), was interested in approximately 51.856% of the total number of Shares in issue as at the Latest Practicable Date and is a controlling shareholder and a connected person of the Company.

As at the Latest Practicable Date, Shougang Fund and Shoushi Company are the only limited partner and general partner of the Partnership, respectively.

2. Financial information of the Group

The following table summarises the key financial information of the Group for the years ended 31 December 2015, 2016 and 2017 as extracted from the annual reports of the Company for the years ended 31 December 2016 (the “**2016 Annual Report**”) and 2017 (the “**2017 Annual Report**”), respectively.

	For the year ended 31 December		
	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	3,816,145	1,035,606	416,121
<i>Continuing operations</i>			
– <i>Sale of iron ore</i>	3,812,329	921,970	412,305
– <i>Sale of other steel related products</i>	–	110,014	–
– <i>Management services and leasing income</i>	3,816	3,622	3,816
<i>Discontinued operations</i>			
– <i>Sale of steel products</i> ^(Note)	–	6,262,980	6,844,690
– <i>Mineral exploration and processing</i> ^(Note)	–	–	11,884
Gross profit	9,110	49,394	62,820
<i>Gross profit margin</i>	0.2%	4.8%	15.1%
Profit/(loss) for the year	57,286	(1,954,220)	(3,889,639)
– <i>Continuing operations</i>	57,286	(476,215)	(1,445,796)
– <i>Discontinued operations</i>	–	(1,478,005)	(2,443,843)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note:

The Group discontinued the segments of steel manufacturing and mineral exploration and processing in 2016. As disclosed in the announcement of the Company dated 3 October 2016, the Company entered into an agreement to dispose its subsidiary, of which principal activities are manufacture and sale of steel and related products and mining, processing and sale of iron ore. The disposal was completed on 30 December 2016. After the disposal, the Group discontinued the steel manufacturing and mineral exploration and processing operations.

	As at 31 December		
	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Property, plant and equipment	4,850	2,246	9,239,351
Interests in associates	5,073,079	4,654,460	5,353,944
Bank balances and cash	1,389,628	537,488	519,474
Net current assets/(liabilities)	1,586,151	(172,286)	(14,047,489)
Total assets	8,186,309	5,847,436	21,262,373
Total liabilities	(942,657)	(1,142,226)	(21,042,435)
Net assets	7,243,652	4,705,210	219,938

For the years ended 31 December 2015 and 2016

Revenue of the Group from continuing operations increased from approximately HK\$416.1 million for the year ended 31 December 2015 to approximately HK\$1,035.6 million for the year ended 31 December 2016, representing an increase of approximately 148.9% as compared to the prior year. As stated in the 2016 Annual Report, such increase was mainly due to surge in trading volume of iron ore and the increase in average selling price of iron ore.

Despite the increase in revenue, gross profit derived from the Group's continuing operations dropped from approximately HK\$62.8 million for the year ended 31 December 2015 to approximately HK\$49.4 million for the year ended 31 December 2016, and gross profit margin of the Group's continuing operations decreased from approximately 15.1% to approximately 4.8% during the same period. As stated in the 2016 Annual Report, the decrease in gross profit margin from continuing operations was mainly due to the fact that more inventories of medium grade iron ore had been provided by Mount Gibson Iron Limited ("**Mt. Gibson**") during the year ended 31 December 2015 for trading purpose under the offtake agreements entered into with Mt. Gibson, and such agreements include rebate to the Group on marketing commission for purchase of iron ore from Mt. Gibson. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. For the year ended 31 December 2016, the Group devoted much effort in procurement from other suppliers so as to drive the trading volume. As there were more rebates to the Group on marketing commission and trading of special graded iron ore during the year ended 31 December 2015, gross profit margin from continuing operations for the year ended 31 December 2015 was higher than that of the year ended 31 December 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loss derived from the Group's continuing operations for the year ended 31 December 2015 decreased significantly from approximately HK\$1,445.8 million to approximately HK\$476.2 million for the year ended 31 December 2016. As stated in the 2016 Annual Report, such improvement was mainly attributable to (i) the decrease in impairment loss on interest in an associate from approximately HK\$951.7 million for the year ended 31 December 2015 to approximately HK\$257.0 million for the year ended 31 December 2016; and (ii) turnaround of performance of the two associates (namely, Shougang Fushan Resources Group Limited and Shougang Concord Century Holdings Limited) from share of loss of associates of approximately HK\$275.0 million for the year ended 31 December 2015 to share of profit of associates of approximately HK\$9.1 million for the year ended 31 December 2016.

As at 31 December 2016, total assets of the Group amounted to approximately HK\$5,847.4 million, of which interests in associates and bank balances and cash amounted to HK\$4,654.5 million and HK\$537.5 million, respectively, representing approximately 79.6% and 9.2% of the total assets of the Group, respectively. As at 31 December 2016, total liabilities of the Group amounted to approximately HK\$1,142.2 million, of which bank borrowings amounted to approximately HK\$616.8 million and represented approximately 67.2% of the total liabilities of the Group.

For the years ended 31 December 2016 and 2017

Revenue of the Group from continuing operations increased from approximately HK\$1,035.6 million for the year ended 31 December 2016 to approximately HK\$3,816.1 million for the year ended 31 December 2017, representing an increase of approximately 268.5% as compared to the prior year. As stated in the 2017 Annual Report, such increase was mainly due to surge in trading volume of iron ore and the increase in average selling price of iron ore.

Despite the increase in revenue of the Group, gross profit derived from the Group's continuing operations decreased further from approximately HK\$49.4 million for the year ended 31 December 2016 to approximately HK\$9.1 million for the year ended 31 December 2017 and the gross profit margin of the Group's continuing operations decreased from approximately 4.8% to approximately 0.2% during the same period. The decreases in gross profit and gross profit margin from continuing operations were mainly attributable to the remaining inventory of medium grade iron ore provided by Mt. Gibson for trading purpose under the offtake agreements entered into with Mt. Gibson, and the agreements include rebate on marketing commission for purchase of iron ore from Mt. Gibson. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. Therefore, although the Group devoted much effort in procurement from other suppliers so as to drive the trading volume, the gross profit margin from continuing operations for the year ended 31 December 2017 was lower than the previous financial year as there were more rebates on marketing commission and the trading of special graded iron ore in previous financial year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2017, total assets of the Group amounted to approximately HK\$8,186.3 million, of which interests in associates and bank balances and cash amounted to approximately HK\$5,073.1 million and HK\$1,389.6 million, respectively, representing approximately 62.0% and 17.0% of the total assets of the Group, respectively. As at 31 December 2017, total liabilities of the Group amounted to approximately HK\$942.7 million and all bank borrowings of the Group had been repaid.

According to the 2017 Annual Report, the Group has acquired the private fund management business in late 2017. In most of the cases, the Group acts as the general partner of funds or partnerships. Accordingly, we noted that the Company does possess prior experience in establishing and investing in entities similar to the Partnership.

3. The Connected Subscription

3.1 Reasons for and benefits of the Connected Subscription

As disclosed in the Letter from the Board, after the disposal of the Qinhuangdao business at the end of 2016, the Group ended the running of many years of steel business. The Group successfully acquired the equity interest of Jingji Capital and 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*, “**Shouzhong**”). It consolidated the business foundation for the Group by virtue of diversifying its business into private fund management and car park operation in the PRC together with the original trading business of iron ore (the “**Trading Business**”). At the same time, through investment in two associates listed in Hong Kong, namely, Shougang Fushan Resources Group Limited (stock code: 639) and Shougang Concord Century Holdings Limited (stock code: 103), the businesses of the Group include exploration and sales of hard coking coal and manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products in the PRC.

The Group’s segmental loss of the Trading Business for the year ended 31 December 2017 was mainly attributable to the unexpected change of market conditions during the year. Historically, the gross profit of the Trading Business was mainly generated from the discount offered to the Group under the long-term iron ore sale agreements entered into between the Group and its suppliers of iron ore (“**Suppliers**”). For the year ended 31 December 2017, large scale steel manufacturers have changed their purchase preference by switching to high grade iron ore from medium/low grade iron ore which was supplied by the Group. The change of purchase preference of large scale steel manufacturers was due to the increase in prices of steel and to comply with the increasing standard of environmental protection regulations. This change of purchase preference of large scale steel manufacturers has resulted in the increase in discount of medium/low grade iron ore in the market and the Group was required to offer such discount to its customers. However, the discount of iron ore provided by the Suppliers under the long-term iron ore sale agreements was fixed. As a result, the gross profit of the Trading Business was much significantly squeezed and the Group incurred a segmental loss for the Trading Business during the year ended 31 December 2017.

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It is expected that the prospects of the Trading Business will remain challenging and therefore the Group will continue to adjust its Trading Business model to accommodate the changing market condition. In response to this, the Company has to strictly control the risk of iron ore trading and gradually reduce the revenue from iron ore trading as well as the volume of iron ore transactions. The Company will closely monitor the iron ore trading market and the development of the Trading Business from time to time. Should the iron ore trading market become favourable subsequently, the Group may revisit and adjust its plan when the Company considers it to be in the interests of the Company to do so. The Company has no intention to dispose of the Trading Business at present. Based on the foregoing and considering the decrease of gross profit and gross profit margin of the Trading Business for the year ended 31 December 2017 as compared to 2016 and 2015, we concur with the Company's view that the prospect of the Trading Business will remain challenging.

The PRC is undergoing urbanisation, leading to a significant improvement in living standards and an increasing demand for auto vehicles. This results in business opportunities for car parking business and operations in the PRC. In order to further develop the car parking business and operations of the Group, it is expected that further capital is required for business development such as acquiring additional car parking spaces, entering into long-term leases with car park owners, entering into franchise agreements, construction of parking building and/or co-operation with private corporations, state-owned enterprises and governmental bodies.

As disclosed in the Letter from the Board, the Group has two main competitive strengths in the car parking operating business, Firstly, the Group is equipped with leading market development capabilities, particularly in terms of its extensive investor network, profound corporate image, and distinct advantages in raising capital as a listed company on the Stock Exchange, which would enable the Group to strategically map out its car park locations at prime spots in the first and second-tier cities of China. Secondly, the Group is capable of providing integrated solutions to regional static traffic control as well as intelligent car parking facilities, so as to raise the operating efficiency of both regional static traffic and dynamic traffic management. By continuously expanding the Group's car park locations and developing cross-region intelligent management system, the Group is expected to further enhance the overall intelligent management of its entire car parks.

Shougang Park, covering an area of 8.63 square kilometers, is the only area in the city district of Beijing that allows large-scale and closely-grouped development. The development and construction of Shougang Park serves as a major strategy to optimise the function of the capital, to adjust the planning of major productive forces, and to promote the coordinated development of the population, resources, as well as the environment in the capital.

The planning and development of Shougang Park will be by stages in light of its vast size for development. As advised by the Directors, Shougang Group will first focus on the transformation of the northern and southeast areas of Shougang's old factory site from 2018 to 2020, and endeavor to complete construction of 首奧產業園 (Shouao Industrial Park*) by 2021 so as to establish it as the world's renowned landmark of revitalisation.

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In preparation for the Games, Shougang Park seized the opportunity of the moving-in of the Organising Committee for the Games by focusing on building a national sports industry demonstration zone of the highest world-class standard based on the construction of winter sports stadium facilities with the strong support from the General Administration of Sports of China. Currently, the construction of infrastructure and key projects within the Shougang Park is accelerating. As at the Latest Practicable Date, the S1 Railway Line has been completed and opened to traffic, the Organising Committee of the Games has moved in to the area of Shougang Park, the winter sports stadium facilities of the General Administration of Sports of China has commenced construction, the workstation for overseas academician and experts has been completed, and the southern area of Shougang Park has begun detailed planning. It is expected that the Shouao Industrial Park, which is the area where preparation of the Games is made and the national sports industry demonstration zone is to be built, shall substantially complete construction and commence operation in around 2021. At the same time of construction, Shouao Industrial Park will also start to approach internationally well-known sports industry leaders, cultural and creative enterprises and technology innovation companies for investment. It is intended that Shouao Industrial Park shall commence operation right after completion of construction. The Company is confident on the long term prospects of Shougang Park and would work closely with Shougang Group to participate in the development and management of Shougang Park.

The gross proceeds of the Connected Subscription and the Subscription are expected to be approximately HK\$1,225.9 million in aggregate. After deducting related fees and expenses, the net proceeds of the Connected Subscription and the Subscription will amount to approximately HK\$1,218.2 million. As set out in the Letter from the Board, it is intended that the net proceeds from the Connected Subscription and the Subscription will be applied in the following manner:

- (i) the entire net proceeds from the Subscription and 50% of the net proceeds from the Connected Subscription to invest in the car parking business and operations to accommodate the expansion plan of the car parking business as detailed in the section headed “Information of the Group” in the Letter from the Board; and
- (ii) 50% of the net proceeds from the Connected Subscription to invest in the development of Shougang Park.

In respect of development of Shougang Park, the Group may directly or indirectly invest in the project.

The net proceeds from the Connected Subscription and/or the Subscription will not be used for the fund subscription under the framework agreement which was set out in the Company’s announcement dated 12 August 2018.

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Car parking business and operations

As disclosed in the 2017 Annual Report, the Group completed the acquisition of 40% equity interest in Shouzhong held by Shougang Fund on 21 December 2017. Besides, an additional approximately 4.944% equity interest in Shouzhong was acquired by the Group before the end of 2017, therefore, the Group held 44.94382% of the aggregate equity interest in Shouzhong as at the end of 2017. Furthermore, as disclosed in the announcement of the Company dated 12 March 2018, an additional 44.94382% equity interest of aggregate equity interest in Shouzhong was acquired by the Company and Shouzhong was owned as to 89.88764% by the Group after the completion. As at the Latest Practicable Date, Shouzhong remains as a non-wholly-owned subsidiary of the Company.

The business of Shouzhong is to manage car park operation in the PRC with a special focus on intelligent car parking. Shouzhong has been actively expanding its business in car park since its establishment. It currently has nine car park projects in the PRC and operates approximately 6,100 car parking lots in total. In addition, Shouzhong also owns the car park operation right of a major project in the new airport in Beijing through the investment in 48.125% equity interest in 北京首中停車管理有限公司 (Beijing Shouzhong Car Parking Management Company Limited*), a joint venture of Shouzhong. The operation of the new airport project is for a term of 20 years with an option to extend for a further five years. The new airport in Beijing will provide approximately 4,200 parking lots and is expected to be put into operation by the end of 2019.

Moreover, as disclosed in the announcement of the Company dated 8 June 2018, a joint venture of Shouzhong, 唐山智慧城市靜態交通產業發展有限公司 (Tangshan Smart City Static Transportation Industry Development Co., Ltd.*, “**Tangshan Transportation**”), in which 55% equity interests are held by Shouzhong, has been established for the development and construction of the static transportation market in Tangshan, where demands for more than 40,000 parking spaces and public parking spaces are in severe shortage, especially along the main road sections in urban center, major public hospitals and transportation hubs. Accordingly, accelerating the development of the static transportation industry in Tangshan and solving the “parking woes”, which is a major concern in livelihood among the locals, has become a top priority for urban governance in Tangshan. The Group have already teamed up with five public hospitals in Tangshan, the Tangshan Railway Station and the Tangshan Hotel and have reached an agreement on the cooperation in investing and operating parking facilities. It is expected that the cooperation projects through Tangshan Transportation could provide strong driving power to the Group’s development in the area of investment and operation of parking facilities and hence stable economic benefits for the Group. Furthermore, as disclosed in the same announcement, Shouzhong shall contribute RMB110 million in cash for 55% equity interest in Tangshan Transportation by 31 December 2020. As provided by the Company, Shouzhong had contributed RMB5.5 million as at the Latest Practicable Date and the subsequent capital contributions shall be subject to the progress of the investment projects of the Tangshan Transportation.

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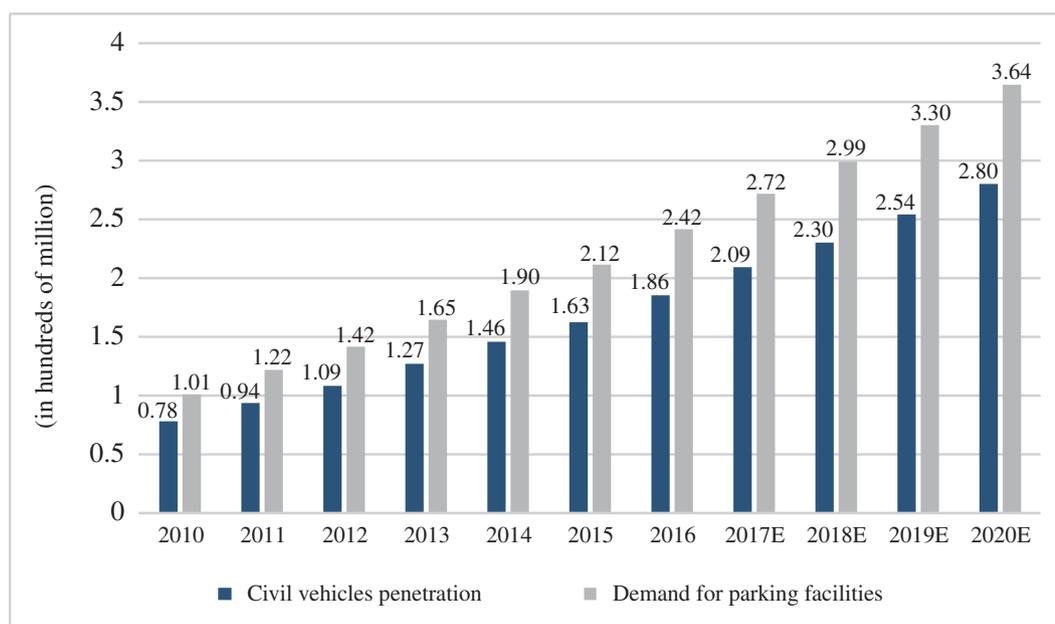
As advised by the management of Company, the Company currently intends to use the entire net proceeds from the Subscription and 50% of the net proceeds from the Connected Subscription which amounted to approximately HK\$795.9 million in aggregate, together with the Group's internal resources, for further investment in the car parking business and operations, as follows:

- (i) approximately 80% of the net proceeds will be used for acquiring and operating car parking spaces and construction of car parking facilities; and
- (ii) the rest of the net proceeds will be used for purchasing of equipment and as working capital related to car parking spaces.

Based on information provided by the Company, the Group's revenue generated from the car parking business amounted to approximately RMB24.9 million and the gross profit amounted to approximately RMB1.24 million for the first half year of 2018, which, as advised by the management of the Company, are in line with the Directors' expectation.

As further mentioned in the 2017 Annual Report, the penetration rate of auto vehicles in the PRC is still relatively low compared with that in western countries despite the fact that the PRC is undergoing the rapid urbanisation which has led to a significant improvement in living standards and an ever-increasing demand for auto vehicles. Therefore, the automotive industry has huge potential for sustained growth and demand for car park in the PRC is benefited as well.

To assess the market conditions and prospects of car parking business in the PRC, we have conducted research on the potential demand for parking facilities in the PRC. The following graph shows the civil vehicles penetration and demand for parking facilities in the PRC from 2010 to 2020:



Source: 深圳市停車產業發展報告 (Shenzhen Parking Industry Development Report*) issued by Development and Reform Commission of Shenzhen Municipality

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According to the 深圳市停車產業發展報告 (Shenzhen Parking Industry Development Report*) issued by Development and Reform Commission of Shenzhen Municipality in February 2018, the civil vehicles penetration in the PRC has been increasing since 1988 with annual growth rate maintained at 10% or above, and public parking spaces in the PRC are in severe shortage and demands for more than 50 million parking spaces. As shown in the graph above, as the civil vehicles penetration in the PRC continues to rise, the demand for parking facilities will continue to expand. As at June 2017, the demand for parking facilities reached approximately 266 million and is expected to reach approximately 364 million in 2020. Considering the expected continuous increasing demand for parking facilities which outpace the civil vehicles penetration in the PRC in the coming years, we consider that it is justifiable for the Group to pursue further in its car parking business and operations in order to capture the potential market demands.

Development of Shougang Park

On 24 July 2018, the Company conditionally entered into the Fund Subscription Agreement with Shoushi Company (as the general partner of the Partnership) to participate in the Partnership as a limited partner (or through its designated subsidiary) for a capital commitment of RMB135 million. As disclosed in the Letter from the Board, the Partnership is established to support the development of Shougang Park.

Within Shougang Park, 首奧產業園區 (Shouao Industrial Park*) is the area where preparation of the Games is made and the national sports industry demonstration zone is built. The project consists of six parcels of land, with a total planned gross floor area of approximately 167,240 square meters. The Shouao Industrial Park project is to provide the Organising Committee with offices and ancillary premises for training, as well as to develop itself as an influential industrial park in the PRC by bringing in internationally well-known sports industry leaders, cultural and creative enterprises and technology innovation companies. Through leasing and operation, the Partnership will deliver good supporting services to the Games Training Center and the Organising Committee, so as to enhance the capability of integration, innovation and international communication of, and to optimise industrial structure in the region.

As advised by the management of Company, the Company currently intends to use 50% of the net proceeds from the Connected Subscription which amounted to approximately HK\$422.3 million to invest in the development of Shougang Park.

Since the State Council of PRC approved the relocation and redevelopment of Shougang Park in 2005, Shougang Park has been listed as one of the key development project by the state and municipal government and continued to be listed as one of the key infrastructures in cultural related project in 北京市國民經濟和社會發展第十三個五年規劃綱要 (Outline of the 13th Five-Year Plan for National Economic and Social Development in Beijing*). As part of revitalisation plan of the previous heavy industrial site, Shougang Park is expected to become the focal point of composite development projects for new industries which include cultural and creative, technology innovation as well as sports industries. Shougang Park will also be connected by highways and subways extension. The Company expects that development of Shougang Park will continue to be one of the key development projects from the state and municipal government in the future.

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As mentioned in the Letter from the Board, in the Beijing Urban Master Plan (2016-2035), the municipal government of Beijing expressly states that “Shougang Park is the demonstration zone for green transformation and upgrading of traditional industries, high-end industrial innovative highland in Beijing-west, post-industrial, cultural, sports and creative base. Enhancement of the protection and utilisation of industrial remains, focus on the construction of the northern area of Shougang’s traditional industrial area, construction of the demonstration zone for the national sports industry”, and Shouao Industrial Park project is located at the relatively core position of the northern area of Shougang Park. Upon completion and operation of the Shouao Industrial Park project, the Partnership is expected to receive a decent return from such project.

In considering the economic benefits of Shougang Park as a result of the Games, we make reference to the economic performance of Beijing city during the organisation period of the Olympics Game in 2008. According to 國家統計局 (National Bureau of Statistics) and 北京市統計局 (Beijing Municipal Bureau of Statistics), since the year following the successful bidding of the Olympics Games up to 2008, the growth rate of Beijing’s gross domestic product adjusted by consumer price index (“**Real GDP**”) has outpaced the PRC’s Real GDP growth rate by an average of approximately 1.9% per year. Beijing’s Real GDP growth rate also outperformed PRC’s Real GDP growth rate in the past 20 years from 1998 to 2017 by an average of 1.3%. We note the economy of Beijing city was strong during the period of preparation of the Olympics Game in 2008.

Based on the foregoing, we concur with the Directors’ view that the further development of the car parking business and operations of the Group as well as the participation in development and management of Shougang Park are expected to strengthen the revenue base of the Group.

Despite the Trading Business is the dominant business of the Group, having considered that (i) the Company has to strictly control the risk of iron ore trading and gradually reduce the revenue from iron ore trading as well as the volume of iron ore transactions; (ii) the prospect of the Trading Business will remain challenging; (iii) the competitive strengths of the car parking business; (iv) the acquisitions of the majority of the equity interest in Shouzhong were completed recently (i.e. in December 2017 and in March 2018, respectively); (v) further development of Shougang Park and the car parking business in PRC through Shouzhong could consolidate the business foundation for the Group by virtue of diversifying its business; and (vi) the long term prospect of Shougang Park is promising as it is the only area in the city district of Beijing that allows large-scale and closely-grouped development, we are of the view that the use the proceeds for further development in Shougang Park and the car parking business instead of the Trading Business is fair and reasonable.

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Financing alternatives of the Group

As disclosed in the Letter from the Board, save for the equity fund raising activities mentioned below, the Company has not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

Date of announcement	Fund raising activity	Net proceeds	Proposed use of the net proceeds
8 September 2017	Issue of 8,957,896,227 Shares under the Open Offer	Approximately HK\$2,004.5 million	(i) Payment for the consideration and related expenses of the acquisitions; (ii) payment for the committed and unpaid capital in respect of the sale shares; (iii) support of further development of the target companies; (iv) repayment of bank loans; (v) support operations of the Trading Business; and (vi) future strategic acquisitions complementary to the business of the Group and general working capital and other general corporate purposes. For details, please refer to the Company's announcement dated 8 September 2017.

As at the Latest Practicable Date, save for about HK\$600 million which has not yet been used, the proceeds from the issue of Shares under the Open Offer have been fully utilised as intended. As advised by the management of Company, the remaining HK\$600 million is expected to be utilised for parking facilities operations and management and further subscription of potential funds as intended by mid-2019.

As disclosed in the Letter from the Board, in response to the funding needs of the Group, the Company has considered a number of ways of equity financing, including a rights issue, open offer or placing to institutional investors, which customarily involve the issue of new Shares at a discount to the market price. In contrast, the subscription prices for both of the Connected Subscription Shares and the Subscription Shares have been set at HK\$0.25 per Connected Subscription Share and Subscription Share, representing a premium over prevailing market price of the Shares prior to the date of the Connected Subscription Agreements and the Subscription Agreement. Moreover, it is not required for the Group to retain a portion of its business income for loan repayment under equity financing as compared to debt financing and thus all of its business income can be reinvested and/or used for dividend payment.

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(a) *Debt financing*

As at 31 December 2016, the Group had bank borrowings of approximately HK\$616.8 million, which bore a weighted average interest rate of 3.5% per annum, and pledged bank deposits amounting to approximately HK\$23.1 million to secure such bank borrowings. As at 31 December 2017, the Group had no bank borrowings or pledge bank deposits. For the years ended 31 December 2016 and 2017, the Group incurred finance costs on bank borrowings of approximately HK\$31.0 million and HK\$17.4 million, respectively.

We noted that the Group had fully repaid its bank borrowings by 31 December 2017 and recorded substantial decline in finance costs for the year ended 31 December 2017 as compared to the prior year. Also, the Group's pledged bank deposits were released upon the full repayment of the corresponding bank borrowings. This is consistent with the Group's preference not to retain a portion of its business income for loan repayment under debt financing and thus all of its business income can be reinvested and/or used for dividend payment.

(b) *Other forms of equity financing*

Despite that both rights issue and open offer would allow the Shareholders to participate in the subscription on new Shares to be issued by the Company and maintain their respective pro-rata shareholdings in the Company, rights issue or an open offer may involve (i) identifying underwriter(s) with favourable terms; (ii) extended timetable for extra administrative work for preparation and issue of related documents such as prospectus and application forms for acceptance of the rights issue or open offer and preparation of unaudited pro forma financial information to be included in the prospectus; and (iii) incurring additional costs such as expenses in relation to engagement of reporting accountants, lawyers, financial advisers and brokerage agent and printing charges in connection with prospectus and application forms, cost associated with registration and despatch of new Shares to a large number of Shareholders, which are otherwise not required in a new shares placement or subscription exercise.

We noted that the gross proceeds from the Open Offer were approximately HK\$2,015.5 million and the net proceeds from the Open Offer after deducting all relevant expenses were approximately HK\$2,004.5 million. The relevant expenses incurred in respect of the Open Offer amounted to approximately HK\$11.0 million. The Open Offer took more than two months from the date of announcement to complete. Moreover, the subscription price under the Open Offer represented a discount of approximately 21.05% to the closing price of the Share on the last trading day of the Shares on the Stock Exchange prior to the date of announcement of the Open Offer.

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3.2 Principal terms of the Connected Subscription Agreements

Set out below is a summary of the principal terms of the Connected Subscription Agreements. Further details of the Connected Subscription Agreements are set out in the Letter from the Board.

Date: 24 July 2018

Parties:

Jingxi Subscription Agreement (1) The Company (as issuer); and
(2) Jingxi Holdings (as subscriber)

Rocket Subscription Agreement (1) The Company (as issuer); and
(2) Rocket Parade (as subscriber)

Connected Subscription Shares and Connected Subscription Price

Pursuant to the Jingxi Subscription Agreement, Jingxi Holdings has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 2,800,000,000 new Shares at the Connected Subscription Price of HK\$0.25 per Connected Subscription Share which is equal to the Subscription Price, with an aggregate cash consideration of HK\$700 million.

Pursuant to the Rocket Subscription Agreement, Rocket Parade has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 600,000,000 new Shares at the Connected Subscription Price of HK\$0.25 per Connected Subscription Share which is equal to the Subscription Price to Rocket Parade, with an aggregate cash consideration of HK\$150 million.

Size of the Connected Subscription

Jingxi Subscription Shares represent (i) approximately 14.765% of the existing total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 11.731% of the total number of issued Shares as enlarged by the allotment and issue of the Connected Subscription Shares and the Subscription Shares in aggregate, subject to completion of the Connected Subscription and the Subscription and assuming there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the date of completion of the Connected Subscription and the Subscription.

Rocket Subscription Shares represent (i) approximately 3.164% of the existing total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 2.514% of the total number of issued Shares as enlarged by the allotment and issue of the Connected Subscription Shares and the Subscription Shares in aggregate, subject to completion of the Connected Subscription and the Subscription and assuming there will be no other changes in the total number of issued Shares between the Latest Practicable Date and the date of completion of the Connected Subscription and the Subscription.

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Ranking of the Connected Subscription Shares

The Connected Subscription Shares and the Subscription Shares shall rank, upon issue, *pari passu* in all respects among themselves and with the Shares in issue, and shall be freely transferable, free and clear of all liens, encumbrances, security interests or claims of third parties and will not be subject to any pre-emptive or similar rights or calls for further payments.

Transfer restrictions

Save with the consent from the Company, none of Jingxi Holdings and Rocket Parade shall, and shall procure that none of its subsidiaries or companies controlled by it or any nominee or trustee holding in trust for it shall, at any time during the period of six months from the date of completion of the Connected Subscription Agreements, create or permit to subsist any encumbrance or other security interest whatsoever on or over or in respect of the Jingxi Subscription Shares or the Rocket Subscription Shares (as the case may be) and otherwise dispose of any of the Jingxi Subscription Shares or the Rocket Subscription Shares (as the case may be) or otherwise purport to deal with the beneficial or economic interest therein (including but not limited to its voting rights) or any right relating thereto. In respect of the Jingxi Subscription Agreement and the Rocket Subscription Agreement, any transfer among their respective group shall not be considered as a breach of the terms thereof.

Conditions precedent

Completion of the Connected Subscription and the Subscription are subject to the fulfillment of the conditions set out in the paragraphs headed “Conditions precedent to the Connected Subscription” and “Conditions precedent to the Subscription” respectively in the Letter from the Board.

The completion of the Connected Subscription and the Subscription are inter-conditional on each other and shall take place simultaneously. If the Connected Subscription does not proceed to completion, the Subscription will not take place and vice versa, and both the Connected Subscription Agreements and the Subscription Agreement will terminate in accordance with their respective terms.

Evaluation of the Connected Subscription Price

The Connected Subscription Price of HK\$0.25 per Connected Subscription Share represents:

- (i) a premium of approximately 28.8660% over the closing price of HK\$0.1940 per Share as quoted on the Stock Exchange on 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement;

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- (ii) a premium of approximately 30.2083% over the average closing price of HK\$0.1920 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement;
- (iii) a premium of approximately 33.0495% over the average closing price of HK\$0.1879 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement;
- (iv) a premium of approximately 29.5337% over the closing price of HK\$0.193 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 32.5114% to the net asset value per Share attributable to the Shareholders as at 31 December 2017 of approximately HK\$0.3704 per Share, calculated based on the audited consolidated net asset attributable to the Shareholders of approximately HK\$7,024,789,000 as at 31 December 2017 and the total number of issued Shares of 18,963,723,510 as at 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement.

The Company entered into the Connected Subscription Agreements on the same day as the Subscription Agreement. The Connected Subscription Price of HK\$0.25 per Connected Subscription Share is the same as the Subscription Price for ORIX Asia under the Subscription Agreement.

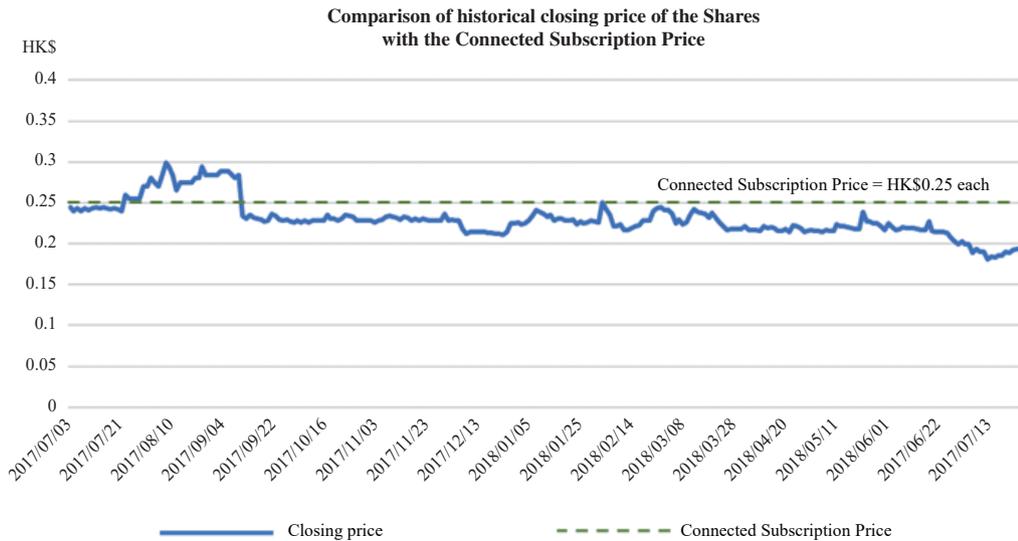
The respective subscription price was arrived at after arm's length negotiations between the Company and each of Jingxi Holdings, Rocket Parade and ORIX Asia with reference to the recent market prices of the Shares, recent trading volume of the Shares and financial and trading prospects of the Group.

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As a further part of our assessment on the fairness and reasonableness of the Connected Subscription Price, we have also performed the analysis set out below.

(a) *Review on Share price performance*

In order to assess the fairness and reasonableness of the Connected Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 3 July 2017 up to and including 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement (the “**Subscription Review Period**”), being approximately one year prior to the date of the Connected Subscription Agreements and the Subscription Agreement, which is a commonly used tenure for analysis and demonstration purposes, provides a sufficient timeframe to illustrate the recent general trend and level of movement of the closing prices of the Shares and is fair and reasonable for shareholders’ reference in regard to the Connected Subscription Price. The comparison of daily closing prices of the Shares with the Connected Subscription Price is illustrated as follows:



Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Subscription Review Period, the closing price of the Share maintained a decreasing trend in general with the lowest closing price per Share at HK\$0.181 on 11 July 2018 and the highest closing price per Share at HK\$0.299 on 8 August 2017, with an average daily closing price per Share of approximately HK\$0.230.

It is noted that the Connected Subscription Price represents (i) a premium of approximately 38.1215% over the lowest daily closing price during the Subscription Review Period; (ii) a discount of approximately 16.3880% to the highest daily closing price during the Subscription Review Period; and (iii) a premium of approximately 8.4762% over the average daily closing price during the Subscription Review Period. We also note that the Connected Subscription Price is higher than most of the closing prices during the Subscription Review Period (227 trading days out of 260 trading days).

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Taking into account that (a) the Connected Subscription Price represents (i) a premium of approximately 28.8660% over the closing price per Share on 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement; (ii) a premium of approximately 30.2083% over the average closing price for the last five consecutive trading days up to and including 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement; (iii) a premium of approximately 33.0495% over the average closing price for the last ten consecutive trading days up to and including 24 July 2018, being the date of the Connected Subscription Agreements and the Subscription Agreement; and (iv) a premium of approximately 38.1215% over the lowest daily closing price during the Subscription Review Period and a premium of approximately 8.4762% over the average daily closing price during the Subscription Review Period; (b) the Share price closed below the Connected Subscription Price in 227 out of 260 trading days during the Subscription Review Period; and (c) the Connected Subscription Price is the same as the Subscription Price, we consider the Connected Subscription Price to be fair and reasonable.

(b) Market comparable analysis

As part of our analysis, we have, on a best effort basis, also conducted an analysis of all transactions regarding subscription of new shares for cash under specific mandate announced by companies listed on the main board of the Stock Exchange since 1 January 2018 and up to 24 July 2018 (the “**Comparable Issue Review Period**”), being the date of the Connected Subscription Agreements and the Subscription Agreement (the “**Comparable Issues**”) (excluding transactions involving (i) notifiable transactions; (ii) only convertible securities; (iii) H-share companies whose share capital structure is different from that of the Company as not all the issued shares of H-share company can be traded in the Stock Exchange such as its A-share or domestic shares; and (iv) whitewash waiver application under the Takeovers Code or general offer obligations pursuant to the Takeovers Code which we consider these transactions are different from the Company’s circumstance and the structure of the Connected Subscription to avoid misalignment).

We consider that the Comparable Issues Review Period is adequate and appropriate for identifying Comparable Issues as (i) the Comparable Issues are considered to assess recent market practice in relation to the setting of subscription prices under the current market conditions and issues further back in time may not be indicative of the current market sentiment; (ii) we were able to identify 14 Comparable Issues within such period, which in our opinion, constitute a sufficiently representative sample for comparison purpose. It should be noted that the subject companies involved in the Comparable Issues may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. However, as the Comparable Issues can provide examples of the pricing for this type of transaction in Hong Kong under the current market environment, we consider them to be relevant in assessing the fairness and reasonableness of the Connected Subscription Price.

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Date of announcement	Stock code	Company name	Premium/(discount) of the subscription price over/(to) average closing price for the last five consecutive trading days up to and including the date of respective announcements (%)	closing price per share on the last trading day prior to/on the date of respective announcements (%)
3 January 2018	1280	Huiyin Smart Community Co., Ltd.	(30.56)	(29.58)
3 January 2018	1347	Hua Hong Semiconductor Limited	(18.56)	(20.29)
10 January 2018	299	New Sports Group Limited	(21.88)	(27.11)
19 January 2018	3818	China Dongxiang (Group) Co., Ltd.	(7.02)	(7.14)
24 January 2018	371	Beijing Enterprises Water Group Limited	(5.75)	(2.83)
2 March 2018	500	Frontier Services Group Limited	(35.00)	(30.70)
15 March 2018	1483	U Banquet Holding Group Limited	(11.33)	(14.20)
19 March 2018	570	China Traditional Chinese Medicine Holdings Co. Limited	(19.89)	(17.17)
23 March 2018	901	Eagle Ride Investment Holdings Limited	27.66	31.35
6 April 2018	1717	Ausnutria Dairy Corporation Ltd	(21.99)	(19.47)
16 May 2018	1028	C.banner International Holdings Limited	(0.83)	(0.58)
24 May 2018	3966	China Baofeng (International) Limited	(13.33)	(13.96)
1 June 2018	512	China Grand Pharmaceutical and Healthcare Holdings Limited	(15.67)	(18.99)
3 July 2018	1141	CMBC Capital Holdings Limited	(18.43)	(19.51)
		Maximum	27.66	31.35
		Minimum	(35.00)	(30.70)
		Average	(13.75)	(13.59)
24 July 2018	697	The Connected Subscription	28.87	30.21

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As demonstrated by the above table, the subscription price of the Comparable Issues (i) ranged from a discount of approximately 35.00% to a premium of approximately 27.66% over their closing price on the last trading days prior to/on the date of the corresponding announcements in relation to the relevant share subscriptions, with an average of a discount of approximately 13.75%; and (ii) ranged from a discount of approximately 30.70% to a premium of approximately 31.35% over their average closing prices for the last five consecutive trading days up to and including the date of the corresponding announcements in relation to the relevant share subscription, with an average of a discount of approximately 13.59%. Upon comparison, we note that (a) the premium of the Connected Subscription Price to the closing price on the date of the Connected Subscription Agreements of approximately 28.87% is more favourable than the highest premium of approximately 27.66% among the Comparable Issues, as well as the average discount of approximately 13.75% of the Comparable Issues; and (b) the premium of the Connected Subscription Price to the average closing prices for the last five consecutive trading days up to and including the date of the Connected Subscription Agreements and the Subscription Agreement of approximately 30.21% is close to the highest premium of approximately 31.35% among the Comparable Issues and is more favourable than the average discount of approximately 13.59% of the Comparable Issues.

Based on our review on the Connected Subscription Agreements and the Subscription Agreement, and taking into account the principal terms of the Connected Subscription Agreements as highlighted above, we are of the view that the terms of the Connected Subscription Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. The Fund Subscription and the Partnership

4.1 Reasons for and benefits of the Fund Subscription and the Partnership

As set out under paragraph headed “3.1. Reasons for and benefits of the Connected Subscription – Development of Shougang Park” in this letter, the Partnership is established to support the development of Shougang Park, which covers an area of 8.63 square kilometers and is the only area in Beijing that allows large-scale and closely-grouped development. The development and construction of Shougang Park serves as a major strategy to optimise the function of the capital, to adjust the planning of major productive forces, and to promote the coordinated development of the population, resources, as well as the environment in the capital. The Partnership shall invest in the Shouao Industrial Park project through a project company to be established and controlled directly or indirectly by it. The Partnership shall be principally engaged in enterprise management advisory (for projects subject to approval pursuant to the laws, approval must be obtained from relevant regulators prior to the commencement of any business activities).

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The management of the Company (through Jingji Capital, the Company's wholly-owned subsidiary) had been actively involved in the negotiation and formation stage of Shoushi Company and the Partnership. With the mission of "becoming a leading urban integrated services provider among Hong Kong listed companies, the Company intends to participate in the development and construction of Shougang Park through investing in the Partnership. In this regard, as set out in the Previous Announcement, on 13 July 2018, the Company entered into the strategic investment agreement with Shoushi Company, pursuant to which, the Company intends to, by acting as a limited partner (or through establishing a domestic entity or a third party designated by it), make capital contribution of not more than RMB300 million to the Partnership. Accordingly, the entering into of the Fund Subscription Agreement and the Proposed Partnership Agreement is meant to put the strategic investment agreement into practice and realise the Group's development plan.

Having considered the benefits and prospects of the Shougang Park project set out in the paragraph headed "3.1. Reasons for and benefits of the Connected Subscription – Development of Shougang Park" above in this letter, we consider the reasons for the Fund Subscription are justifiable and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

4.2 Principal terms of the Fund Subscription Agreement

Tenure of the Partnership

The Partnership has a term for six years. Shoushi Company as the general partner has the sole discretion to extend the term of the Partnership twice, each time for one year. The term of the Partnership, if it has already been extended for two years, may be further extended for one year by holding a partners' meeting. The initial first year of the duration of existence shall be the investment period. Depending on the operation needs of the Partnership, Shoushi Company as the general partner may, at its sole discretion, extend the investment period for one year for one time only. The investment period shall be extended accordingly upon occurrence of force majeure event during that period.

Please also refer to the paragraph headed "Market comparable analysis" below for further assessment on the fairness and reasonableness of the tenure of the Partnership.

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Capital contributions to the Partnership

The Company's committed capital contribution to the Partnership shall be RMB135 million, which shall be paid by the Company (or its designated subsidiary). The interest holding of the Partnership will be as follows upon actual capital contribution by the Company:

	Amount to be contributed RMB	Approximate percentage interest in the Partnership
Shougang Fund	900,000,000	86.12%
Shoushi Company	10,000,000	0.96%
The Company (or its designated subsidiary)	135,000,000	12.92%
Total	1,045,000,000	100.00%

Shoushi Company is committed to contributing RMB10 million under the Existing Partnership Agreement. When the committed capital contribution of the Partnership shall be increased by way of introduction of additional limited partners, separate legal documents will be signed. If necessary, Shoushi Company will be committed to making further capital contribution upon completing internal decision-making process and complying with the relevant requirements (including but not limited to the Listing Rules).

Management of the Partnership

The Partnership, Shoushi Company (as the general partner) and the Fund Managers shall enter into an entrusted management agreement. Jingji Capital and Shanghai Shiwei shall act as joint Fund Managers, providing management services to the Partnership. Among them, Jingji Capital shall be the chief manager (the “**Chief Manager**”) of the Partnership and Shanghai Shiwei shall be the associate manager (the “**Associate Manager**”) of the Partnership.

Jingji Capital is a wholly-owned subsidiary of the Company. Shanghai Shiwei is a subsidiary of Tishman Speyer Properties, L.P., which in turn is a renowned U.S. company that invests in and manages commercial properties.

We have obtained and reviewed the list of 21 funds managed by the Chief Manager and the Associate Manager, which has an aggregate fund size of more than RMB30 billion, with investments in the fields of pharmaceutical, green investments, real estate and start-ups, etc. Accordingly, we noted that the Chief Manager and Associate Manager do possess prior experience in managing funds similar to the Partnership.

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Management fee and fundraising service fee

Every year, the Partnership shall pay the Chief Manager and the Associate Manager a total of 1% of its committed capital contribution as management fee. In addition, the Partnership shall pay Shoushi Company (as the general partner) and/or its designated financial adviser(s), if any, a fundraising service fee in a total amount not exceeding 1% of its total committed capital contribution.

Based on the Company's announcements regarding the Previous Transactions and as advised by the management of the Company, we note that the Group has entered into three other fund subscription agreements in the last 12 months before entering into the Fund Subscription Agreement, out of which two involved limited partnerships with participation of independent third parties (the "**Other Limited Partnerships**"). The subsidiaries of the Group have acted as fund manager of the Other Limited Partnerships and received annual management fee ranged from 0.5% to 1.5% of the subscribed capital or fund under management. Having considered that (i) the management fee of 1% of the committed capital contribution of the Partnership is within the range of management fee of the Other Limited Partnerships; and (ii) the Other Limited Partnerships involved independent third parties; we are of the view that the management fee is fair and reasonable so far as the Independent Shareholders are concerned.

Please also refer to the paragraph headed "Market comparable analysis" below for further assessment on the fairness and reasonableness of the management fee level of the Partnership.

Profit and loss distribution

We have reviewed the Fund Subscription Agreement, noting that any profit of the Partnership shall be distributed among the partners in the following order:

- (i) to all of its partners (including Shoushi Company) up to their respective paid-in capital contribution amount;
- (ii) to all of its partners (including Shoushi Company) until they achieve an annual rate of return of 9% (the "**Investment Return**") to their respective paid-in capital contribution amount; and
- (iii) the remaining distributable cash shall be distributed as to 80% to all of its limited partners in accordance with their respective paid-in capital contribution amount, and as to 20% to Shoushi Company (as the general partner), respectively

Any loss incurred by the Partnership shall be borne by the partners in proportion to their respective contribution in the Partnership. The liability of each limited partners is capped by their respective contribution in the Partnership while the liability of each general partners is unlimited.

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As advised by the management of the Company, the Investment Return has been determined based on arm's length negotiations between the parties to the Fund Subscription Agreement taking into account the expected level of return from other similar investments.

We also noted that the subsidiaries of the Group have acted as general partners in all the Other Limited Partnerships and is entitled to 20% of the remaining distributable cash after distribution to limited partners up to their respective paid-in capital contribution amount or with a rate of return. Since the Company will be a limited partner to the Partnership and Shoushi Company, being a non-wholly-owned subsidiary of the Company, is the general partner to the Partnership, we do not consider the profit distribution arrangement would have undermined the interest of the Company and the Independent Shareholders as a whole.

Please also refer to the paragraph headed "Market comparable analysis" below for further assessment on the fairness and reasonableness of the levels of investment return and distributions of the Partnership.

Market comparable analysis

In order to further assess the fairness and reasonableness of the principal terms of the Partnership, we have, on a best effort basis, reviewed the terms of limited partnership announced by companies listed on the Stock Exchange from 1 July 2017 up to and including the date of the Fund Subscription Agreement (the "**Comparable Partnerships**"), being approximately one year prior to the date of the Fund Subscription Agreement. It should be noted that the subject companies involved in the Comparable Partnerships may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. However, as the Comparable Partnerships can provide examples of the terms for this type of transaction in Hong Kong under the current market environment, we consider them to be relevant in assessing the fairness and reasonableness of the principal terms of the Fund Subscription Agreement.

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Date of announcement	Stock code	Company name	Tenure	Extension	Total capital commitment	Annual management fee	Investment return included in the profit distribution arrangement (if any)	General partner distribution in excess of capital contribution/annual rate of return
15 July 2017	8005	Yuxing Infotech Investment Holdings Limited	5	Yes	N/A	2.0%	N/A	25%
15 August 2017	1812	Shandong Chenming Paper Holdings Limited	5	Yes	RMB500,020,000	2.0%	N/A	20%
24 August 2017	2628	China Life Insurance Company Limited	10	N/A	RMB7,000,000,000	0.50%	8.0%	15%
24 August 2017	8005	Yuxing Infotech Investment Holdings Limited	2	Yes	HK\$250,000,000	1.5%	N/A	N/A
19 September 2017	2866	COSCO Shipping Development Co., Ltd.	7	Yes	RMB10,001,000,000	2.0%	6.0%	20%
27 September 2017	1290	China Huirong Financial Holdings Limited	3	Yes	RMB100,000,000	N/A	N/A	N/A
8 November 2017	689	EPI (Holdings) Limited	N/A	Yes	RMB120,000,000	1.0%	N/A	N/A
1 December 2017	1862	Jingrui Holdings Limited	5	Yes	RMB620,000,000	2.0%	N/A	N/A
12 December 2017	686	Panda Green Energy Group Limited	5	N/A	RMB1,510,000,000	N/A	N/A	N/A
13 December 2017	295	Kong Sun Holdings Limited	5	N/A	RMB2,501,000,000	0.38%	N/A	N/A
14 December 2017	995	Anhui Expressway Company Limited	7	Yes	RMB30,000,000	1.0 – 2.0%	8.0%	20%
14 December 2017	3383	Agile Group Holdings Limited	7	N/A	RMB20,005,000,000	N/A	N/A	N/A
19 December 2017	2628	China Life Insurance Company Limited	20	N/A	RMB4,160,100,000	0.30%	8.0%	20%
26 December 2017	3996	China Energy Engineering Corporation Limited	28	N/A	RMB40,000,000,000	0.005%	6.24%	N/A
28 December 2017	106	Landsea Green Properties Co., Ltd.	20	N/A	RMB1,801,000,000	N/A	N/A	N/A
29 January 2018	1608	VPower Group International Holdings Limited	12	N/A	US\$5,000,000	Yes	N/A	Yes
8 February 2018	9	Nine Express Limited	10	Yes	RMB1,150,100,000	N/A	7.5 – 11.5%	N/A
13 February 2018	1528	Red Star Macalline Group Corporation Ltd.	5	Yes	RMB706,620,000	N/A	N/A	N/A
20 February 2018	3329	BOCOM International Holdings Company Limited	6	N/A	US\$15,645,000	N/A ¹	8.0%	20%
12 March 2018	1458	Zhou Hei Ya International Holdings Company Limited	7	Yes	RMB3,000,000,000	N/A	8.0%	20 – 25%
26 March 2018	1141	CMBC Capital Holdings Limited	3	Yes	US\$33,980,000	N/A	N/A	N/A
29 March 2018	1822	HongDa Financial Holding Limited	3	Yes	HK\$1,204,000,000	2.0%	N/A	20%
4 April 2018	1708	Nanjing Sample Technology Co., Ltd.	7	N/A	RMB500,000,000	0.80%	N/A	N/A
18 April 2018	1980	Tian Ge Interactive Holdings Limited	N/A	N/A	US\$150,000,000	1.5 – 2.0%	N/A	20%
3 May 2018	981	Semiconductor Manufacturing International Corporation	7	Yes	RMB1,616,160,000	N/A	N/A	N/A
15 June 2018	1091	CITIC Dameng Holdings Limited	10	N/A	RMB501,000,000	0.50%	N/A	N/A
		Maximum	28			2.0%	11.5%	25%
		Minimum	2			0.0%	6.0%	15%
		Average	8			1.2%	7.9%	20%
24 July 2018	697		6	Yes*	RMB1,045,000,000	1.0%	9.0%	20%

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As demonstrated by the above table, (i) the term of the Comparable Partnerships ranged from two years to 28 years, with an average of approximately eight years; (ii) annual management fee of the Comparable Partnerships ranged from 0.0% to 2.0%, with an average of approximately 1.2%; (iii) investment return included in the profit distribution arrangement ranged from 6.0% to 11.5%, with an average of approximately 7.9%; and (iv) the proportion of profit sharing by the general partner upon limited partners achieving their respective paid-in capital contribution amount/annual rate of return of the Comparable Partnership ranged from 15% to 25%, with an average of approximately 20%.

We note that (i) the tenure of the Partnership; (ii) annual management fee of the Partnership; (iii) investment return included in the profit distribution arrangement; and (iv) the proportion of profit sharing by the general partner upon limited partners achieving their annual rate of return of the Partnership are in the range of the Comparable Partnerships. Having considered the terms of the Comparable Partnerships, we are of the view that the principal terms of the Fund Subscription Agreement is no less favorable than that available to other transactions and is, therefore, fair and reasonable so far as the Independent Shareholders are concerned. Based on our review on the Fund Subscription Agreement, and taking into account the principal terms of the Fund Subscription Agreement as highlighted above, we are of the view that the terms of the Fund Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Impacts of the Connected Subscription and the Subscription to the Group

5.1 Financial effects of the Connected Subscription and the Subscription on the Group

Given that the Connected Subscription Agreements and the Subscription Agreement are inter-conditional on each other and shall take place simultaneously, the aggregate potential financial effects of the Connected Subscription and the Subscription are as follows:

Liquidity

According to the 2017 Annual Report, the Group had cash and cash equivalents of approximately HK\$1,389.6 million as at 31 December 2017. Upon completion of the Connected Subscription and the Subscription, the cash position of the Group will be improved as the cash and cash equivalents will increase by the net proceeds generated from the Connected Subscription and the Subscription of approximately HK\$1,218.2 million. The cash position, net current assets and current ratio of the Group are expected to be improved upon the completion of the Connected Subscription and the Subscription.

Net asset value

According to the 2017 Annual Report, the net asset value of the Group as at 31 December 2017 was approximately HK\$7,243.7 million. Upon the completion of the Connected Subscription and the Subscription, the net asset value of the Group will be increased resulting from the net proceeds generated by the Connected Subscription and the Subscription.

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Based on the above, the Connected Subscription and the Subscription will have an overall positive effect on the liquidity and financial positions of the Group. Meanwhile, the Connected Subscription and the Subscription are not expected to have any material adverse impact on earnings of the Group. On such basis, we are of the view that the Connected Subscription is in the interests of the Group and the Shareholders as a whole. It should be noted that the aforementioned financial effects are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Connected Subscription and the Subscription.

5.2 Effect on the shareholdings of the Company

As at the Latest Practicable Date, the Company had 18,963,723,510 Shares in issue. The Connected Subscription Shares represent (a) approximately 17.929% of the existing total number of issued Shares as at the Latest Practicable Date; and (b) approximately 14.245% of the total number of issued Shares as enlarged by the allotment and issue of the Connected Subscription Shares and the Subscription Shares in aggregate, subject to completion of the Connected Subscription and the Subscription.

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Connected Subscription; (iii) immediately after the completion of the Subscription; and (iv) immediately after the completion of the Connected Subscription and the Subscription, assuming there will be no other changes to the total number of issued Shares and shareholding structure of the Company from the Latest Practicable Date and the completion of the Connected Subscription and the Subscription.

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Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Connected Subscription (Note 1)		Immediately after completion of the Subscription (Note 1)		Immediately after the completion of the Connected Subscription and the Subscription (Note 2)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shougang Group and its subsidiaries including Jingxi Holdings (an indirect wholly-owned subsidiary of Shougang Group)	9,833,903,865	51.8564	12,633,903,865	56.4929	9,833,903,865	48.0465	12,633,903,865	52.9336
Rocket Parade	1,900,000,000	10.0191	2,500,000,000	11.1788	1,900,000,000	9.2830	2,500,000,000	10.4745
ORIX Asia	-	-	-	-	1,503,741,731	7.3470	1,503,741,731	6.3004
CIMC Transportation	1,047,931,056	5.5260	1,047,931,056	4.6859	1,047,931,056	5.1200	1,047,931,056	4.3906
Liang Hengyi (Note 3)	2,716,000	0.0143	2,716,000	0.0121	2,716,000	0.0133	2,716,000	0.0114
Liu Jingwei (Note 3)	500,000	0.0026	500,000	0.0022	500,000	0.0024	500,000	0.0021
Wang Xin (Note 3) together with his spouse	1,200,000	0.0063	1,200,000	0.0054	1,200,000	0.0059	1,200,000	0.0050
Other Shareholders	6,177,472,589	32.5753	6,177,472,589	27.6227	6,177,472,589	30.1819	6,177,472,589	25.8824
Total	18,963,723,510	100.00	22,363,723,510	100.00	20,467,465,241	100.00	23,867,465,241	100.00

Notes:

- These shareholding structures are prepared for illustrative purpose only as both of the Connected Subscription and the Subscription are inter-conditional to each other and shall take place simultaneously.
- Completion of the Connected Subscription and the Subscription shall take place simultaneously.
- Directors.

As shown in the table above, the existing public Shareholders' (including CIMC Transportation and other existing public Shareholders) shareholdings will be diluted from approximately 38.101% as at the Latest Practicable Date to approximately 30.273% immediately after the completion of the Connected Subscription and the Subscription.

Nonetheless, in view of (i) the reasons for and the possible benefits of the Connected Subscription to the Group, details of which are set out under the paragraph headed "3.1. Reasons for and benefits of the Connected Subscription" of this letter; (ii) the proposed use of proceeds which is for the purpose of strengthening the revenue base of the Group by further development of the car parking business and operations of the Group as well as the participation in development and management of Shougang Park; (iii) the Connected Subscription Price is considered fair and reasonable as discussed under the paragraph headed "3.2 Principal terms of the Connected Subscription Agreements – Evaluation of the Connected Subscription Price" of this letter; (iv) the controlling Shareholder's and

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substantial Shareholder's confident on the Group's prospects as demonstrated by their willingness to subscribe for the Connected Subscription Shares at premium over the prevailing closing price of the Shares and being subject to disposal restrictions on the Connected Subscription Shares; and (v) that the liquidity and financial positions of the Group will be improved immediately upon the completion of the Connected Subscription and the Subscription as set out in the paragraph headed "5.1. Financial effects of the Connected Subscription and the Subscription on the Group" of this letter, we consider that such dilution effect on the shareholding interests of the existing public Shareholders resulting from the issue of the Connected Subscription Shares and the Subscription Shares is acceptable.

6. Possible financial effects of the Fund Subscription

As stated in the 2017 Annual Report, the consolidated net assets value of the Group was approximately HK\$7.2 billion as at 31 December 2017. Profit from continuing operations for the year ended 31 December 2017 was approximately HK\$57.3 million. Given the tenure and profit distribution mechanism of the Partnership, the Fund Subscription Agreement, the Proposed Partnership Agreement and the transactions contemplated thereunder are not expected to have any significant contribution to the earnings of the Group for the year ending 31 December 2018. It is expected that the Company's committed capital contribution to the Partnership under the Fund Subscription Agreement will not have immediate material adverse impact on net asset value and earnings of the Group immediately upon completion of the Fund Subscription Agreement.

Based on the 2017 Annual Report, bank balances and cash of the Group was approximately HK\$1.4 billion as at 31 December 2017. Working capital of the Group (as derived by current assets minus current liabilities) was approximately HK\$1.6 billion as at 31 December 2017.

Given the nature of investment and interest holding in the Partnership by the Company (or through its designated subsidiary), the Directors confirmed that upon completion of the Fund Subscription and the transactions contemplated thereunder, the Partnership shall be recognised as an asset of financial instrument at fair value through profit or loss in the Group's consolidated financial statements and subject to the annual assessment on fair value of which the gain or loss will be recognised in the Group's consolidated financial statements.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial positions and performance of the Group will be upon completion of the Fund Subscription and the transactions contemplated thereunder.

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RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Connected Subscription Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Connected Subscription is not in conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

In addition, having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Fund Subscription Agreement and the Proposed Partnership Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Fund Subscription is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the 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 ordinary resolutions to be proposed at the GM to approve the Connected Subscription, the Fund Subscription and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 19 years of experience in the finance and investment banking industry.

* *for identification purposes only*

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. SHARE CAPITAL

The number of issued Shares (i) as at the Latest Practicable Date: and (ii) upon completion of the Connected Subscription and the Subscription are set out below:

(i)	<i>As at the Latest Practicable Date:</i>	
	Issued and fully paid up:	18,963,723,510 Shares
(ii)	<i>Upon completion of the Connected Subscription and the Subscription (Note)</i>	
	Issued and fully paid up:	23,867,465,241 Shares

Note: The Connected Subscription and the Subscription are inter-conditional on each other and shall complete simultaneously.

All existing issued Shares rank *pari passu* in all respects, including in particular as to dividend, voting rights and capital.

No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

Save for the issuance of 1,047,931,056 Shares as consideration Shares to CIMC Transportation on 26 March 2018 for acquisition of 44.94382% of the registered capital of Shouzhong Investment Management Co., Ltd., since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required 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 they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares

Name of Director	Capacity in which interests were held	Number of Shares	Total interests as to % of the total number of Shares in issue as at the Latest Practicable Date
Liang Hengyi	Beneficial owner	2,716,000	0.0143
Liu Jingwei	Beneficial owner	500,000	0.0026
Wang Xin	Beneficial owner	200,000	0.0010
	Interest of spouse	1,000,000	0.0053

(ii) Long positions in shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity in which interests were held	Number of shares of the associated corporation held	Total interests as to % of the total number of shares of the associated corporation in issue as at the Latest Practicable Date
Li Shaofeng	Shougang Concord Century Holdings Limited	Beneficial owner	1,652,000	0.0859

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required 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 they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity in which interests were held	Number of Shares/ underlying Shares	Interests as to % of the total number of Shares in issue (approximately)	Notes
Shougang Group	Interests of controlled corporation	12,633,903,865	66.62	1
Cheng Yu Tung Family (Holdings II) Limited	Interests of controlled corporation	2,500,000,000	13.18	2
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation	2,500,000,000	13.18	2
Rocket Parade	Beneficial owner	2,500,000,000	13.18	2
ORIX Corporation	Interest of controlled corporation	1,503,741,731	7.93	3
ORIX Asia	Beneficial owner	1,503,741,731	7.93	3
China International Marine Containers (Group) Co., Ltd.	Interests of controlled corporation	1,047,931,056	5.53	4

Notes:

1. Shougang Group is interested in all the Shares held by its direct and indirect subsidiaries, namely, Shougang Holding (holding 360,601,160 Shares), China Gate Investment Limited (holding 2,757,829,774 Shares), Grand Invest International Limited (holding 768,340,765 Shares), Wide Success Holdings Limited (holding 4,106,748,921 Shares), Prime Success Investments Limited (holding 48,574,000 Shares), Lyre Terrace Management Limited (holding 230,000 Shares) and Jingxi Holdings (holding 4,591,579,245 Shares, including the Jingxi Subscription Shares which have not yet been allotted and issued to Jingxi Holdings under the Jingxi Subscription Agreement).
2. Rocket Parade is wholly-owned by NWS FM Limited which is a wholly-owned subsidiary of NWS FM Holdings Limited. NWS FM Holdings Limited is wholly-owned by NWS Service Management Limited (incorporated in the British Virgin Islands) which is a wholly-owned subsidiary of NWS Service Management Limited (incorporated in the Cayman Islands) (“**NWS Service**”). NWS Service is wholly-owned by NWS Holdings which is held as to 61.09% by New World Development Company Limited, which is in turn held as to 44.40% by Chow Tai Fook Enterprises Limited (“**Chow Tai Fook Enterprises**”). Chow Tai Fook Enterprises is wholly-owned by Chow Tai Fook (Holding) Limited, which is held as to 81.03% by Chow Tai Fook Capital Limited, which is in turn held as to 48.98% by Cheng Yu Tung Family (Holdings) Limited and as to 46.65% by Cheng Yu Tung Family (Holdings II) Limited respectively. The interest in Shares includes the interest in the Rocket Subscription Shares which have not yet been allotted and issued to Rocket Parade under the Rocket Subscription Agreement.

Mr. Ho Gilbert Chi Hang, a non-executive Director, is a director of each of Rocket Parade, NWS Service Management Limited (incorporated in the British Virgin Islands), NWS Service and NWS Holdings Limited, all being substantial shareholders of the Company.
3. ORIX Corporation is interested in the Subscription Shares which have not yet been allotted and issued to ORIX Asia under the Subscription Agreement.
4. China International Marine Containers (Group) Co., Ltd. is interested in the Shares held by its indirect subsidiary, CIMC Transportation.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Zhao Tianyang	Shougang Holding*	Trading of iron ore and steel products	Director
	Shougang Fund	Fund management	General Manager
Xu Liang	Shougang Holding*	Trading of iron ore and steel products	Director
Ho Gilbert Chi Hang	Urban Parking Limited*	Car park management	Director

* Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

6. MATERIAL ADVERSE CHANGE

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 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by Lego Corporate Finance Limited is given as of the date of this circular for incorporation herein.

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or any of its subsidiaries which are or may be material:

- (a) Jingxi Subscription Agreement;
- (b) Rocket Subscription Agreement;
- (c) Subscription Agreement;
- (d) the agreement dated 12 March 2018 between Shouzhong (Hong Kong) Limited, a wholly-owned subsidiary of the Company, and CIMC Transportation in respect of the acquisition of 44.94382% of the registered capital of Shouzhong Investment Management Co., Ltd. (please refer to the announcement of the Company dated 12 March 2018);
- (e) the lease agreement dated 2 February 2018 between 成都首中易泊停車場管理有限公司 (Chengdu Shouzhong Easy Parking Management Ltd*), an indirect non wholly-owned subsidiary of the Company, and South China International Leasing Company Limited, an indirect wholly-owned subsidiary of Shougang Group, in respect of the provision of finance lease by way of sale and leaseback the underground carpark (please refer to the announcement of the Company dated 2 February 2018);
- (f) the agreement dated 8 September 2017 between Jingji (Hong Kong) Limited, a wholly-owned subsidiary of the Company, and Shougang Fund in respect of the acquisition of 95% equity interest in Jingji Capital (please refer to the announcement of the Company dated 8 September 2017 and the circular of the Company dated 25 September 2017) as supplemented by a supplemental agreement dated 23 November 2017;

- (g) the agreement dated 8 September 2017 between Shouzhong (Hong Kong) Limited, a wholly-owned subsidiary of the Company and Shougang Fund in respect of the acquisition of 40% equity interest in Shouzhong Investment Management Co., Ltd. (please refer to the announcement of the Company dated 8 September 2017 and the circular of the Company dated 25 September 2017) as supplemented by a supplemental agreement dated 23 November 2017;
- (h) the agreement dated 8 September 2017 entered into between the Company and Shougang Fund in respect of the provisions of private fund management services by the Group to Shougang Fund and/or its associate (please refer to the announcement of the Company dated 8 September 2017 and the circular of the Company dated 25 September 2017);
- (i) the underwriting agreement dated 8 September 2017 entered into between the Company and the Shougang Holding (as underwriter) in relation to the underwriting arrangement in respect of the Open Offer (please refer to the announcement of the Company dated 8 September 2017 and the circular of the Company dated 25 September 2017) as supplemented by a supplemental agreement dated 1 November 2017;
- (j) the agreement dated 3 October 2016 entered into between the Company and Shougang Holding Bonds Limited, a wholly-owned subsidiary of Shougang Holding, in respect of the disposal of the entire issued share capital of Ultimate Century Investments Limited by the Company at a consideration of HK\$1.00 (please refer to the announcements of the Company dated 3 October 2016 and 30 December 2016 and the circular of the Company dated 18 November 2016); and
- (k) the master agreement dated 3 October 2016 entered into between the Company and Shougang Corporation (now known as Shougang Group) dated 3 October 2016 in respect of the purchase of iron ore, steel and related products by the Group from Shougang Corporation and/or its associates for a term of three years commencing from 1 January 2017 and ending on 31 December 2019 (please refer to the announcements of the Company dated 3 October 2016 and 30 December 2016 and the circular of the Company dated 18 November 2016).

10. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been 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 2017, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

- (c) As at the Latest Practicable Date, (i) each of Mr. Zhao Tianyang and Mr. Xu Liang was a director of Shougang Holding; and (ii) Mr. Ho Gilbert Chi Hang was a director of Rocket Parade. Both Shougang Holding and Rocket Parade had interests in the Shares which fell to be disclosed under Divisions 2 and 3 of Part XV of the SFO, details of which are set out in paragraph 3(b) above of this Appendix. Save as disclosed in this paragraph, none of the Directors or proposed Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) The registered office of the Company is at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The share registrar of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The company secretary of the Company is Ms. Leung Yuen Chee Sara, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date of the GM:

- (a) the articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (d) the consent letter as referred to in the section headed "Qualification and Consent of Expert" in this Appendix;
- (e) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (f) the Fund Subscription Agreement;
- (g) the annual reports of the Company for the two financial years ended 31 December 2017;
- (h) the service contracts of the Directors; and
- (i) this circular.

NOTICE OF GM



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)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the “**GM**”) of Shougang Concord International Enterprises Company Limited (the “**Company**”) will be held at 10:00 a.m. on Thursday, 13 September 2018 at Concord Room 1, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. THE JINGXI SUBSCRIPTION

“**THAT:**

- (a) the subscription agreement dated 24 July 2018 (the “**Jingxi Subscription Agreement**”) entered into between the Company and Jingxi Holdings Limited (“**Jingxi Holdings**”) (a copy of the Jingxi Subscription Agreement has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for identification purpose) in relation to the subscription of 2,800,000,000 new ordinary shares of the Company (the “**Jingxi Subscription Shares**”) by Jingxi Holdings at the subscription price of HK\$0.25 per Jingxi Subscription Share (the “**Subscription Price**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in the Jingxi Subscription Shares on the Stock Exchange, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to allot and issue the Jingxi Subscription Shares (the “**Jingxi Mandate**”) in accordance with the terms of the Jingxi Subscription Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Jingxi Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Jingxi Subscription Shares.”

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2. THE ROCKET SUBSCRIPTION

- (a) the subscription agreement dated 24 July 2018 (the “**Rocket Subscription Agreement**”) entered into between the Company and Rocket Parade Limited (“**Rocket Parade**”) (a copy of the Rocket Subscription Agreement has been produced to the meeting and marked “B” and initialed by the Chairman of the meeting for identification purpose) in relation to the subscription of 600,000,000 new ordinary shares of the Company (the “**Rocket Subscription Shares**”) by Rocket Parade at the Subscription Price per Rocket Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Rocket Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to allot and issue the Rocket Subscription Shares (the “**Rocket Mandate**”) in accordance with the terms of the Rocket Subscription Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates (including but not limited to the Jingxi Mandate) which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Rocket Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Rocket Subscription Shares.”

3. THE SUBSCRIPTION

“**THAT:**

- (a) the subscription agreement dated 24 July 2018 (the “**Subscription Agreement**”) entered into between the Company and ORIX Asia Capital Limited (“**ORIX Asia**”) (a copy of the Subscription Agreement has been produced to the meeting and marked “C” and initialed by the Chairman of the meeting for identification purpose) in relation to the subscription of 1,503,741,731 new ordinary shares of the Company (the “**Subscription Shares**”) by ORIX Asia at the Subscription Price per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of and permission to deal in the Subscription Shares on the Stock Exchange, the Directors be and are hereby granted a specific mandate to allot and issue the Subscription Shares in accordance with the terms of the Subscription Agreement, provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates (including but not limited to the Jingxi Mandate and the Rocket Mandate) which may from time to time be granted to the Directors prior to the passing of this resolution; and

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- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares.”

4. THE FUND SUBSCRIPTION

“**THAT:**

- (a) the fund subscription agreement (the “**Fund Subscription Agreement**”) dated 24 July 2018 between the Company and 北京首獅管理諮詢有限公司 (Beijing Shoushi Management Advisory Co., Ltd.*) (“**Shoushi Company**”) (a copy of the Subscription Agreement has been produced to the meeting and marked “D” and initialed by the Chairman of the meeting for identification purpose) in relation to the Company’s participation in 北京首獅銘智瑾信經濟諮詢企業(有限合夥) (Beijing Shoushi Ming Zhi Jin Xin Economic Consulting Firm (Limited Partnership*)) (the “**Partnership**”) as a limited partner (directly or through its designated subsidiary) for a capital commitment of RMB135 million be and is hereby approved;
- (b) conditional upon the passing of resolution no. 4(a) as set out in the notice convening this meeting of which this resolution forms part, the partnership agreement proposed to be entered into among the Company (or its designated subsidiary), Shoushi Company and any other limited partner(s) of the Partnership (the “**Proposed Partnership Agreement**”) (a copy of the draft Proposed Partnership Agreement, in substantial form, has been produced to the meeting and marked “E” and initialed by the Chairman of the meeting for identification purpose) in relation to the transactions contemplated under the Fund Subscription Agreement be and are hereby approved;
- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Fund Subscription Agreement, the Proposed Partnership Agreement and the transactions contemplated thereunder, including, without limitation, the entering into of the Proposed Partnership Agreement (with or without amendment).”

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

Hong Kong, 27 August 2018

* The English translation of Chinese name(s) in this notice, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).

NOTICE OF GM

Notes:

1. Any member of the Company entitled to attend and vote at the GM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the GM (i.e., at or before 10:00 a.m. on Tuesday, 11 September 2018 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the GM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the GM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.
6. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the GM will be Friday, 7 September 2018. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 7 September 2018 for registration.