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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

**CONNECTED TRANSACTION**  
**CAPITAL INCREASE IN SHOUZHONG PARKING**  
**AND**  
**NOTICE OF GENERAL MEETING**

**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

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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 4 to 11 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 12 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advices to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 28 of this circular.

A notice convening the GM to be held at 9:40 a.m. (or immediately after the conclusion of the earlier general meeting) on Wednesday, 27 March 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-2 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 9:40 a.m. on Monday, 25 March 2019 (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.

21 February 2019

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## DEFINITIONS

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

“%”	per cent.;
“Announcements”	the announcements of the Company dated 30 December 2018 and 14 January 2019 in relation to, among other things, the Capital Increase;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Capital Increase”	the proposed increase in registered capital of Shouzhong Parking from RMB144,000,000 to RMB220,000,000 to be contributed by Shouxing Zhixing pursuant to the Capital Increase Agreement (as supplemented by the Supplemental Agreement);
“Capital Increase Agreement”	the capital increase agreement dated 30 December 2018 entered into among Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda in relation to, among other things, the Capital Increase;
“Company”	Shougang Concord International Enterprises Company Limited (stock code: 697), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“GM”	the general meeting of the Company to be convened at 9:40 a.m. (or immediately after the conclusion of the earlier general meeting) on Wednesday, 27 March 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China to consider and if thought fit, approve the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder;
“Gonglian Anda”	Beijing Static Traffic Anda Parking Management Co., Ltd.* (北京靜態交通安達停車管理有限公司) (previously known as Beijing Gonglian Anda Car Parking Management Co., Ltd.* (北京公聯安達停車管理有限公司)), a company established in the PRC with limited liability;

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## DEFINITIONS

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“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao and Ms. Zhang Quanling, formed for the purpose of advising the Independent Shareholders on matters in relation to the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a 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 Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than Shougang Group and its associates;
“Independent Shareholders’ Approval”	the approval from Independent Shareholders in respect of, among other things, execution of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the performance of obligations thereunder;
“Joint Venture Agreement”	the joint venture agreement dated 30 December 2018 entered into among Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda in relation to, among other things, operation and management of Shouzhong Parking;
“Latest Practicable Date”	15 February 2019, being the latest practicable date prior to the publication of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary shares of the Company;
“Shougang Fund”	Beijing Shougang Fund Co., Ltd.* (北京首鋼基金有限公司), a company established in the PRC with limited liability;
“Shougang Group”	Shougang Group Co., Ltd.* (首鋼集團有限公司), a state-owned company established in the PRC and the controlling Shareholder of the Company;
“Shouxing Zhixing”	Beijing Shouxing Zhixing Investment Co., Ltd.* (北京首興智行投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Shouzhong Investment”	Shouzhong Investment Management Co., Ltd.* (首中投資管理有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company;
“Shouzhong Parking”	Beijing Shouzhong Car Parking Management Co., Ltd.* (北京首中停車管理有限公司), a company established in the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“Supplemental Agreement”	the supplemental agreement entered into by Shouxing Zhixing and Shouzhong Parking on 14 January 2019 to supplement certain terms of the Capital Increase Agreement.

\* *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).*

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**LETTER FROM THE BOARD**

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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)

*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  
Mr. Li Hao

*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

21 February 2019

*To the Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTION  
CAPITAL INCREASE IN SHOUZHONG PARKING  
AND  
NOTICE OF GENERAL MEETING**

**INTRODUCTION**

References are made to the Announcements. The purpose of this circular is to provide you with, among other things, (i) further details in relation to the Capital Increase; (ii) the letter from the Independent Board Committee to the Independent Shareholders in relation to the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder; (iii) the letter from the Independent Financial Adviser in relation to the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder; and (iv) the notice of the GM.

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## LETTER FROM THE BOARD

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### THE CAPITAL INCREASE

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

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

On 14 January 2019, Shouxing Zhixing and Shouzhong Parking entered into the Supplemental Agreement to the Capital Increase Agreement to supplement certain terms of the Capital Increase Agreement.

### **Principal Terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement**

The principal terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement are set forth below:

#### *The Capital Increase*

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

Shouxing Zhixing undertakes that the Independent Shareholders' Approval shall have been obtained before 30 April 2019 in respect of, among other things, execution of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the performance of obligations thereunder.

Shouxing Zhixing shall pay the amount of RMB76,000,000 to Shouzhong Parking in cash before 31 January 2019, which will be funded by the internal resources of Shouxing Zhixing. Shouzhong Parking acknowledges that the aforementioned amount shall be deemed as deposit for the Capital Increase, which shall be returned by Shouzhong Parking to Shouxing Zhixing as soon as practicable thereafter if the Independent Shareholders' Approval has not yet been obtained before 30 April 2019. In addition, if the Independent Shareholders' Approval has not yet been obtained before 30 April 2019, Shouzhong Parking shall procure that parties to the Capital Increase Agreement shall cooperate to revert to the relevant status immediately prior to execution of the Capital Increase Agreement (as supplemented by the Supplemental Agreement).

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## LETTER FROM THE BOARD

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The amount of Capital Increase was determined after arm's length negotiations among the parties of the Capital Increase Agreement with reference to the working capital currently available to Shouzhong Parking, the estimated business needs and future business development of Shouzhong Parking. As stated in the paragraph headed "Reasons for and Benefits of the Transaction" below, Shouzhong Parking was established for the purpose of, among others, operation and management of airport parking buildings with Beijing Daxing International Airport Parking Building Project. Shouzhong Parking is, accordingly, responsible for the construction of certain parts of the parking buildings and is required to pay a substantial amount of initial fee for the transfer of operation rights of the parking buildings pursuant to the relevant agreement relating to the transfer of operation rights. Shouzhong Parking has funded most of such capital requirements by loans, whereby significant interest expenses had been incurred during 2018. Accordingly, it is expected that the capital to be injected to Shouzhong Parking under the Capital Increase will be utilized for partial repayment of such loans and the related interest expenses and partial payment of the aforementioned initial fees so as to provide liquidity to its working capital. It is expected that Shouzhong Parking will require additional working capital in the future for, among others, operation and construction. Where such needs arise, Shouzhong Parking may seek for further funding by loans with appropriate interest rate or by way of capital increase.

### *Capital Structure of Shouzhong Parking*

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

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

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

### *Board of Directors, Supervisor and Senior Management*

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



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## LETTER FROM THE BOARD

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Shouzhong Parking will have only one supervisor, who shall be nominated by Gonglian Anda. The principal responsibilities of the supervisor of Shouzhong Parking include monitoring of financial conditions of Shouzhong Parking, supervision on performance of obligations by directors and senior management, giving recommendations and raising questions at board meetings and conducting investigations on Shouzhong Parking where the management condition is abnormal. Despite the foregoing, the function of the board of directors of Shouzhong Parking will not be impaired by its supervisor.

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

### **Reasons for and Benefits of the Transaction**

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

Beijing Daxing International Airport is an ultra large-scale international aviation integrated transportation hub in Beijing, which will be completed on 30 June 2019 and put into operation on 30 September 2019. Passenger throughput is expected to reach 72 million man-time in the near future and 100 million in the long term. The parking building is located on south of terminal building, having 4,200 parking lots on four floors (including 630 parking lots with charging equipment) with passengers and consummate supportive commercial facilities. There is a railway station hall on the ground floor of the parking building, which can realize dimensional transfer with the fast track on the second floor underground and other modes of transportations. The parking building offers world-class services with great convenience, accessibility and humanization design. Since Beijing Daxing International Airport Parking Building Project was still at the construction stage, Shouzhong Parking did not generate any revenue or profit for the year ended 31 December 2017. Nevertheless, Shouzhong Parking has been devoted to and focusing on the construction and other related work for Beijing Daxing International Airport Parking Building Project, which will be completed later this year and will thereafter create revenue and enhance profitability of Shouzhong Parking.

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

### **INFORMATION OF SHOUZHONG PARKING**

Shouzhong Parking, principally engaged in management of motor vehicle parking, is a joint venture company established in November 2016 under the laws of the PRC with limited liability with an initial registered capital of RMB144,000,000, of which Shouzhong Investment, Shougang Fund and Gonglian Anda had contributed RMB69,300,000, RMB72,900,000 and RMB1,800,000, respectively. As at the Latest Practicable Date, the Company (through Shouzhong Investment), Shougang Fund and Gonglian Anda held approximately 48.125%, 50.625% and 1.25% of the equity interest in Shouzhong Parking, respectively. Upon completion of the Capital Increase, the Company (through Shouzhong Investment and

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## LETTER FROM THE BOARD

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Shouxing Zhixing), Shougang Fund and Gonglian Anda will hold approximately 66.045%, 33.136% and 0.818% of the equity interest in Shouzhong Parking, respectively and accordingly, Shouzhong Parking will be accounted for as a subsidiary of the Company.

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

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

### INFORMATION OF THE PARTIES

#### Shouxing Zhixing

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

#### Shouzhong Investment

Shouzhong Investment is a company established in the PRC with limited liability. Shouzhong Investment first became a non-wholly owned subsidiary of the Company in December 2017 and subsequently became a wholly-owned subsidiary of the Company in September 2018. Shouzhong Investment is principally engaged in the business of car parking facilities investment and operation in the PRC with a focus on public car parks with high traffic flow such as airports, railway stations and hospitals. Shouzhong Investment became a holder of equity interest in Shouzhong Parking as to approximately 48.125% since establishment of Shouzhong Parking.

#### Shougang Fund

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

#### Gonglian Anda

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

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

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

As one or more of the applicable percentage ratios in respect of the Capital Increase are more than 5%, the entering into of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Listing Rules, Shougang Group Co., Ltd.\*(首鋼集團有限公司), which, through its subsidiaries (including Shougang Fund), was interested in approximately 52.54% of the total number of Shares in issue as at the Latest Practicable Date, will abstain from voting at the GM on the resolution(s) in relation to the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder. A letter from the Independent Board Committee is set out on page 12 of this circular.

Lego Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A letter from the Independent Financial Adviser is set out on pages 13 to 28 of this circular.

### GM

The GM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder.

A notice convening the GM to be held at 9:40 a.m. (or immediately after the conclusion of the earlier general meeting) on Wednesday, 27 March 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution 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

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## **LETTER FROM THE BOARD**

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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 9:40 a.m. on Monday, 25 March 2019 (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.

Pursuant to the 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 the resolution 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 12 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 13 to 28 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, by virtue of their connection with Shougang Group, have abstained from voting in respect of the resolution proposed to approve the Capital Increase)) consider that the terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the GM.

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## LETTER FROM THE BOARD

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### 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

21 February 2019

*To the Independent Shareholders*

Dear Sir or Madam,

### CONNECTED TRANSACTION CAPITAL INCREASE IN SHOUZHONG PARKING

We refer to the circular of the Company to the Shareholders dated 21 February 2019 (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, among others, whether the terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture 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 on matters in relation the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder as set out on pages 13 to 28 of the Circular and the letter from the Board set out on pages 4 to 11 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 the matters in relation to the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, 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, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement 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*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*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, which has been prepared for the purpose of inclusion in this circular.*



21 February 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

### CONNECTED TRANSACTION

### CAPITAL INCREASE IN SHOUZHONG PARKING

#### 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 Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement 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 21 February 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

#### **The Capital Increase Agreement and the Joint Venture Agreement**

Shouzhong Parking is a joint venture company established in November 2016 under the laws of the PRC with limited liability with an initial registered capital of RMB144,000,000, and owned as to 50.625%, 48.125% and 1.250% by Shougang Fund, Shouzhong Investment (an indirect wholly-owned subsidiary of the Company) and Gonglian Anda, respectively, as at the Latest Practicable Date.

On 30 December 2018, Shouxing Zhixing (an indirect wholly-owned subsidiary of the Company), Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda entered into the Capital Increase Agreement and on 14 January 2019, Shouxing Zhixing and Shouzhong Parking entered into the Supplemental Agreement, pursuant to which, among others, Shouxing Zhixing agreed to contribute RMB76,000,000 to the registered capital of Shouzhong Parking. Upon completion of the Capital Increase, the Company (through its indirect wholly-owned subsidiaries, Shouxing Zhixing and Shouzhong Investment) will hold in aggregate approximately 66.045% of the equity interest in Shouzhong Parking, and accordingly, Shouzhong Parking will be accounted for as a subsidiary of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### **Implications under the Listing Rules**

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

As one or more of the applicable percentage ratios in respect of the Capital Increase are more than 5%, the entering into of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao and Ms. Zhang Quanling, has been established to advise the Independent Shareholders as to whether the terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement 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 ordinary resolutions to be proposed at the GM to approve the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement 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 or any party to the Capital Increase Agreement and the Joint Venture Agreement, or close associate or core connected person of the Company or any party to the Capital Increase Agreement and the Joint Venture Agreement that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, Lego Corporate Finance Limited had acted as independent financial adviser to the Company in relation to the (i) connected transactions involving the connected subscriptions, and the entering into of the fund subscription agreement and partnership agreement; (ii) discloseable and connected transaction involving the entering into of the framework agreement in relation to formation of funds; (iii) connected transaction involving issue of consideration shares under specific mandate and continuing connected transactions; and (iv) discloseable and connected transaction in relation to the proposed restructuring of Shougang Concord Century



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Holdings Limited, details of which were disclosed in the circulars of the Company dated 27 August 2018, 29 August 2018, 28 November 2018 and 2 January 2019, respectively. Apart from normal professional fees paid or payable to us in connection with the aforementioned appointments and this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Given that remuneration for our engagement to opine on the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder is on normal commercial terms and not conditional upon successful passing of the resolution(s) at the GM, we are independent of the Company. Based on the foregoing and notwithstanding we had acted as independent financial adviser to the Company in the last two years, we are qualified to give independent advice in respect of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder as described above.

### **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. 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, Shouzhong Parking, or any of their respective subsidiaries and associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Capital Increase, we have considered the following principal factors and reasons:

#### **1. Background of the Group and the parties to the Capital Increase Agreement and the Joint Venture Agreement**

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

##### *Shouxing Zhixing*

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

##### *Shouzhong Investment*

Shouzhong Investment is a company established in the PRC with limited liability. Shouzhong Investment first became a non-wholly owned subsidiary of the Company in December 2017 and subsequently became a wholly-owned subsidiary of the Company in September 2018. Shouzhong Investment is principally engaged in the business of car parking facilities investment and operation in the PRC with a focus on public car parks with high traffic flow such as airports, railway stations and hospitals. Shouzhong Investment became a holder of equity interest in Shouzhong Parking as to 48.125% since establishment of Shouzhong Parking.

##### *Shougang Fund*

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

##### *Gonglian Anda*

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. Financial information of the Group

The following table summarises the key financial information of the Group for the years ended 31 December 2016 and 2017, and the six months ended 30 June 2017 and 2018 as extracted from the annual report of the Company for the year ended 31 December 2017 (the “**2017 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2018 (the “**2018 Interim Report**”), respectively.

	For the six months ended		For the year ended	
	30 June		31 December	
	2018	2017	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	818,375	1,305,909	3,816,145	1,035,606
<i>Continuing operations</i>				
– Trading business (including sale of iron ore and other steel related products)	736,530	1,304,001	3,812,329	1,031,984
– Fund management business <sup>(Note 1)</sup>	49,933	–	–	–
– Car parking business <sup>(Note 2)</sup>	30,674	–	–	–
– Management services and leasing income	1,238	1,908	3,816	3,622
<i>Discontinued operations</i>				
– Sale of steel products <sup>(Note 3)</sup>	–	–	–	6,262,980
Gross profit	51,534	11,339	9,110	49,394
Gross profit margin	6.3%	0.9%	0.2%	4.8%
Profit/(loss) for the period/year	215,633	141,725	57,286	(1,954,220)
– Continuing operations	215,633	141,725	57,286	(476,215)
– Discontinued operations	–	–	–	(1,478,005)

Notes:

- The Group expanded its business to fund management business through its acquisition of 京冀協同發展展示範圍(唐山)基金管理有限公司 (Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd. \*, “**Jingji**”) at the end of 2017. The principal activity of Jingji and its subsidiaries is provision of private fund management services in the PRC.
- The Group expanded its business to car parking business through its acquisition of Shouzhong Investment in late 2017. The principal activities of Shouzhong Investment and its subsidiaries are the provision of design, architecture, operation and management services of car parking lots with a focus on smart car parking system in the PRC.
- 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 of its subsidiary which principally engaged in the manufacturing 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.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 30 June 2018</b>	<b>As at 31 December 2017</b>	<b>As at 31 December 2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Bank balances and cash	1,569,997	1,389,628	537,488
Total assets	7,851,143	8,186,309	5,847,436
Total liabilities	(427,437)	(942,657)	(1,142,226)
Net assets	7,423,706	7,243,652	4,705,210

*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 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 Mount Gibson Iron Limited ("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. In spite of the decrease in gross profit margin, the Group has improved from negative return on asset ("ROA") and return on equity ("ROE") for the year ended 31 December 2016 to ROA and ROE of approximately 0.7% and 0.8%, respectively for the year ended 31 December 2017.

As at 31 December 2017, total assets of the Group amounted to approximately HK\$8,186.3 million, of which bank balances and cash amounted to approximately HK\$1,389.6 million, representing approximately 17.0% of the total assets of the Group. 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the six months ended 30 June 2017 and 2018*

Revenue of the Group decreased from approximately HK\$1,305.9 million for the six months ended 30 June 2017 to approximately HK\$818.4 million for the six months ended 30 June 2018, representing a decrease of approximately 37.3% as compared to corresponding period in the prior year. As stated in the 2018 Interim Report, such decrease was mainly due to that after the injection of new businesses and based on the status quo of the iron ore trading business, the Group decided to strictly control the risk of iron ore trading and gradually reduce the revenue generated from iron ore trading as well as the volume of iron ore transactions.

Despite the decrease in revenue, gross profit of the Group increased from approximately HK\$11.3 million for the six months ended 30 June 2017 to approximately HK\$51.5 million for the six months ended 30 June 2018, and gross profit margin of the Group increased from approximately 0.9% to approximately 6.3% during the same period. As stated in the 2018 Interim Report, the increase in gross profit margin was mainly attributable to the fund management business and car parking business which became the major businesses of the Group during the six months ended 30 June 2018. The gross profit margins of both private fund management business and car park operation business were higher than that of iron ore trading business, which recorded approximately 88% and 13% for the six months ended 30 June 2018 respectively. Going forward, the Group will make great efforts in developing the investment in and operation of car parking facilities, and adhere to the principle of “key cities, prime locations and quality parking spaces”, while focusing on segment markets such as airports, hospitals, shopping malls, office buildings and roadside to source high quality and high-return operational projects.

As at 30 June 2018, total assets of the Group amounted to approximately HK\$7,851.1 million, of which bank balances and cash amounted to approximately HK\$1,570.0 million, representing approximately 20.0% of the total assets of the Group. Total liabilities of the Group decreased to approximately HK\$427.4 million as of 30 June 2018 from approximately HK\$942.7 million as of 31 December 2017. Such decrease was primarily attributable to the decrease in trade and bills payables of approximately HK\$439.1 million.

### **3. Information of Shouzhong Parking**

Shouzhong Parking, principally engaged in management of motor vehicle parking, is a joint venture company established in November 2016 under the laws of the PRC with limited liability with an initial registered capital of RMB144,000,000, of which Shouzhong Investment, Shougang Fund and Gonglian Anda had contributed RMB69,300,000, RMB72,900,000 and RMB1,800,000, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Letter from the Board, the audited net profit/(loss) of Shouzhong Parking for the two years ended 31 December 2017 and 31 December 2016, which were prepared in accordance with the Accounting Standards for Business Enterprises of the PRC, are set forth below:

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

Based on the audited financial statements of Shouzhong Parking, the net asset value of Shouzhong Parking as at 31 December 2017 amounted to approximately RMB140,679,764.56.

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

As shown in the table above, Shouzhong Parking recorded loss of approximately RMB3.3 million for the year ended 31 December 2017. As advised by the management of the Group, as at the Latest Practicable Date, Shouzhong Parking has yet to generate any revenue since the Airport Parking Building Project was still under the construction stage. On the other hand, Shouzhong Parking raised loans in the aggregate principal amount of approximately RMB270.4 million in 2018 for the construction costs of the parking building and the relevant expenses for the Airport Parking Building Project. In this regard, we have further enquired to the management of the Group and obtained and reviewed the latest management accounts of Shouzhong Parking for the 11 months ended 30 November 2018, and we noted that total borrowings of Shouzhong Parking amounted to approximately RMB354.4 million while the bank balances and cash of Shouzhong Parking amounted only to approximately RMB7.5 million as at 30 November 2018. In addition, Shouzhong Parking continued to be loss making and recorded loss of approximately RMB16.1 million for the 11 months ended 30 November 2018 due to loan interest expenses, construction costs and administrative expenses incurred for the Airport Parking Building Project. The net asset value of Shouzhong Parking amounted to approximately RMB124.5 million as at 30 November 2018.

#### **4. Outlook of the car parking industry in the PRC**

It is noted that the number of inbound travelers to the PRC and travelers traveled by plane in the PRC continued to increase in recent years. According to the National Bureau of Statistics of the PRC (中華人民共和國統計局), the number of inbound travelers to the PRC and travelers traveled

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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by plane in the PRC increased from approximately 132.4 million and 319.4 million in 2012 to approximately 139.5 million and 551.6 million in 2017, respectively, representing a CAGR of approximately 1.1% and 11.6%, respectively.

As 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 parking spaces in the PRC is benefited as well.

To assess the market conditions and prospects of car parking business in the PRC, we have further conducted research on the potential demand for parking facilities in the PRC. According to 停車行業發展白皮書2017 (Parking Industry Development White Paper 2017\*) jointly issued by 北京清華同衡規劃設計研究院有限公司 (Beijing Tsing Hua Urban Planning and Development Institute Co., Ltd.\*) and China Urban Public Transport Association (中國城市公共交通協會) in May 2018, as at 31 December 2017, the total number of civil vehicles were approximately 5.6 million in Beijing and approximately 4.7 million in Shanghai. However, as at 31 December 2017, there were only approximately 2.1 million and 0.6 million of parking spaces in Beijing and Shanghai, respectively, indicating a significant shortage of approximately 7.6 million in parking spaces in these two main cities in the PRC.

In addition, in view of the severe shortage of parking spaces, the PRC Central Government has proposed a series of guidance and notices in respect of the strengthening of the parking management and facilities since 2015, so as to cope with rapid development in urban areas. These guidance and notices include, but not limited to, (i) 《關於加強城市停車設施建設的指導意見》(Guidance Opinions on Strengthening the Construction of Urban Parking Facilities\*) published by the National Development and Reform Commission, the PRC (the “NDRC”) in August 2015; (ii) 《加快城市停車場建設近期工作要點與任務分工》(Notice on the Key Points of Recent Work and the Division of Labor for Speeding up the Construction of Urban Parking Facilities\*) published by the NDRC in January 2016; (iii) 《關於進一步完善城市停車場建設及用地政策的通知》(Notice on further improvements in respect of the Construction of Urban Parking Facilities and the Land-use Policy\*) jointly published by the Ministry of Housing and Urban-Rural Development of the PRC and the Ministry of Land and Resources of the PRC in September 2016; (iv) 《關於開展城市停車場試點示範工作的通知》(Notice on the Commencement of Piloting and Demonstration of the Urban Parking Facilities\*) published by the NDRC in April 2017; and (v) 《關於開展城市停車設施規劃建設督查工作的通知》(Notice on the Commencement of Supervision Work on the Construction of Urban Parking Facilities\*) published by the Ministry of Housing and Urban-Rural Development of the PRC in July 2017. Furthermore, the PRC Provincial-level Governments of Beijing, Shanghai and Chongqing, in which the Target Company and its subsidiaries provide parking management services, have also published a series of guidance and plans in respect of the strengthening of the parking management and facilities for the respective municipalities, including but not limited to (i) 《北京市機動車停車條例》(Rules for the Administration of Motor Vehicle Parking in Beijing Municipality\*) promulgated by Beijing Municipal Government and become effective in May 2018; (ii) 《關於促進本市停車資源共享利用的指導意見》(Guidance Opinions on Sharing of Urban Parking Facilities\*) published by Shanghai Municipal People’s Government in



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September 2016; and (iii) 《主城區公共停車場和步行系統建設實施方案》(Implementation Plan for the Construction of Public Parking Facilities and Pedestrian System in the Main City\*) published by Chongqing Municipal People's Government in December 2017.

In view of (i) the growth in the number of inbound travelers to the PRC and particularly travelers traveled by plane in the PRC; (ii) the relatively low penetration rate of auto vehicles in the PRC at the moment, indicating significant potential for continuous growth of the PRC automobile market as well as the continuous increasing demand of parking facilities; (iii) the severe shortage of parking spaces in the PRC; and (iv) the guidance, notices and implementation plans from the PRC Central Government and the PRC Provincial-level Governments to improve the urban parking management and facilities, we consider that it is justifiable for the Group to increase its investment in Shouzhong Parking by means of Capital Increase, which enables Shouzhong Parking to have the capability to complete the Airport Parking Building Project and in turns enable the Group to further pursue in the car parking business in the PRC.

### 5. Reasons for and benefits of the Capital Increase

As disclosed in the paragraph headed “Information of Shouzhong Parking” above, Shouzhong Parking was established for the operation and management of airport parking buildings business with the Airport Parking Building Project as a starting point. According to the Letter from the Board, Beijing Daxing International Airport is an ultra large-scale international aviation integrated transportation hub in Beijing, which will be completed on 30 June 2019 and put into operation on 30 September 2019. Passenger throughput is expected to reach 72 million man-time in the near future and 100 million in the long term. The parking building (the “**Parking Building**”) is located on south of terminal building, having 4,200 parking lots on four floors (including 630 parking lots with charging equipment) with passengers and consummate supportive commercial facilities. There is a railway station hall on the ground floor of the Parking Building, which can realise dimensional transfer with the fast track on the second floor underground and other modes of transportations. The Parking Building offers world-class services with great convenience, accessibility and humanisation design. Since the Airport Parking Building Project was still at the construction stage, Shouzhong Parking did not generate any revenue or profit for the year ended 31 December 2017. Nevertheless, Shouzhong Parking has been devoted to and focusing on the construction and other related work for the Airport Parking Building Project, which will be completed later this year and will thereafter create revenue and enhance profitability of Shouzhong Parking.

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

As disclosed in the paragraph headed “Financial information of the Group” above, the Group expanded its business to car parking business through its acquisition of Shouzhong Investment in late 2017, and the Group recorded revenue of approximately HK\$30.7 million from the car park operation business with gross profit margin of approximately 13% for the six months ended 30 June 2018. The Group intends to make efforts in developing the investment in and operation of car parking facilities, and focus on segment markets such as airports, hospitals, shopping malls, office buildings and roadside to source high quality and high-return operational projects. Accordingly, the Capital Increase is in line with the business strategy of the Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the management of the Group, the capital to be injected into Shouzhong Parking under the Capital Increase would be primarily utilised for the partial repayment of loans and operating expenses of Shouzhong Parking. In this connection, we have obtained and reviewed the agreement relating to the transfer of operation right for the Airport Parking Building Project (the “**Project Agreement**”). Upon our review of the Project Agreement, we noted that Shouzhong Parking is responsible for the construction of certain parts of the Parking Building and shall pay a pre-determined amount of initial fee for the transfer of operation right of the Parking Building. As stated in the paragraph headed “Information of Shouzhong Parking” above, total borrowings of Shouzhong Parking amounted to approximately RMB354.4 million while the bank balances and cash of Shouzhong Parking amounted only to approximately RMB7.5 million as at 30 November 2018. As advised by the management of the Group, the borrowings of Shouzhong Parking had been utilised for partial payment of the initial fee and the construction costs, and the bank balances and cash of Shouzhong Parking as at 30 November 2018 was insufficient to cover the outstanding amount of the aforementioned construction costs and the remaining balance of the initial fee. Hence, Shouzhong Parking has needs for funding to strengthen its capital base for the fulfillment of its obligations under the Project Agreement. In return, Shouzhong Parking is granted with the 25-year operation right of the Parking Building and entitled to income from car parking, rental of retail stores, provision of car charging services, rental of advertising spaces and other incomes to be generated coincide with the operation of the Parking Building during the period. Pursuant to the Joint Venture Agreement, Shouzhong Parking will declare and make distributions to its equity holders in accordance with the proportion of their paid capital contributions to Shouzhong Parking. Given the above, the management of the Group are of the view that the Capital Increase represents an opportunity for the Group to secure a higher proportion of long-term stable income stream from the future operation of Shouzhong Parking while at the same time strengthen the financial resources of Shouzhong Parking for fulfilling its initial capital requirements for the Airport Parking Building Project.

As at the Latest Practicable Date, the amount of RMB69.3 million, RMB72.9 million and RMB1.8 million have been contributed to Shouzhong Parking by Shouzhong Investment, Shougang Fund and Gonglian Anda, representing 48.125%, 50.625% and 1.250% of the registered capital of Shouzhong Parking, respectively. Pursuant to the Capital Increase Agreement, Shouxing Zhixing shall contribute RMB76.0 million to the registered capital of Shouzhong Parking, representing approximately 34.545% of the registered capital of the Shouzhong Parking upon completion of the Capital Increase. Upon completion of the Capital Increase, the total capital contributions of the Company (through Shouxing Zhixing and Shouzhong Investment) to Shouzhong Parking will be increased to RMB145.3 million, representing approximately 66.045% of the registered capital of Shouzhong Parking. Despite of the discount to the net asset value per share of Shouzhong Parking upon completion of the Capital Increase, having considered that (i) Shouzhong Parking was established in November 2016 and has yet to generate any revenue as at the Latest Practicable Date since the Airport Parking Building Project was still under the construction stage; (ii) the liabilities of Shouzhong Parking as at 30 November 2018 was primarily comprised of the aforesaid loans raised for (a) the initial fee for the transfer of operation right of the Parking Building, which is one-off in nature; and (b) the construction costs of the Parking Building, which were necessary to be incurred during the construction stage of the Airport Parking Building Project; (iii) Beijing Daxing International Airport is expected to be completed by June 2019 and put into operation by September 2019; and (iv) the 25-year operation right of the Parking Building granted to Shouzhong Parking

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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shall provide a long-term stable source of income to Shouzhong Parking and hence improve the Group's financial performance, we concur with the view of the Directors that the amount of the Capital Increase of RMB76.0 million, which matched up with its increment in registered capital of Shouzhong Parking from RMB144.0 million to RMB220.0 million, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Taking into account that (i) the Capital Increase shall increase the Group's interests in Shouzhong Parking, which is in line with the business strategies of the Group; (ii) the Capital Increase shall raise the capital strength of Shouzhong Parking for its investment in the Airport Parking Building Project as well as to further develop and expand the airport parking business; (iii) Beijing Daxing International Airport is expected to put into operation by September 2019 and the 25-year operation right of the Parking Building granted to Shouzhong Parking shall provide a long-term stable source of income to Shouzhong Parking and hence improve the Group's financial performance; (iv) the equity interest held by the Company (through Shouxing Zhixing and Shouzhong Investment) will be in proportion to its total capital contributions to Shouzhong Parking upon completion of the Capital Increase; and (v) the positive prospects of the car parking industry in the PRC as stated in the paragraph headed "Outlook of the car parking industry in the PRC" above, we concur with the view of the Directors that the Capital Increase is in the interests of the Company and the Shareholders as a whole.

### **6. Principal terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement**

On 30 December 2018 and 14 January 2019, Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda entered into the Capital Increase Agreement and the Supplemental Agreement, respectively.

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

The principal terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement are set forth below:

#### ***The Capital Increase***

The parties to the Capital Increase Agreement have agreed to increase the registered capital of Shouzhong Parking from RMB144,000,000 to RMB220,000,000. Pursuant to the Capital Increase Agreement, Shouxing Zhixing shall make a capital contribution in the amount of RMB76,000,000 to the registered capital of Shouzhong Parking. None of Shouzhong Investment, Shougang Fund and Gonglian Anda will make additional capital contribution under the Capital Increase Agreement. After the Capital Increase, the equity interest of Shouxing Zhixing, Shouzhong Investment, Shougang Fund and Gonglian Anda in Shouzhong Parking will become approximately 34.545%, 31.500%, 33.136% and 0.818%, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shouxing Zhixing undertakes that the Independent Shareholders' Approval shall have been obtained before 30 April 2019 in respect of, among other things, execution of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the performance of obligations thereunder.

Shouxing Zhixing shall pay the amount of RMB76,000,000 to Shouzhong Parking in cash before 31 January 2019, which will be funded by the internal resources of Shouxing Zhixing. Shouzhong Parking acknowledges that the aforementioned amount shall be deemed as deposit for the Capital Increase, which shall be returned by Shouzhong Parking to Shouxing Zhixing as soon as practicable thereafter if the Independent Shareholders' Approval has not yet been obtained before 30 April 2019. In addition, if the Independent Shareholders' Approval has not yet been obtained before 30 April 2019, Shouzhong Parking shall procure that parties to the Capital Increase Agreement shall cooperate to revert to the relevant status immediately prior to execution of the Capital Increase Agreement (as supplemented by the Supplemental Agreement).

The amount of Capital Increase was determined after arm's length negotiations among the parties of the Capital Increase Agreement with reference to the working capital currently available to Shouzhong Parking, the estimated business needs and future business development of Shouzhong Parking. For our due diligence purpose, we have enquired to the management of the Group in respect of the capital requirements for fulfilling the estimated business needs of Shouzhong Parking. As stated in the paragraph headed "Reasons for and benefits of the Capital Increase" above, Shouzhong Parking was established for the purpose of, among others, operation and management of airport parking buildings with the Airport Parking Building Project. Shouzhong Parking is, accordingly, responsible for the construction of certain parts of the Parking Building and is required to pay a substantial amount of initial fee for the transfer of operation right of the Parking Building under the Project Agreement. As advised by the management of the Group, Shouzhong Parking had funded most of such capital requirements by loans and hence significant interest expenses were incurred during 2018. Accordingly, it is expected that the capital to be injected into Shouzhong Parking under the Capital Increase shall be utilised for partial repayment of such loans and the related interest expenses and partial payment of the aforementioned initial fees so as to provide liquidity to the working capital of Shouzhong Parking. It is expected that Shouzhong Parking will require additional working capital in the future for, among others, operation and construction. Where such needs arise, Shouzhong Parking may seek for further funding by loans with appropriate interest rate or by way of capital increase.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Capital structure of Shouzhong Parking*

The capital structure of Shouzhong Parking (i) as at the Latest Practicable Date; and (ii) immediately after the Capital Increase are set out below:

	As at the Latest Practicable Date		Immediately after the Capital Increase	
	Capital contribution (RMB)	Equity interest (Approximate)	Capital contribution (RMB)	Equity interest (Approximate)
Shougang Fund	72,900,000	50.625%	72,900,000	33.136%
Gonglian Anda	1,800,000	1.250%	1,800,000	0.818%
The Group				
– <i>Shouzhong Investment</i>	69,300,000	48.125%	69,300,000	31.500%
– <i>Shouxing Zhixing</i>	–	–	76,000,000	34.545%
	<u>–</u>	<u>–</u>	<u>76,000,000</u>	<u>34.545%</u>
<b>Total</b>	<b><u>144,000,000</u></b>	<b><u>100%</u></b>	<b><u>220,000,000</u></b>	<b><u>100%</u></b>

As at the Latest Practicable Date, the Company (through Shouzhong Investment), Shougang Fund and Gonglian Anda held 48.125%, 50.625% and 1.250% of the equity interest in Shouzhong Parking, respectively. Upon completion of the Capital Increase, the Company's aggregate indirect equity interest in Shouzhong Parking (through Shouxing Zhixing and Shouzhong Investment) will increase from 48.125% to approximately 66.045% and accordingly, Shouzhong Parking will be accounted for as a subsidiary and its financial results shall be consolidated into the accounts of the Group following the completion of the Capital Increase.

### *Term*

The term of the Joint Venture Agreement commenced on 30 December 2018 until 13 November 2046.

### *Profit distribution*

Shouzhong Parking shall distribute the distributable profits to its equity holders in accordance with the distribution plan determined by the resolution of the board of Shouzhong Parking in proportion to their respective paid-up capital contributions to Shouzhong Parking.

### *Board of directors, supervisor and senior management*

The board of directors of Shouzhong Parking will comprise three directors, each of whom shall be nominated by Shouxing Zhixing, Shougang Fund and Shouzhong Investment, respectively. The chairman of the board of directors of Shouzhong Parking shall be nominated by Shouxing Zhixing. Shouzhong Parking will have only one supervisor, who shall be nominated by Gonglian Anda. The board of directors of Shouzhong is responsible for, among others, determining the business operation strategies and investment plans, approving the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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financial budgets and profit distributions, the disposal, transfer, charge and reorganisation of the assets of Shouzhong Parking. The principal responsibilities of the supervisor of Shouzhong Parking include monitoring the financial conditions of Shouzhong Parking, supervision on performance of obligations by directors and senior management, giving recommendations and raising questions at board meetings and conducting investigations on Shouzhong Parking where the management condition is abnormal. Despite the foregoing, the function of the board of directors of Shouzhong Parking will not be impaired by its supervisor. The general manager, vice general manager, chief financial officer and other senior management of Shouzhong Parking shall be appointed or dismissed by the board of directors of Shouzhong Parking.

Having considered that (i) the Capital Increase is in the interests of the Company and the Shareholders as a whole as set out under the paragraph headed “Reasons for and benefits of the Capital Increase” above; (ii) Shouzhong Parking will declare and make distributions to its equity holders in accordance with the proportion of their paid capital contributions to Shouzhong Parking; (iii) the Group shall nominate a majority of the board of directors of Shouzhong Parking and therefore controls the management and operations of Shouzhong Parking; and (iv) the fact that the Capital Increase will lead to a direct corresponding increase in the Company’s ownership of Shouzhong Parking, we are of the view that the terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **7. Possible financial effects of the Capital Increase**

Upon completion of the Capital Increase, the Company (through Shouxing Zhixing and Shouzhong Investment) will hold in aggregate approximately 66.045% of the equity interest in Shouzhong Parking, and accordingly, Shouzhong Parking will be accounted for as a non wholly-owned subsidiary of the Company and its assets and liabilities, and financial results shall be consolidated into the financial statements of the Group.

#### **7.1 Assets and liabilities**

As at 31 December 2017, the net asset value of the Shouzhong Parking was approximately RMB140.7 million. Pursuant to the Capital Increase Agreement, the capital contribution of RMB76.0 million shall be made by Shouxing Zhixing in cash. Upon completion of the Capital Increase, the consolidated net asset value of the Company is expected to increase proportionate to the increase in equity interest in Shouzhong Parking.

#### **7.2 Earnings**

Shouzhong Parking recorded loss after taxation of approximately RMB3.3 million for the year ended 31 December 2017 as Beijing Daxing International Airport and the Parking Building will only be put into operation by September 2019. Following the commencement of operation of Beijing Daxing International Airport and the Parking Building, the Directors expect that Shouzhong Parking will enhance the earnings of the Group by providing a stable source of income.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 7.3 Gearing ratio

According to the 2018 Interim Report, as at 30 June 2018, the total borrowings of the Group amounted to approximately HK\$71.1 million and the gearing ratio of the Group, expressed as total borrowings divided by shareholders' funds, was approximately 0.96%. As disclosed in the paragraph headed "Information of Shouzhong Parking" above, total borrowings of Shouzhong Parking amounted to approximately RMB354.4 million while the net asset value of Shouzhong Parking only amounted to approximately RMB124.5 million as at 30 November 2018. As a result, the gearing ratio of the Group is expected to increase upon completion of the Capital Increase.

### 7.4 Working capital

As stated in the Letter from the Board, the capital contribution of RMB76.0 million for the Capital Increase will be funded by internal resources of the Group. According to the 2018 Interim Report, the Group had unaudited bank balances and cash of approximately HK\$1.6 billion and current assets of approximately HK\$1.9 billion as at 30 June 2018. The Directors consider that the capital contribution of RMB76.0 million and the consolidation of the financial results of Shouzhong Parking will not have a material adverse impact on the working capital of the Group upon completion of the Capital Increase.

## RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the GM to approve the Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Stanley Ng**  
*Managing Director*

*Mr. Stanley Ng 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 14 years of experience in the auditing 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. 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 the 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 <i>(approximately)</i>
Liang Hengyi	Beneficial owner	3,880,000	0.016%
Liu Jingwei	Beneficial owner	1,380,000	0.006%
	Interest of controlled corporation	300,000	0.001%
Wang Xin	Beneficial owner	200,000	0.001%
	Interest of spouse	1,000,000	0.004%



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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity in which interests were held</b>	<b>Number of shares of the associated corporation</b>	<b>Total interests as to % of the total number of shares of the associated corporation in issue as at the Latest Practicable Date <i>(approximately)</i></b>
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:

<b>Name of shareholder</b>	<b>Capacity in which interests were held</b>	<b>Number of Shares/underlying shares</b>	<b>Interests as to % of the total number of Shares in issue as at the Latest Practicable Date (approximately)</b>	<b>Notes</b>
Shougang Group	Interests of controlled corporations	12,633,903,865	52.54%	1
Cheng Yu Tung Family (Holdings II) Limited	Interests of controlled corporations	2,677,425,528	11.14%	2
Cheng Yu Tung Family (Holdings) Limited	Interests of controlled corporations	2,677,425,528	11.14%	2
Rocket Parade Limited	Beneficial owner	2,677,425,528	11.14%	2
ORIX Corporation	Interests of controlled corporation	1,503,741,731	6.25%	3
ORIX Asia Capital Limited	Beneficial owner	1,503,741,731	6.25%	3

*Notes:*

1. *Shougang Group is interested in all the Shares held by its direct and indirect subsidiaries, namely, Shougang Holding (Hong Kong) Limited (holding 360,601,160 Shares), China Gate Investments 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 Limited (holding 4,591,579,245 Shares).*

2. *Rocket Parade Limited 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 Limited which is held as to 60.99% by New World Development Company Limited, which is in turn held as to 44.46% 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.*
3. *ORIX Corporation is interested in all the Shares held by its wholly-owned subsidiary, ORIX Asia Capital Limited.*

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.

### 3. 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).

### 4. 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:

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

<sup>#</sup> Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

## 5. 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.

## 6. 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.

## 7. 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:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	a corporation licensed 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.

## 8. 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 is a director of Shougang Holding (Hong Kong) Limited; (ii) Mr. Ho Gilbert Chi Hang is a director of Rocket Parade Limited; (iii) Mr. Li Hao is the managing director of Greater China Division, East Asia Business Headquarters at ORIX Corporation and the director and president of ORIX Asia Capital Limited. All of Shougang Holding (Hong Kong) Limited, Rocket Parade Limited, ORIX Corporation and ORIX Asia Capital Limited 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 2(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 located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) The secretary of the Company is Ms. Leung Yuen Chee Sara. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours from the date of this circular up to and including the date of the GM:

- (a) the articles of association of the Company;
- (b) the Capital Increase Agreement;
- (c) the Joint Venture Agreement;
- (d) the Supplemental Agreement;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 12 of this circular;

- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 13 to 28 of this circular;
- (g) the consent letter as referred to in the section headed “Qualification and Consent of Expert” in this Appendix; and
- (h) this circular.

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## NOTICE OF GM

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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)

### 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 9:40 a.m. (or immediately after the conclusion of the earlier general meeting) on Wednesday, 27 March 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the capital increase agreement (the “**Capital Increase Agreement**”) dated 30 December 2018 entered into among Beijing Shouxing Zhixing Investment Co., Ltd.\* (北京首興智行投資有限公司) (“**Shouxing Zhixing**”), Shouzhong Investment Management Co., Ltd.\* (首中投資管理有限公司) (“**Shouzhong Investment**”), Beijing Shouzhong Car Parking Management Co., Ltd.\* (北京首中停車管理有限公司) (“**Shouzhong Parking**”), Beijing Shougang Fund Co., Ltd.\* (北京首鋼基金有限公司) (“**Shougang Fund**”) and Beijing Static Traffic Anda Parking Management Co., Ltd.\* (北京靜態交通安達停車管理有限公司) (previously known as Beijing Gonglian Anda Car Parking Management Co., Ltd.\* (北京公聯安達停車管理有限公司)) (“**Gonglian Anda**”) in relation to the capital increase in the registered capital of Shouzhong Parking (a copy of the Capital Increase Agreement has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the joint venture agreement (the “**Joint Venture Agreement**”) dated 30 December 2018 entered into among Shouxing Zhixing, Shouzhong Investment, Shouzhong Parking, Shougang Fund and Gonglian Anda in relation to operation and management of Shouzhong Parking (a copy of the Joint Venture Agreement has been produced to the meeting and marked “B” and initialed by the Chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the supplemental agreement (the “**Supplemental Agreement**”) dated 14 January 2019 entered into between Shouxing Zhixing and Shouzhong Parking to supplement certain terms of the Capital Increase Agreement (a copy of the Supplemental Agreement has been produced to the meeting and marked “C” and initialed by the Chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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## NOTICE OF GM

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- (d) any one director of the Company 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 Capital Increase Agreement (as supplemented by the Supplemental Agreement) and the Joint Venture Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 21 February 2019

\* *The English translations of Chinese names in this notice, where indicated, are included for reference only, and should not be regarded as the official English names of such Chinese names.*

*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, 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 9:40 a.m. on Monday, 25 March 2019 (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 Thursday, 21 March 2019. In order to qualify for the entitlement to attend and vote at the above GM, 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 Thursday, 21 March 2019 for registration.