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首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

VOLUNTARY ANNOUNCEMENT ESTABLISHMENT OF TANGSHAN SMART CITY STATIC TRANSPORTATION INDUSTRY DEVELOPMENT CO., LTD.*

首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*, “**Shouzhong Investment**”), a subsidiary of the Company, and 唐山市城市建設投資集團有限公司 (Tangshan City Construction Investment Group Co., Ltd.*, “**Tangshan City Investment**”) entered into the Joint Venture Agreement to establish 唐山智慧城市靜態交通產業發展有限公司 (Tangshan Smart City Static Transportation Industry Development Co., Ltd.*, “**Joint Venture**”).

REASONS FOR ESTABLISHING THE JOINT VENTURE

The Joint Venture is established for the development and construction of the static transportation market in Tangshan.

Tangshan is located in the eastern part of Hebei Province, where there are over 2 million motor vehicles, ranking the third in Hebei Province. According to calculation based on relevant research data, Tangshan demands for more than 40,000 parking spaces and public parking spaces are in severe shortage, especially along the main road sections in urban center, major public hospitals and transportation hubs. Accordingly, accelerating the development of the static transportation industry in Tangshan and solving the “parking woes”, which is a major concern in livelihood among the locals, has become a top priority for urban governance in Tangshan. Car parking facilities and investment operation is one of the Group’s principal businesses, which is perfectly in line with Tangshan’s demand for static transportation services. In light of the above, there are favorable internal and external conditions supporting the Group’s development in the static transportation market in Tangshan and the Group enjoys excellent business opportunities in the market.

Tangshan City Investment, a Joint Venture party, is a local party that possesses strong financial strength, industrial foundation and related management capabilities and has extensive knowledge about the public service market in Tangshan. In order to successfully carry out the Group’s business in Tangshan, the Group intends to cooperate with Tangshan City Investment to establish the Joint Venture, through which develop the static transportation market in Tangshan. Both parties have reached a consensus on the Joint Venture Agreement and the Articles. It is reasonable for the Group to consider that both parties will operate the Joint Venture on the principles of mutual trust, mutual cooperation and mutual benefits after the initial cooperation and communications with Tangshan City Investment, which will promote the development of the Group in the long run.

The Group and Tangshan City Investment have teamed up with five public hospitals in Tangshan, the Tangshan Railway Station and the Tangshan Hotel and have reached an agreement on the cooperation in investing and operating parking facilities. Thus, both parties ought to establish the Joint Venture in Tangshan timely so as to carry out related projects that are expected to provide strong driving power to the Group's development in the area of investment and operation of parking facilities through the Joint Venture.

In summary, the establishment of the Joint Venture will not only promote the development of the static transportation market in Tangshan and improve the local citizens' travel quality, but also provide stable economic benefits for the Group and achieve the Group's strategic goals. Meanwhile, the establishment of the Joint Venture will also optimize the allocation of resources in various regions with different development levels and promote the implementation of the national strategy for the coordinated development of Beijing-Tianjin-Hebei region.

唐山智慧城市靜態交通產業發展有限公司 (TANGSHAN SMART CITY STATIC TRANSPORTATION INDUSTRY DEVELOPMENT CO., LTD.*)

On 7 June 2018, Shouzhong Investment, a subsidiary of the Company, entered into the Joint Venture Agreement with Tangshan City Investment to establish the Joint Venture. Shouzhong Investment and Tangshan City Investment will adopt the Articles.

INFORMATION ON THE PARTIES TO THE JOINT VENTURE AGREEMENT

As at the date of this announcement, the business scope of Tangshan City Investment is mainly urban infrastructure and non-financial investment in major industries, contracting construction projects for government authorities, and development and operation of real estate with necessary qualifications.

Shouzhong Investment is a subsidiary of the Company. It is principally engaged in car parking facilities and investment operation in the PRC and focuses on smart parking systems. Shouzhong Investment provides a full range of services covering the design, construction, operation and management of smart parking systems in the PRC, and provides related solutions and services.

ESTABLISHMENT OF THE JOINT VENTURE

Both parties have agreed to establish the Joint Venture. The Joint Venture will leverage on its own advantages, make proper use of the contributed capital of the Joint Venture, accumulate more quality resources, and actively and steadily carry out relevant projects.

The term of the Joint Venture is valid till 7 June 2043.

Business Scope

The proposed business scope of the Joint Venture is as follows: investment, design, construction, development and operation of static transportation infrastructure and equipment; road parking operations, construction, operation and management of public parking lots and ancillary property; development and sales of computer software; internet information services; construction, operation and clearing and settlement of electronic toll collection systems; online payment, pre-paid card issuance and processing; finance leasing; leasing and management of advertising space; auto rescue and towing services; investment and construction and operation management services for ancillary infrastructure for new energy vehicles.

Capital Contribution to the Joint Venture

The target total capital contribution to the Joint Venture will be amounted to RMB200 million.

Shouzhong Investment shall contribute RMB110 million in cash for 55% equity interest in the Joint Venture. The registered capital paid-up by Shouzhong Investment as at the date of the initial capital contribution will be RMB5.5 million.

Tangshan City Investment shall contribute RMB90 million in cash for 45% equity interest in the Joint Venture. The registered capital paid-up by Tangshan City Investment as at the date of the initial capital contribution will be RMB 4.5 million.

Joint Venture parties	Registered capital to be contributed <i>RMB</i>	Percentage interest	Deadline for paid-up
Shouzhong Investment	110,000,000	55%	by 31 December 2020
Tangshan City Investment	<u>90,000,000</u>	<u>45%</u>	by 31 December 2020
Total	<u>200,000,000</u>	<u>100%</u>	

Regarding subsequent capital contributions, for the avoidance of doubt, the Joint Venture parties' obligations of subsequent capital contributions shall be subject to the progress of the investment projects of the Joint Venture. Each Joint Venture party shall fulfill its obligations of subsequent capital contributions in proportion to its shareholding in the Joint Venture.

Board of Directors and Senior Management

The Board will comprise five (5) directors, of which Shouzhong Investment is entitled to appoint three (3) directors and Tangshan City Investment is entitled to appoint two (2) directors.

The chairman and vice chairman of the Joint Venture shall be appointed by Tangshan City Investment and Shouzhong Investment respectively. The chairman of the Joint Venture is the legal representative of the Joint Venture.

The Joint Venture will not establish a supervisory committee but will have two (2) supervisors and each Joint Venture party is entitled to appoint one (1) supervisor.

The senior management of the Joint Venture include one general manager, one chief financial officer, and several deputy general managers.

The general manager and chief financial officer of the Joint Venture shall be nominated by Shouzhong Investment while other members of the senior management shall be nominated by the general manager, the above personnel shall be recruited and appointed by the Board. In addition, Shouzhong Investment also has the right to directly nominate a deputy general manager.

Profit Distribution

In accordance with the principle of no distribution in case of no profit being recorded, the Joint Venture shall distribute the distributable profits in accordance with the distribution plan determined by the resolution of the Board in proportion to the paid-up capital contributions by the Joint Venture parties.

Restrictions on transfer

Transfer of all or part of its equity interests to a third party by any of the Joint Venture parties shall be subject to the approval by the other Joint Venture party. In the case of transferring all or part of its equity interests by any of the Joint Venture parties, the other Joint Venture party has the right of first refusal in respect of the equity interests being transferred. The terms for the transfer of capital contributions to a third party shall not be more favorable than those available to the remaining Joint Venture party.

DEFINITIONS

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

“%”	per cent;
“Articles”	the articles of association entered between Shouzhong Investment and Tangshan City Investment on 7 June 2018 in relation to the establishment of the Joint Venture;
“Board”	the board of directors of the Joint Venture;
“Company”	Shougang Concord International Enterprises Company Limited;
“Group”	the Company together with its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; and
“Joint Venture Agreement”	the agreement dated 7 June 2018 between Shouzhong Investment and Tangshan City Investment in relation to the establishment of the Joint Venture;

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

Hong Kong, 8 June 2018

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

** for identification purpose only*