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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)*

### **DISCLOSEABLE TRANSACTION FORMATION OF PARTNERSHIP AND ACQUISITION OF CARPARK INCOME RIGHTS BY THE PARTNERSHIP**

On 13 November 2019, Shouzhong Investment, a wholly-owned subsidiary of the Company, the GP and Shenzhen Wanwu entered into the Partnership Agreement in relation to the formation of the Partnership.

On the same day, Shouzhong Investment and Shenzhen Wanwu entered into the Transfer Agreement with the Vendors in relation to the acquisition of the Carpark Income Rights by the Partnership.

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Partnership Agreement and the Transfer Agreement is more than 5% but less than 25%, the transactions contemplated under the Partnership Agreement and the Transfer Agreement constitute discloseable transactions of the Company under the Listing Rules subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

### **INTRODUCTION**

On 13 November 2019, Shouzhong Investment, a wholly-owned subsidiary of the Company, the GP and Shenzhen Wanwu entered into the Partnership Agreement in relation to the formation of the Partnership.

On the same day, Shouzhong Investment and Shenzhen Wanwu entered into the Transfer Agreement with the Vendors in relation to the acquisition of the Carpark Income Rights by the Partnership.

The principal terms of the Partnership Agreement and the Transfer Agreement are set out below:

## THE PARTNERSHIP AGREEMENT

### Purpose of the Partnership

The Partnership will be engaged in the investment in carpark spaces, and will aim to obtain income by leasing, managing, and disposing of the assets of the underlying carpark spaces, thereby creating a satisfactory return on investment for the Partners.

### Term of the Partnership

The term of the Partnership shall commence on the Date of Establishment and continue until the seventh anniversary of the date of initial capital injection by the Partners. The term of the Partnership may be extended for another two years as agreed by the Special Committee.

### Capital Commitment

The total capital commitment of the Partnership is RMB500,000,000. The capital commitment will be made by the Partners in cash as follows:

Partner	Capital Commitment (RMB)	% interest in the Partnership
Shouzhong Investment	350,000,000	70.0%
Shenzhen Wanwu	149,500,000	29.9%
GP	500,000	0.1%
<b>Total</b>	<b>500,000,000</b>	<b>100.0%</b>

Each of the Partners shall, upon receiving a drawdown notice from GP (acting as the managing Partner of the Partnership), contribute some or all of their respective unpaid capital commitment in accordance with their respective proportion to the Partnership in accordance with the terms of the Partnership Agreement.

The amount of capital commitment to be made by the Partners was arrived at after arm's length negotiations among the Partners having taken into account the expected capital requirements of the Partnership. It is contemplated that the capital commitment payable by Shouzhong Investment will be funded by internal resources of the Group.

The Partnership will be accounted for as a jointly-controlled entity of the Company.

### Special Committee

The Special Committee will consist of five (5) members, three (3) of whom will be appointed by Shouzhong Investment, and two (2) of whom will be appointed by Shenzhen Wanwu. The Special Committee will be responsible for determining material matters of the Partnership.

## **Managing Partner**

The GP will be engaged as the managing Partner to provide investment management to the Partnership.

The Partnership shall pay the GP an annual executive compensation of 1.5% of the Partnership's paid-in capital.

## **Transfer of interests in the Partnership**

Subject to the terms and conditions of the Partnership Agreement, each Partner must not transfer any of its interests in the Partnership without prior written consent of the other Partners within the investment period of the Partnership (i.e. three years after the initial capital injection of the Partners, or when the total capital commitment of the Partnership is fully paid and invested, whichever is earlier). After the investment period, the Partners may transfer their interests in the Partnership, subject to the right of first refusal of the other Partners to acquire such interests.

## **Distribution policy**

Cash available for distribution will be distributed to the Partners in accordance with the Partnership Agreement, which shall firstly be distributed to the Partners for return of their respective paid-in capital, and then for satisfying the prescribed return to the Partners and the excess return to the GP.

## **THE TRANSFER AGREEMENT**

### **Subject Matter**

Shouzhong Investment and Shenzhen Wanwu, together as purchaser (the “**Purchaser**”), has agreed to purchase from the Vendors, and the Vendors have agreed to sell the Carpark Income Rights, on and subject to the terms and conditions set forth in the Transfer Agreement.

The Partnership, when established, shall assume all rights and obligations of the Purchaser under the Transfer Agreement.

The Carpark Income Rights comprises the right to receive all the income arising from the Carpark Spaces (including, but not limited to the income arising from rental and sale of the Carpark Spaces), and the right to occupy, use, dispose of and benefit from the Carpark Spaces.

### **Security Deposit**

Shouzhong Investment shall pay RMB21.66 million to the Vendors as security deposit within five business days from the date of the Transfer Agreement. The full amount of the Security Deposit shall be refunded to Shouzhong Investment without interest within seven business days upon the formation of the Partnership and payment of Deposit in accordance with the terms of the Transfer Agreement as set out below.

## **Consideration**

The consideration for the acquisition of the Carpark Income Rights is RMB671.801 million (subject to adjustment), which comprises the first sum in the amount of RMB618.898 million (“**1<sup>st</sup> Sum**”) and the second sum in the amount of RMB52.903 million (“**2<sup>nd</sup> Sum**”).

## **Payment**

Subject to the terms of the Transfer Agreement, the Consideration shall be paid in the following manner:

## **Deposit**

The Purchaser shall pay an amount equal to 5% of the 1<sup>st</sup> Sum within eighteen business days from the date of the Transfer Agreement to the Vendors.

## **Further Payment**

The Purchaser shall pay 45% of the 1<sup>st</sup> Sum to the Vendors on or before 30 November 2019 (or such later date as may be extended pursuant to the terms of the Transfer Agreement), subject to the Vendors providing proof of its ownership right to certain Carpark Spaces and security interests (including in the form of mortgage and letters of guarantee) to the satisfaction of the Purchaser (“**1<sup>st</sup> Sum Payment Conditions**”), with a grace period of sixteen days. The Purchaser shall within seven business days upon the satisfaction of the 1<sup>st</sup> Sum Payment Conditions within the grace period pay the said sum to the Vendors. If the 1<sup>st</sup> Sum Payment Conditions are not satisfied within the grace period, the Purchaser shall have the right to hold the Vendors accountable for breach of terms pursuant to the Transfer Agreement.

The Purchaser shall pay the remainder of the 1<sup>st</sup> Sum to the Vendors on or before 30 November 2020, subject to the confirmation of acceptance by the Purchaser of all Carpark Spaces and the security interests thereon and that there is no breach of contract by the Vendors.

The 2<sup>nd</sup> Sum shall be paid by the Purchaser to the Vendors in seven instalments on 31 December of each year from 2019 to 2025, unless where the Carpark Spaces are all sold in a year prior to 2025, then the Purchaser shall pay the remainder of the 2<sup>nd</sup> Sum to the Vendors on 31 December of that year.

In the event any Carpark Spaces are subject to encumbrances and the Vendors’ ownership right cannot be confirmed, the Consideration shall be adjusted downward according to the number and value of such Carpark Spaces in accordance with the terms of the Transfer Agreement.

## **Rights on the Carpark Spaces**

Subject to the completion of the Transfer Agreement, the Purchaser shall have the right to lease out, operate, manage or dispose of the Carpark Spaces, subject to the relevant rules, regulations and administrative rules and regulations. While the Vendors will remain the legal owner of the Carpark Spaces, the Vendors are obliged to follow the Purchaser’s instructions in respect of the Carpark Spaces and act accordingly. Proceeds from such Carpark Spaces

shall belong to and be deposited to the bank account of the Purchaser. If the proceeds from disposing the Carpark Spaces in a manner specified under the Transfer Agreement exceeds RMB1.043 billion, the excess of which shall be shared among the Vendors.

### **Transfer Conditions**

Transfer of the Carpark Spaces to the Purchaser is conditional upon the Vendors having good title to the Carpark Spaces free from encumbrances, the proof of the property right of the Carpark Spaces as carpark spaces type, the compliance of all applicable laws and regulations, and the Carpark Spaces can be transferred, operated, managed and used by the Purchaser in accordance with relevant laws, regulations and policies.

For Carpark Spaces which have already fulfilled the transfer conditions, the relevant Carpark Income Rights shall be deemed to be transferred to the Purchaser in three batches, being on the day on which, (i) the Security Deposit, (ii) the Deposit and (iii) 45% of the 1<sup>st</sup> Sum are paid to the Vendors respectively according to the terms of the Transfer Agreement. For the remaining Carpark Spaces, the relevant Carpark Income Rights will be transferred upon the fulfillment of the transfer conditions.

### **Basis of Consideration**

The Consideration was agreed between the Purchaser and the Vendors after arm's length negotiation with reference to, among others, the market value of not less than RMB700 million of the Carpark Spaces as at 1 August 2019 pursuant to the valuation reports issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation was prepared using the market approach by comparing the Carpark Spaces with similar carpark spaces previously sold in the relevant estates.

The Directors consider that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is contemplated that the Consideration payable by the Partnership will be funded by the capital contributions by the Partners in the Partnership and the income generated from the Carpark Income Rights.

### **INFORMATION ON THE CARPARK SPACES**

The Carpark Spaces comprise 7,727 carpark spaces owned by the Vendors and located in various estates developed by the Vendors in Guangzhou, the PRC, including one in each of Huadu District, Baiyun District, Haizhu District and Panyu District; and three in Huangpu District.

### **REASONS AND BENEFITS OF THE TRANSACTIONS**

The Group mainly focuses on the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment. Accordingly, the Group continues to focus on developing car parking assets management in the PRC.

By forming the Partnership with Shenzhen Wanwu which engages in property management services, the Company will be able to obtain information on carpark spaces market from

Shenzhen Wanwu, and to facilitate the management of the Carpark Spaces after the Acquisition. The Company and Shenzhen Wanwu will continue to cooperate extensively in carpark spaces management and developing parking-related innovative businesses.

It is expected that the formation of the Partnership and the Acquisition will offer synergy effect on generating income in respect of carpark spaces management for the Group.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Partnership Agreement and the Transfer Agreement and the transactions contemplated thereunder are entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION OF THE GROUP**

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

Shouzhong Investment, a wholly-owned subsidiary of the Company, is principally engaged in the business of car parking assets investment and operation in the PRC.

## **INFORMATION OF GP**

GP is an investment holding company incorporated in the PRC with limited liability. GP is owned as to 69% by Shouzhong Investment and 31% by Shenzhen Wanwu. As at the date hereof, GP is an insignificant subsidiary of the Company.

## **INFORMATION OF SHENZHEN WANWU**

Shenzhen Wanwu is a subsidiary of Vanke Service Co., Ltd, and is principally engaged in asset management and investment services in the PRC.

## **INFORMATION OF THE VENDORS**

The Vendors are limited companies incorporated in the PRC and are principally engaged in property development.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shenzhen Wanwu and each of the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Partnership Agreement and the Transfer Agreement is more than 5% but less than 25%, the transactions contemplated under the Partnership Agreement and the Transfer Agreement constitute discloseable transactions of the Company under the Listing Rules subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms and expressions have the following meanings:

“Acquisition”	the acquisition of the Carpark Income Rights pursuant to the terms of the Transfer Agreement;
“associate(s)”, “connected person(s)”, “subsidiary(ies)”	each has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“business day(s)”	a day, other than a Saturday or Sunday or public holidays, on which banks are generally open in Hong Kong and the PRC for business;
“Carpark Income Rights”	the right to receive all the income arising from the Carpark Spaces owned by the Vendors (including, but not limited to the income arising from rental and sale of the Carpark Spaces); and the right to occupy, use, dispose of and benefit from the Carpark Spaces;
“Carpark Spaces”	the 7,727 carpark spaces owned by the Vendors which are the subject of the Carpark Income Rights;
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (stock code: 697)
“Consideration”	has the meaning ascribed to it under the paragraph headed “THE TRANSFER AGREEMENT – Consideration” in this announcement;
“Date of Establishment”	the date on which the Partnership has obtained the business license issued by the relevant PRC authorities for the first time;
“Deposit”	has the meaning ascribed to it under the paragraph headed “THE TRANSFER AGREEMENT – Consideration - Deposit” in this announcement;
“Directors”	the directors of the Company;
“GP”	廣州首中萬物停車場管理有限公司 (Guangzhou Shouzhong Wanwu Carpark Management Co., Ltd.*), a company incorporated in the PRC with limited liability, the general partner of the Partnership and a subsidiary of the Company;

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company;
“insignificant subsidiary”	has the meaning ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Partner(s)”	the partner(s) of the Partnership, comprising Shouzhong Investment, Shenzhen Wanwu and GP;
“Partnership”	廣州首中萬物企業管理合夥企業（有限合夥）(Guangzhou Shouzhong Wanwu Corporate Management Limited Partnership*), a limited partnership to be established in the PRC pursuant to the Partnership Agreement;
“Partnership Agreement”	the partnership agreement dated 13 November 2019 entered into among Shouzhong Investment, Shenzhen Wanwu and GP in respect of the Partnership;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macao Special Administrative Region of the PRC and Taiwan area;
“RMB”	Renminbi, the lawful currency of the PRC;
“Security Deposit”	has the meaning ascribed to it under the paragraph headed “THE TRANSFER AGREEMENT – Consideration – Security Deposit” in this announcement;
“Shareholder(s)”	holder(s) of ordinary share(s) of the Company;
“Shenzhen Wanwu”	深圳市萬物成長諮詢服務有限公司, a limited company incorporated under the laws of the PRC;
“Special Committee”	the special committee of the Partnership;
“Shouzhong Investment”	首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company;



“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the formation of the Partnership and the Acquisition under the Partnership Agreement and Transfer Agreement respectively;
“Transfer Agreement”	the Carpark Asset and Income Rights Transfer Agreement (車位資產收益權轉讓框架協議) dated 13 November 2019 entered into among Shouzhong Investment, Shenzhen Wanwu and the Vendors in relation to the acquisition of the Carpark Income Rights;
“Vendors”	the vendors to the Transfer Agreement, comprising 廣州萬科企業有限公司 (Guangzhou Vanke Enterprise Co., Ltd.*), a company incorporated in the PRC with limited liability, together with its seven subsidiaries and/or associated companies, being 廣州市金倫房地產開發有限公司 (Guangzhou Jinlun Real Estate Development Co., Ltd.*), 廣州市萬暢房地產有限公司 (Guangzhou Wanchang Real Estate Co., Ltd.*), 廣州市萬卓置業有限公司 (Guangzhou Wanzhuo Real Estate Co., Ltd.*), 廣州市萬合房地產有限公司 (Guangzhou Wanhe Real Estate Co., Ltd.*), 廣州市萬新房地產有限公司 (Guangzhou Wanxin Real Estate Co., Ltd.*), 廣州市萬融房地產有限公司 (Guangzhou Wanrong Real Estate Co., Ltd.*), and 廣州銀業君瑞房地產開發有限公司 (Guangzhou Yinye Junrui Real Estate Development Co., Ltd.*), which holds the Carpark Spaces;
“%”	per cent.

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

Hong Kong, 13 November 2019

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

*\* For identification purposes only*