
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

**(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE**
**(2) SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**
AND
(3) NOTICE OF GENERAL MEETING

**Financial Adviser to the Company in relation to
the Share Subscription and the CB Subscription**



華泰金融控股(香港)有限公司
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**



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

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

A letter from the Board is set out on pages 6 to 29 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 30 to 31 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 32 to 62 of this circular.

A notice convening the GM to be held at 10:00 a.m. on Friday, 10 January 2020 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-3 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the GM (i.e., at or before 10:00 a.m. on Wednesday, 8 January 2020 (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.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	30
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	32
APPENDIX GENERAL INFORMATION	I-1
NOTICE OF GM	GM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 29 November 2019 in relation to, among other things, the Connected Subscription Agreement and the CB Subscription Agreements;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bondholder(s)”	holder(s) of the Convertible Bonds;
“CB Specific Mandate”	the specific mandate to be sought from the Shareholders at the GM to allot and issue the Conversion Shares;
“CB Subscribers”	collectively, ORIX Asia, Matrix Partners V and Matrix Partners V-A, each a “ CB Subscriber ”;
“CB Subscription”	the subscription of Convertible Bonds under the CB Subscription Agreements;
“CB Subscription Agreement I”	the conditional subscription agreement dated 29 November 2019 entered into between the Company and ORIX Asia in relation to the subscription of Convertible Bonds in the principal amount of HK\$1,115,000,000;
“CB Subscription Agreement II”	the conditional subscription agreement dated 29 November 2019 entered into between the Company and Matrix Partners V in relation to the subscription of Convertible Bonds in the principal amount of HK\$105,693,000;
“CB Subscription Agreement III”	the conditional subscription agreement dated 29 November 2019 entered into between the Company and Matrix Partners V-A in relation to the subscription of Convertible Bonds in the principal amount of HK\$10,992,000;
“CB Subscription Agreements”	collectively, CB Subscription Agreement I, CB Subscription Agreement II and CB Subscription Agreement III;

DEFINITIONS

“Company”	Shougang Concord International Enterprises Company Limited (stock code: 697), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Connected Subscription Agreement”	the conditional subscription agreement dated 29 November 2019 entered into between the Company as issuer and Shougang Holding as the subscriber for the subscription of 93,333,333 Shares at the Subscription Price;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$0.3 per Conversion Share (subject to adjustments);
“Conversion Shares”	Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds;
“Convertible Bonds”	the zero coupon convertible bonds in the aggregate principal amount of HK\$1,231,685,000 to be issued by the Company to the CB Subscribers pursuant to the CB Subscription Agreements;
“Director(s)”	the director(s) of the Company;
“Financial Adviser”	Huatai Financial Holdings (Hong Kong) Limited, the financial adviser to the Company in relation to the Share Subscription and the CB Subscription;
“GM”	the general meeting of the Company to be convened at 10:00 a.m. on Friday, 10 January 2020 at Shougang Qiaomengyuan, Shijingshan, Beijing, China to consider and if thought fit, approve the Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder, and the CB Subscription Agreements (including the grant of the CB Specific Mandate) and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;

DEFINITIONS

“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 board committee, comprising all the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Dr. Qiao Yongyuan, which has been formed to advise the Independent Shareholders in relation to the Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than Shougang Group and its associates;
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules;
“Latest Practicable Date”	18 December 2019, being the latest practicable date prior to the publication of this circular for ascertaining certain information for inclusion in this circular;
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

DEFINITIONS

“Majority Bondholder(s)”	a Bondholder or Bondholders together holding more than 50% of the aggregate principal amount of the Convertible Bonds outstanding at the relevant time;
“Matrix Partners V”	Matrix Partners China V, L.P., an exempted limited partnership organised and existing under the laws of the Cayman Islands;
“Matrix Partners V-A”	Matrix Partners China V-A, L.P., an exempted limited partnership organised and existing under the laws of the Cayman Islands;
“ORIX Asia”	ORIX Asia Capital Limited, a company incorporated in Hong Kong;
“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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as amended from time to time);
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Share Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the GM to allot and issue the Subscription Shares;
“Share Subscription”	the subscription of Subscription Shares;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC, and a controlling shareholder of the Company;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of Shougang Group, and a substantial shareholder of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Subscription Price”	HK\$0.3 per Subscription Share;
“Subscription Shares”	an aggregate of 93,333,333 Shares to be subscribed by Shougang Holding pursuant to the Connected Subscription Agreement;
“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
“%”	per cent.

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

LETTER FROM THE BOARD



首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

Executive Directors:

Mr. Zhao Tianyang (*Chairman*)
Mr. 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
Dr. Qiao Yongyuan

Registered Office:

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

23 December 2019

To the Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE
(2) SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE
AND
(3) NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, (i) further details of the Connected Subscription Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) further details of the CB Subscription Agreements and the Convertible Bonds; and (v) a notice convening the GM.

LETTER FROM THE BOARD

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 29 November 2019 (after trading hours), the Company entered into the Connected Subscription Agreement with Shougang Holding, pursuant to which Shougang Holding has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 93,333,333 Subscription Shares at the Subscription Price of HK\$0.3 per Subscription Share. The total consideration payable by Shougang Holding under the Connected Subscription Agreement amounts to HK\$28,000,000.

Date: 29 November 2019 (after trading hours)

Parties: (1) the Company, as issuer; and
(2) Shougang Holding, as subscriber

Shougang Holding is a substantial shareholder of the Company, holding approximately 27.800% of the total number of issued Shares as at the Latest Practicable Date.

Subscription Shares

Pursuant to the Connected Subscription Agreement, Shougang Holding has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 93,333,333 Subscription Shares, representing:

- (1) approximately 0.34% of the existing total number of issued Shares of 27,428,933,903 Shares as at the date of the Connected Subscription Agreement;
- (2) approximately 0.32% of the existing total number of issued Shares of 28,928,933,903 Shares as at the Latest Practicable Date;
- (3) approximately 0.32% of the enlarged total number of issued Shares of 29,022,267,236 Shares immediately following completion of the Share Subscription, assuming that no Shares will be issued other than the Subscription Shares; and
- (4) approximately 0.28% of the enlarged total number of issued Shares of 33,127,883,902 Shares immediately following completion of the Share Subscription, and the issue of the Conversion Shares upon full conversion of the Convertible Bonds, assuming that the Conversion Price being HK\$0.3 and no Shares will be issued other than the Subscription Shares and the Conversion Shares.

The Subscription Shares will be allotted and issued pursuant to the Share Specific Mandate to be sought at the GM.

LETTER FROM THE BOARD

The Subscription Shares shall be free from any interest, claim or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, encumbrances, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement, or any agreement to create any of the above, and with full legal and beneficial title, and together with all rights attaching to them as at the date of completion of the Share Subscription, with rights which rank *pari passu* to the Shares in issue, including the right to vote, to receive all distributions and dividends declared, made or paid on or after the date of completion of the Share Subscription.

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

Subscription Price

The Subscription Price of HK\$0.3 per Subscription Share represents:

- (1) a discount of approximately 20.00% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of approximately 13.04% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the date of the Connected Subscription Agreement;
- (3) a discount of approximately 15.25% to the average closing price of HK\$0.354 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Connected Subscription Agreement; and
- (4) a discount of approximately 16.20% to the average closing price of HK\$0.358 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Connected Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and Shougang Holding with reference to the historical price trend and trading volume of the Shares, the existing capital market conditions, the funding needs and financial and trading prospects of the Group's car parking assets operation and management and private fund management businesses, taking into account the synergistic effects, potential cooperation opportunities and development prospects that Shougang Holding will bring to the Group.

LETTER FROM THE BOARD

In the 12-month period immediately before and including the date of the Connected Subscription Agreement, the closing prices of the Shares ranged between HK\$0.188 and HK\$0.400, and the Subscription Price falls within such range. In addition, the Subscription Price represents a premium of approximately 5.94% over the average closing price of HK\$0.283 per Share during the 12-month period immediately before and including the date of the Connected Subscription Agreement. Furthermore, the Subscription Price is the same as the subscription price under the share subscription agreement between the Company and JD Fountain Technology (Hong Kong) Limited, an Independent Third Party, details of which were announced by the Company on 29 November 2019. Accordingly, 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. 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 Connected Subscription Agreement and the transactions contemplated thereunder)) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Taking into account the expenses of the Share Subscription in the amount of approximately HK\$545,000, the net price per Subscription Share will be approximately HK\$0.294.

Conditions Precedent

Completion of the Connected Subscription Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (1) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before completion of the Connected Subscription Agreement (save for any temporary suspension or halt in trading pending the release of any announcement or circular in connection with the Connected Subscription Agreement or any temporary suspension or halt in trading for not more than five consecutive business days after the date of the Connected Subscription Agreement), the Stock Exchange or the Securities and Futures Commission not having expressed that it will raise any objection against the listing status of the Shares or require the trading of Shares to be suspended due to the transactions contemplated under the Connected Subscription Agreement or any reasons in connection with the transactions contemplated under the Connected Subscription Agreement;
- (2) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares, and such approval not having been revoked before completion of the Connected Subscription Agreement;

LETTER FROM THE BOARD

- (3) the compliance of any other requirements under the Listing Rules and all applicable laws, rules and regulations by each member of the Group in relation to the Connected Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares);
- (4) the Independent Shareholders having passed all necessary resolutions in the GM granting the Share Specific Mandate relating to the allotment and issue of the Subscription Shares and approving, among other things, the Connected Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Subscription Shares);
- (5) the warranties, representations and undertakings given or made by the Company under the Connected Subscription Agreement being true, correct and complete and not misleading when made and remaining and continuing to be true, correct and complete and not misleading as at the date of completion (except where the relevant warranty, representation or undertaking is stated to be expressed as at a different date);
- (6) there having been no circumstances which would give rise to any event, circumstance or effect or any combination of them which is, or which could reasonably be expected to be, materially adverse to the business, operations, business results or financial condition of the Group taken as a whole since the date of the Connected Subscription Agreement; and
- (7) the delivery of the following documents to Shougang Holding by the Company:
 - (i) certified copies of all consents and approvals that constitute the condition set forth in paragraph (2) above; and
 - (ii) a certified true copy of the resolutions of the Board which are in full force and effect, approving the Connected Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares thereunder).

Shougang Holding may at any time by notice in writing to the Company waive the conditions set out above (save for the conditions set out in paragraphs (1) to (4) above which are not waivable). If the above conditions are not fulfilled or waived (as the case may be) before the date falling six months after the date of the Connected Subscription Agreement (or such other time and date as the parties thereto may agree), the Connected Subscription Agreement will be automatically terminated and lapse. The parties to the Connected Subscription Agreement will be released from all rights, obligations and liabilities thereunder, and shall not have any claim against each other, save for any antecedent breach of the terms thereof.

As at the Latest Practicable Date, none of the conditions set out above have been satisfied or waived.

LETTER FROM THE BOARD

Completion

Completion of the Connected Subscription Agreement will take place no later than the tenth business day after the last condition has been satisfied or waived, or such other date as the parties may agree in writing. At completion of the Connected Subscription Agreement, the Company will allot and issue the Subscription Shares to Shougang Holding, and Shougang Holding will make payment either by delivery of a cashier's order or telegraphic transfer.

Completion of the Connected Subscription Agreement is expected to take place as soon as practicable after the GM. As at the Latest Practicable Date, the Company expects that completion will take place on or about 20 January 2020 subject to satisfaction of all the conditions precedent to completion.

SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 29 November 2019 (after trading hours), the Company entered into the CB Subscription Agreements with the CB Subscribers, pursuant to which the Company has conditionally agreed to issue, and the CB Subscribers have conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$1,231,685,000.

The CB Subscription Agreements

Date: 29 November 2019 (after trading hours)

Parties:

CB Subscription Agreement I: (1) the Company, as issuer; and

(2) ORIX Asia, as subscriber

CB Subscription Agreement II: (1) the Company, as issuer; and

(2) Matrix Partners V, as subscriber

CB Subscription Agreement III: (1) the Company, as issuer; and

(2) Matrix Partners V-A, as subscriber

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the CB Subscribers and each of their ultimate beneficial owner(s) are Independent Third Parties. As at the Latest Practicable Date, each of ORIX Asia, Matrix Partners V and Matrix Partners V-A holds 1,503,741,731, 496,902,567 and 51,676,111 Shares, representing approximately 5.198%, 1.718% and 0.179% of the total number of issued Shares, respectively.

Principal amount of the Convertible Bonds

Pursuant to the CB Subscription Agreements, each of the CB Subscribers conditionally agreed to subscribe for Convertible Bonds as follows:

	Principal amount of Convertible Bonds to be subscribed for (HK\$)
CB Subscribers	
ORIX Asia	1,115,000,000
Matrix Partners V	105,693,000
Matrix Partners V-A	<u>10,992,000</u>
Total	<u><u>1,231,685,000</u></u>

Conditions precedent

Completion of the CB Subscription Agreements shall be subject to and conditional upon, among others:

- (1) approval by way of ordinary resolutions at the GM in respect of the transactions contemplated under the CB Subscription Agreements and the related transaction documents including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares, and the granting of authority to the Board to deal with all related matters under a specific mandate, and each such approval and authorisation remaining valid and effective;
- (2) the Listing Committee having granted the approval for the listing of and the permission to deal in all the Conversion Shares, and such approval remains valid and effective;

LETTER FROM THE BOARD

- (3) all authorisations (if any) which are required for the entering into or the performance of the obligations under the CB Subscription Agreements by the parties thereto having been obtained, all filings with any government authority and other relevant third party which are required for the entering into and the implementation of the CB Subscription Agreements having been made, all such authorisations remaining in full force and effect and there being no statement, notification or intimation of an intention to revoke or not to renew any such authorisation having been made;
- (4) no law having been enacted, adopted or issued by any government authority, and no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to completion of the CB Subscription Agreements (and no legal or regulatory requirements remaining to be satisfied), in each case which has the effect of making unlawful or otherwise prohibiting the CB Subscription or any transactions contemplated by the CB Subscription Agreements or the related transaction documents;
- (5) with respect to the obligations of the CB Subscribers to effect completion of the CB Subscription Agreements only, the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before completion of the CB Subscription Agreements (save for any temporary suspension or halt in trading pending the release of an announcement or circular in connection with the CB Subscription Agreements or any temporary suspension or halt in trading for not more than five consecutive business days after the date of the CB Subscription Agreements), the Stock Exchange or the Securities and Futures Commission not having expressed that it will raise any objection against the listing status of the Shares or require the trading of Shares to be suspended due to the transactions contemplated under the CB Subscription Agreements and the related transaction documents or any reasons in connection with the transactions contemplated under the CB Subscription Agreements and the related transaction documents;
- (6) with respect to the obligations of the CB Subscribers to effect completion of the CB Subscription Agreements only, Shougang Group, the controlling shareholder of the Company, holding (whether directly or indirectly), the beneficial interest of not less than 12,633,903,865 Shares as at the date of completion;
- (7) with respect to the obligations of the CB Subscribers to effect completion of the CB Subscription Agreements only, save as disclosed in writing to the CB Subscribers, there not having occurred any change, circumstance or effect or any combination of them which is, or which could reasonably be expected to be, materially adverse to the business, operations, business results or financial condition of the Group taken as a whole since the date of the CB Subscription Agreements;

LETTER FROM THE BOARD

- (8) with respect to the obligations of the CB Subscribers to effect completion of the CB Subscription Agreements only, there not having occurred any breach of, or any event rendering untrue or inaccurate, any representation, warranty and undertaking under the CB Subscription Agreements in any material respect as of the date of completion (except where the relevant representation, warranty or undertaking is stated to be expressed as of a different date); and
- (9) with respect to the obligations of the Company to effect completion of the CB Subscription Agreements only, there not having occurred any breach of, or any event rendering untrue or inaccurate, any representation, warranty and undertaking provided by the CB Subscribers in the CB Subscription Agreements in any material respect as of the date of completion.

Under the CB Subscription Agreements, the CB Subscribers may waive (in whole or in part, whether conditionally or unconditionally) any of the conditions precedent (except for paragraphs (1) to (4) above) by notice in writing to the Company, and the Company may waive (in whole or in part, whether conditionally or unconditionally) the condition precedent set out in paragraph (9) above by notice in writing to the CB Subscribers.

If the conditions precedent set out in paragraphs (1) to (8) above have not been fulfilled (or, as the case may be, waived) by the date falling six months after the date of the CB Subscription Agreements (or such later date as the Company and the relevant CB Subscriber may agree in writing from time to time), the CB Subscribers may (by written notice to the Company) terminate the CB Subscription Agreements whereupon the CB Subscription Agreements shall lapse immediately and be of no further effect save for the rights, remedies and liabilities of the parties which have accrued before termination. If the conditions precedent set out in paragraphs (1) to (4) and (9) have not been fulfilled (or, as the case may be, waived) by the date falling six months after the date of the CB Subscription Agreements (or such later date as the Company and the relevant CB Subscriber may agree in writing from time to time), the Company may (by written notice to the CB Subscribers) terminate the CB Subscription Agreements whereupon the CB Subscription Agreements shall lapse immediately and be of no further effect save for the rights, remedies and liabilities of the parties which have accrued before termination.

As at the Latest Practicable Date, none of the conditions set out above have been satisfied or waived.

LETTER FROM THE BOARD

Completion

Completion of the CB Subscription Agreements will take place on the fifth business day after the last condition precedent is satisfied or waived (other than any condition precedent which is expressed to be fulfilled on or as at the date of completion, but subject to the fulfillment or waiver of such condition precedent), or such other date as the parties may agree in writing. The Company shall issue the Convertible Bonds to the CB Subscribers at completion of the CB Subscription Agreements.

Completion of the CB Subscription Agreements is expected to take place as soon as practicable after the GM. As at the Latest Practicable Date, the Company expects that completion will take place on or about 20 January 2020 subject to satisfaction of all the conditions precedent to completion.

Completion of each of the CB Subscription Agreements is not inter-conditional but it is intended that completion of all the CB Subscription Agreements will take place simultaneously.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarised below:

Issuer:	The Company
Principal Amount:	HK\$1,231,685,000
Maturity Date:	The date falling on the second anniversary of the issue date of the Convertible Bonds
Interest:	The Convertible Bonds will carry no interest
Conversion Price:	The initial Conversion Price shall be HK\$0.3 per Conversion Share (subject to adjustments)

The Conversion Price of HK\$0.3 represents:

- (1) a discount of 20.00% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of 13.04% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreements;

LETTER FROM THE BOARD

- (3) a discount of approximately 15.25% to the average closing price per Share of approximately HK\$0.354 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the CB Subscription Agreements; and
- (4) a discount of approximately 16.20% to the average closing price per Share of approximately HK\$0.358 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the CB Subscription Agreements

The Conversion Price was arrived at based on arm's length negotiations between the parties with reference to the historical price trend and trading volume of the Shares, the existing capital market conditions, the funding needs and financial and trading prospects of the Group's car parking assets operation and management and private fund management businesses, taking into account (i) the CB Subscribers' past investments in the Company which have made great contribution to the Company's transformation and development, (ii) the development prospects that the CB Subscribers will bring to the Group, and (iii) that the Convertible Bonds carry no interest

LETTER FROM THE BOARD

In the 12-month period immediately before and including the date of the CB Subscription Agreements, the closing prices of the Shares ranged between HK\$0.188 and HK\$0.400, and the Conversion Price falls within such range. In addition, the Conversion Price represents a premium of approximately 5.94% over the average closing price of HK\$0.283 per Share during the 12-month period immediately before and including the date of the CB Subscription Agreements. Furthermore, the Conversion Price is the same as the subscription price under the share subscription agreement between the Company and JD Fountain Technology (Hong Kong) Limited, an Independent Third Party, details of which were announced by the Company on 29 November 2019. Accordingly, the Directors (excluding Mr. Li Hao (who, by virtue of his connection with ORIX Asia, has abstained from voting in respect of the resolution proposed to approve the CB Subscription Agreements and the transactions contemplated thereunder)) consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole

Adjustment Events:

The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, including the following:

- (1) consolidation, subdivision and reclassification of Shares;
- (2) capitalisation of profits or reserves: where the Company issues any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, or where the Company issues any Shares to the Shareholders by way of a scrip dividend where the current market price of such Shares exceeds the amount of the relevant cash dividend or the relevant part thereof, and which would not have constituted a distribution; and
- (3) payment of distributions: if the Company pays or makes any distribution to the Shareholders

LETTER FROM THE BOARD

Conversion Shares: Based on the initial Conversion Price and assuming full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 4,105,616,666 Conversion Shares, representing:

- (1) approximately 14.19% of the total number of issued Shares of 28,928,933,903 Shares as at the Latest Practicable Date; and
- (2) approximately 12.39% of the enlarged total number of issued Shares of 33,127,883,902 Shares immediately following completion of the Share Subscription, and upon full conversion of the Convertible Bonds, assuming no Shares will be issued other than the Subscription Shares and the Conversion Shares after the Latest Practicable Date

The allotment and issuance of the Conversion Shares are subject to the granting of the CB Specific Mandate by the Shareholders at the GM

Conversion Period: The period commencing from the issue date of the Convertible Bonds and expiring on the close of business on the earlier of: (i) the maturity date of the Convertible Bonds; or (ii) if the Convertible Bonds shall have been called for redemption prior to the maturity date, the close of business on the date which falls five business days prior to the date fixed for redemption thereof, provided that a Bondholder shall not be able to exercise its conversion right with respect to such conversion where solely as a result of, and to the extent that, the issue of Conversion Shares to the Bondholder upon such particular conversion, (x) the Company would cease to satisfy the public float requirement under the Listing Rules, or (y) a general offer obligation under the Hong Kong Code on Takeovers and Mergers in respect of the Shares would arise

LETTER FROM THE BOARD

- Mandatory Conversion:** The Bondholders shall convert the Convertible Bonds if the closing prices of the Shares as quoted on the Stock Exchange in at least ten trading days out of any 20 consecutive trading days are higher than or equal to 115% of the prevailing Conversion Price during the conversion period
- The mandatory conversion provision enables the Group to reduce its debt level while providing the CB Subscribers reasonable investment returns. In addition, if the closing price of the Shares is higher than the prevailing Conversion Price and the Bondholders choose not to convert the Convertible Bonds into Shares, there will be undesirable impact on the Group's financial cost in its profit and loss position due to the accounting treatment of the Convertible Bonds. In order to minimise such undesirable impact on the Group's financial cost while offering reasonable investment returns to the CB Subscribers, after arm's length negotiations, the parties agreed to the mandatory conversion provision
- Transfer Restrictions:** The Convertible Bonds and the Conversion Shares shall not be transferred to a specific list of restricted transferees (who are business competitors of the Group) of the Company at any time
- Redemption:** Unless previously redeemed, converted and cancelled, the Company shall redeem all the Convertible Bonds then outstanding at the principal amount of such Convertible Bonds on the maturity date of the Convertible Bonds
- The Majority Bondholder(s) may exercise their redemption rights by written notice to the Company declaring that the outstanding amounts in respect of all the Convertible Bonds are immediately due and repayable if any of the events of default occurs
- Ranking:** Conversion Shares issued upon exercise of conversion rights attached to the Convertible Bonds shall rank *pari passu* with, and carry the same rights in all aspects (including the rights to dividends) as, the other Shares then in issue

LETTER FROM THE BOARD

Listing: The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company (i) as at the date of the Connected Subscription Agreement; (ii) as at the Latest Practicable Date; (iii) immediately after completion of the Share Subscription, assuming that no Shares will be issued other than the Subscription Shares; and (iv) immediately after completion of the Share Subscription, and upon full conversion of the Convertible Bonds, assuming that the Conversion Price is HK\$0.3 and no Shares will be issued other than the Subscription Shares and the Conversion Shares:

Name of Shareholder	As at the date of the Connected Subscription Agreement		As at the Latest Practicable Date		Immediately after completion of the Share Subscription		Immediately after completion of the Share Subscription, and the allotment and issue of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds	
	Number of Shares	Approximate % shareholding	Number of Shares	Approximate % shareholding	Number of Shares	Approximate % shareholding	Number of Shares	Approximate % shareholding
Shougang Group and its subsidiaries (including Shougang Holding)	12,633,903,865	46.060	12,633,903,865	43.672	12,727,237,198	43.853	12,727,237,198	38.419
Soteria Financial Investment Company Limited	2,715,464,456	9.900	2,715,464,456	9.387	2,715,464,456	9.356	2,715,464,456	8.197
Rocket Parade Limited	2,677,425,528	9.761	2,677,425,528	9.255	2,677,425,528	9.225	2,677,425,528	8.082
ORIX Asia	1,503,741,731	5.482	1,503,741,731	5.198	1,503,741,731	5.181	5,220,408,397	15.758
JD Fountain Technology (Hong Kong) Limited	-	-	1,500,000,000	5.185	1,500,000,000	5.168	1,500,000,000	4.528
Matrix Partners V	496,902,567	1.812	496,902,567	1.718	496,902,567	1.712	849,212,567	2.563
Matrix Partners V-A	51,676,111	0.188	51,676,111	0.179	51,676,111	0.178	88,316,111	0.267
Liang Hengyi (Note)	3,880,000	0.014	3,880,000	0.013	3,880,000	0.013	3,880,000	0.012
Liu Jingwei (Note)	2,876,000	0.010	2,876,000	0.010	2,876,000	0.010	2,876,000	0.009
Wang Xin (Note) (together with his spouse)	1,200,000	0.004	1,200,000	0.004	1,200,000	0.004	1,200,000	0.004
Other Shareholders	7,341,863,645	26.769	7,341,863,645	25.379	7,341,863,645	25.300	7,341,863,645	22.161
Total	27,428,933,903	100.000	28,928,933,903	100.000	29,022,267,236	100.000	33,127,883,902	100.000

Note: Liang Hengyi, Liu Jingwei and Wang Xin are Directors.

LETTER FROM THE BOARD

INFORMATION ON SHOUGANG HOLDING AND THE CB SUBSCRIBERS

Shougang Holding

Shougang Holding is a company incorporated in Hong Kong with limited liability and its principal business is investment holding. Shougang Holding is a substantial shareholder of the Company and a wholly-owned subsidiary of Shougang Group which is the controlling shareholder of the Company. Shougang Group is a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission.

ORIX Asia

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

Matrix Partners V

Matrix Partners V is an exempted limited partnership organised and existing under the laws of the Cayman Islands and is principally engaged in the business of investment. The general partner of Matrix Partners V is Matrix China Management V, L.P.. The general partner of Matrix China Management V, L.P. is Matrix China V GP GP, Ltd..

Matrix Partners V-A

Matrix Partners V-A is an exempted limited partnership organised and existing under the laws of the Cayman Islands and is principally engaged in the business of investment. The general partner of Matrix Partners V-A is Matrix China Management V, L.P.. The general partner of Matrix China Management V, L.P. is Matrix China V GP GP, Ltd..

INFORMATION ON 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.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION AND THE CB SUBSCRIPTION

With the rapid development of China's economy over the last forty years, the number of motor vehicles has gradually increased. Compared with car ownership per capita in developed countries, China's car ownership still has large growth potential. According to statistics published by the Ministry of Public Security of the PRC, the number of motor vehicles in the PRC reached 327 million in 2018, which has brought challenges to urban traffic, and parking issue has become a big problem for urban traffic management in many cities in the PRC. Currently there is no authoritative statistics on the number of parking spaces available in the PRC, however, according to publicly available information, the shortage of parking spaces in the six core districts of Beijing alone is as high as 850,000, with a bigger shortage nationwide. At the same time, the utilisation efficiency of existing parking spaces is low and the quality of parking services is barely satisfactory.

With challenges come opportunities. The Company's management believes that the PRC's parking industry has great development potential, and the Company's investments therein will bring benefits to customers, the Group and the Shareholders. At the beginning of 2018, the Group began its business of operation and management of parking assets, and since then, both the scale of parking spaces managed by the Group and the revenue generated from the Group's parking business have been growing rapidly. During the past two years, the Group also focused on building its parking products.

On the one hand, new parking spaces are required to meet cities' demand for parking spaces. In the past two years, the Group developed self-built parking buildings suitable for core areas of large cities, which have characteristics including high land-use efficiency, good adaptability, replicability and short construction period. Typically, a single parking building has over 300 parking spaces, and only takes six months to put into use, so it effectively relieves traffic pressure in cities' core areas within a short period of time. Self-built parking buildings are popular with the Group's customers, and now the Group has commenced similar constructions in areas of Beijing and Nanjing.

On the other hand, for existing parking lots, the Group generally enters into contracts with their owners to obtain medium and long-term operation rights to enable the Group to achieve stable long-term operation revenue and cash flow. Upon entering into the contracts, the Group pays a certain transfer fee or rental deposit for the operation rights, renovates the parking lots and upgrades the facilities to improve the operation efficiency of the parking lots. With the help of a more efficient management platform, a more convenient payment system and an optimal parking route, the parking lots can serve more vehicles and bring a better service experience to car owners. Take a parking lot in Beijing as an example, after the reformation and upgrade conducted by the Group, its operation efficiency has increased by 20%, bringing the Group increasing income and profits year-on-year.

LETTER FROM THE BOARD

The demand for both self-built parking buildings and existing parking lots which need to be rebuilt is in tens of thousands in the PRC. The market is huge, but there is no benchmarking enterprise for the time being. Therefore, the Company believes that it should seize this opportunity to reserve funds to acquire and construct parking lots in large quantities in the PRC, so as to expand its market share and generate sustainable and stable revenue and cash flow.

The Group always adheres to the goal of becoming the best company in the operation and management of parking assets in the PRC and maintains a positive attitude towards the speed of its business expansion. In the past two years, the Group's business has covered Beijing and its surrounding areas, the Yangtze River Delta, the southwest region and the Guangdong-Hong Kong-Macao Greater Bay Area. Meanwhile, the Company's management team values every penny invested in the Company by investors and always takes ensuring the quality of assets as its first priority instead of blindly pursuing business expansion. In relation to both purchased parking lots and self-built parking lots/buildings, the Group only targets parking lots that can provide fantastic service to customers and bring benefits to the Group.

In addition, as disclosed in the Company's previous announcements, 新首鋼高端產業綜合服務區 (New Shougang High-end Industry Comprehensive Service Park*) (“**Shougang Park**”) is currently the only area in Beijing's six districts that is available for large-scale development, covering an area of 8.63 square kilometers. There are real estate investment opportunities in this area, and as disclosed in the announcements, the Group will continue to set up funds to carry out investment and development, so as to improve the utilisation efficiency of and income generated from its investments. Based on its abundant experience in fund management, asset investment and property management, the Group also began to expand the investment scope of its real estate funds to areas other than Shougang Park, including investment opportunities for new parking buildings and acquisition of parking space ownership/income rights, such as the transaction announced by the Company on 13 November 2019.

Due to the nature of the Group's private fund management business and car parking assets operation and management business, the Group is required to maintain sufficient level of liquidity to (i) fund the initial set up cost for each car parking project including committed capital injection, rental deposits and expenses, fees for operating right and renovation costs; (ii) establish new partnerships or funds; (iii) cover its daily operating costs; and (iv) seize business opportunities, which in general require sufficient upfront capital. The Group's transformation towards car parking asset operation and management business and private fund management business which are both in the development stage would require abundant capital and funds to replenish general working capital in order to accelerate the expansion of such businesses. In particular, car parking assets operation and management business is capital intensive to some extent and generally incurs immense upfront fee and investment, taking into account (i) the bidding of the long-term operating rights of the car parking buildings; (ii) the construction of parking buildings; and (iii) the rental deposit and expenses and subsequent renovation cost (as the case maybe) as well as daily operating costs.

LETTER FROM THE BOARD

The Group requires funds to build parking buildings, enter into contracts to acquire operation right, and reform and upgrade parking lots whilst ensuring its speed of business expansion. The Group's own operation cash flow cannot support its operation and expansion strategy, which means that it needs to carry out financing. The Company has considered different forms of fund raising methods, namely equity financing (such as a rights issue and an open offer) and debt financing (such as bank and other borrowings). In relation to equity financing, a rights issue and an open offer would (i) incur additional costs, including but not limited to underwriting commission, documentation and other professional fees; and (ii) take a relatively longer timeframe when compared to the Share Subscription and the CB Subscription. In relation to debt financing, bank borrowings would create additional interest burden for the Group and the due diligence and negotiation process with the relevant banks may be lengthy. Compared with rights issue, open offer and debt financing, the Company is more inclined to obtain equity financing from strategic investors who are optimistic about the development opportunities of the PRC's parking industry and the competitiveness of the Group and also bring synergistic effects to the Group's main businesses. As a well-established state-owned enterprise, Shougang Group has good market reputation and abundant market resources nationwide, which will facilitate the Group in its market expansion and cooperation with various industry leaders in the PRC. As a multi-national enterprise that first entered the PRC market in 1981, ORIX Corporation has established a broad network of market resources, which will facilitate the Group in expanding its businesses both in the PRC and overseas. As professional investors, Matrix Partners V and Matrix Partners V-A will bring abundant strategic resources and advanced corporate philosophy to the Group. The Share Subscription and the CB Subscription will reinforce the Group's strategic alliance with Shougang Group and the CB Subscribers, and provide an efficient means of raising capital for the Group's present needs.

USE OF PROCEEDS

The gross proceeds and net proceeds from the Share Subscription are estimated to be approximately HK\$28,000,000 and HK\$27,455,000, respectively. The gross proceeds and net proceeds from the CB Subscription are estimated to be approximately HK\$1,231,685,000 and HK\$1,228,826,000, respectively. Accordingly, the aggregate gross proceeds and net proceeds from the Share Subscription and the CB Subscription are HK\$1,259,685,000 and HK\$1,256,281,000, respectively.

The Company intends to use the net proceeds from the Share Subscription and the CB Subscription as follows:

- (1) approximately HK\$753.8 million, or 60% of the net proceeds, will be used to invest in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, and the remaining will be used for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment;

LETTER FROM THE BOARD

- (2) approximately HK\$314.1 million, or 25% of the net proceeds, will be used to invest in the Group's fund management business; and
- (3) approximately HK\$188.4 million, or 15% of the net proceeds, will be used as general working capital and to seize business opportunities.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

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

Date of announcement	Fund raising activities	Net proceeds	Proposed use of the net proceeds
19 March 2019	Issue of 2,715,464,456, 496,902,567, 51,676,111 and 120,000,000 Shares to Soteria Financial Investment Company Limited, Matrix Partners V, Matrix Partners V-A and Red Avenue Investment Group Limited, respectively	Approximately HK\$845.4 million	General working capital, further financing the Group's businesses in management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment, as well as for funding other potential investments by the Group in the future
29 November 2019	Issue of 1,500,000,000 Shares to JD Fountain Technology (Hong Kong) Limited	Approximately HK\$449.8 million	<ol style="list-style-type: none">(1) approximately 60% will be used to invest in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, and the remaining will be used for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment;(2) approximately 25% will be used to invest in the Group's fund management business; and(3) the remaining 15% will be used as general working capital and to seize business opportunities

As at the Latest Practicable Date, the Company has not utilised any of the proceeds from the abovementioned fund raising activities.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Group's capital commitment is as follows:

- (1) in relation to the operation of car parking assets, the capital commitment and construction expenditure to be paid has exceeded HK\$600 million, which comprises (i) committed capital injection in the amount of approximately HK\$180 million, (ii) committed rent and rental deposit in the amount of approximately HK\$360 million, and (iii) other miscellaneous commitments in the amount of approximately HK\$80 million; and
- (2) in relation to the management of private funds, the investments to be made has exceeded HK\$1.8 billion, which comprises (i) committed investments in private funds that are oriented towards urban redevelopment in the amount of approximately HK\$930 million, and (ii) committed investments in funds focusing on car parking assets operation and other related areas in the amount of approximately HK\$910 million.

The Company intends to apply the abovementioned unutilised proceeds to satisfy part of the Group's existing capital commitment. The payment of the capital commitment will be made in succession within the contracted investment period.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Shougang Group indirectly holds 43.672% of the total number of Shares in issue and is a connected person of the Company. Shougang Holding is a wholly-owned subsidiary of Shougang Group and indirectly holds 27.800% of the total number of Shares in issue, and hence a connected person of the Company. Therefore, Shougang Holding's subscription of Subscription Shares under the Connected Subscription Agreement constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhao Tianyang, Mr. Xu Liang and Mr. Liang Hengyi, by virtue of their connection with Shougang Group, have abstained from voting in respect of the resolution proposed to approve the Connected Subscription Agreement and the transactions contemplated thereunder (including the Subscription Price). Save as disclosed, none of the Directors has any material interest in the Connected Subscription 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 Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular.

LETTER FROM THE BOARD

Lego Corporate Finance, a corporation licensed to carry out 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 32 to 62 of this circular.

GENERAL

Connected Subscription Agreement

The Company will seek approval from the Independent Shareholders at the GM for the Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder. Shougang Group, through its subsidiaries (including Shougang Holding), holds approximately 43.672% of the total number of Shares in issue as at the Latest Practicable Date, and hence Shougang Group and its associates are required to abstain from voting at the GM in respect of the resolution to approve the Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolution.

CB Subscription

Conversion Shares will be allotted and issued pursuant to the CB Specific Mandate upon conversion of the Convertible Bonds. The Company will seek approval from the Shareholders at the GM for the CB Subscription Agreements (including the grant of the CB Specific Mandate) and the transactions contemplated thereunder. As at the Latest Practicable Date, each of ORIX Asia, Matrix Partners V and Matrix Partners V-A holds 1,503,741,731, 496,902,567 and 51,676,111 Shares, representing approximately 5.198%, 1.718% and 0.179% of the total number of issued Shares, respectively. ORIX Asia, Matrix Partners V and Matrix Partners V-A and their respective associates are regarded to have a material interest in the CB Subscription Agreements and will abstain from voting at the GM in respect of the resolution to approve the CB Subscription Agreements (including the grant of the CB Specific Mandate) and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolution.

GM

A notice convening the GM to be held at 10:00 a.m. on Friday, 10 January 2020 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-3 of this circular for the purpose of considering and, if thought fit, passing the resolutions as set out therein.

LETTER FROM THE BOARD

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM (i.e., at or before 10:00 a.m. on Wednesday, 8 January 2020 (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 resolutions set out in the notice of GM be taken by way of poll.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 30 to 31 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 32 to 62 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. 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 Connected Subscription Agreement and the transactions contemplated thereunder)) consider that the Connected Subscription Agreement (including the Subscription Price) and the transactions contemplated thereunder, are entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and the terms thereof 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.

The Directors (excluding Mr. Li Hao (who, by virtue of his connection with ORIX Asia, has abstained from voting in respect of the resolution proposed to approve the CB Subscription Agreements and the transactions contemplated thereunder)) consider that the terms and conditions of the CB Subscription Agreements (including the Conversion Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the GM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

23 December 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 23 December 2019 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised 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 Connected Subscription Agreement (including the Subscription Price) and the transactions contemplated thereunder 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, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Connected Subscription Agreement (including the Subscription Price) and the transactions contemplated thereunder as set out on pages 32 to 62 of the Circular and the letter from the Board set out on pages 6 to 29 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 Connected Subscription Agreement (including the Subscription Price) 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 Connected Subscription Agreement (including the Subscription Price) 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

Dr. Qiao Yongyuan

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Connected Subscription Agreement and the transactions contemplated thereunder.



23 December 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Subscription Agreement (including the grant of the Share Specific Mandate) 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 23 December 2019 (the “**Circular**”), of which this letter forms apart. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 29 November 2019 (after trading hours), the Company entered into the Connected Subscription Agreement with Shougang Holding, pursuant to which Shougang Holding has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 93,333,333 Subscription Shares at the Subscription Price of HK\$0.3 per Subscription Share. The total consideration payable by Shougang Holding under the Connected Subscription Agreement amounts to HK\$28,000,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 29 November 2019 (after trading hours), the Company entered into the subscription agreement (the “**Third Party Subscription Agreement**”) with an Independent Third Party (the “**Third Party Subscriber**”), pursuant to which the Third Party Subscriber, has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,500,000,000 new Shares (the “**Third Party Subscription Share(s)**”) at the Subscription Price of HK\$0.3 per Third Party Subscription Share. The total consideration payable by the Third Party Subscriber under the Third Party Subscription Agreement amounts to HK\$450,000,000.

As at the Latest Practicable Date, Shougang Group indirectly holds 43.672% of the total number of Shares in issue and is a connected person of the Company. Shougang Holding is a wholly-owned subsidiary of Shougang Group and indirectly holds 27.800% of the total number of Shares in issue, and hence a connected person of the Company. Therefore, Shougang Holding’s subscription of Subscription Shares under the Connected Subscription Agreement constitutes a connected transaction for the Company and is subject to the announcement, reporting and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Mr. Zhao Tianyang, Mr. Xu Liang and Mr. Liang Hengyi, by virtue of their connection with Shougang Group, have abstained from voting for the resolutions proposed to approve the Connected Subscription Agreement and the transactions contemplated thereunder. Save as disclosed, none of the Directors has any material interest in the Connected Subscription Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Dr. Qiao Yongyuan, has been established to advise the Independent Shareholders as to whether the terms of the Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Connected Subscription Agreement (including the grant of the Share Specific Mandate) 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 resolution to be proposed at the GM to approve the Connected Subscription Agreement (including the grant of the Share Specific Mandate) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, Lego Corporate Finance had acted as independent financial adviser to the Company in relation to (i) the connected transactions involving the connected subscriptions, and the entering into of the fund subscription agreement and partnership agreement; (ii) the discloseable and connected transaction involving the entering into of the framework agreement in relation to formation of funds; (iii) the connected transaction involving issue of consideration shares under specific mandate and continuing connected transactions; (iv) the discloseable and connected transaction in relation to the proposed restructuring of Shougang Concord Century Holdings Limited; (v) the connected transaction in relation to proposed capital increase in Beijing Shouzhong Car Parking Management Co., Ltd.; and (vi) the continuing connected transactions in relation to fund management service agreement, details of which were disclosed in the circulars of the Company dated 27 August 2018, 29 August 2018, 28 November 2018, 2 January 2019, 21 February 2019 and 28 November 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 Connected Subscription Agreement (including the grant of Share Specific Mandate) and the transactions contemplated thereunder is on normal commercial terms and not conditional upon successful passing of the resolution(s) at the GM, we consider that we are independent of the Company pursuant to Rule 13.84 of the Listing Rules. 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 Connected Subscription Agreement (including the grant of the Share Specific Mandate) 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 Company; 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 Company 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 the date hereof 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 thereof and may be relied upon. We have also assumed that all such statements of belief, opinions and intentions of the management of the Company 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 Company and/or the advisers of the Company. We have also sought and received confirmation from the management of the Company that no material facts have been

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Company 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 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 Company, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, and any of their respective subsidiaries and associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Connected Subscription Agreement (including the grant of the Share Specific Mandate) and the transactions contemplated thereunder and, except for its inclusion in the Circular and for the purpose of the GM, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Share Subscription, we have considered the following principal factors and reasons.

1. Background of the Group and Shougang Holding

The Group

As set out in the Letter of the Board, the Group mainly focuses on the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment.

Shougang Holding

As set out in the Letter of the Board, Shougang Holding is a company incorporated in Hong Kong with limited liability and its principal business is investment holding. Shougang Holding is a substantial shareholder of the Company and a wholly-owned subsidiary of Shougang Group which is the controlling shareholder of the Company. Shougang Group is a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Financial information of the Group

The following table summarises the financial information of the Group for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”), respectively.

	For the year ended		For the six months ended	
	31 December		30 June	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
– Sales of iron ore	3,812,329	1,499,792	736,530	137,075
– Fund management	–	102,665	49,933	83,627
– Car parking operation	–	62,038	30,674	68,615
– Others ^(Note)	<u>3,816</u>	<u>11,801</u>	<u>1,238</u>	<u>8,205</u>
Total	3,816,145	1,676,296	818,375	297,522
Gross profit	9,110	160,537	51,534	94,895
Gross profit margin	0.2%	9.6%	6.3%	31.9%
Profit attributable to Shareholders	57,286	353,097	218,385	302,797

Note: Others include revenue generated from the provision of management service and leasing income.

	As at 31 December		As at 30 June
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Assets			
Non-current assets	5,682,675	6,064,198	6,586,700
Current assets	<u>2,503,634</u>	<u>3,366,187</u>	<u>4,475,325</u>
Total assets	8,186,309	9,430,385	11,062,025
Liabilities			
Non-current liabilities	25,174	30,772	604,479
Current liabilities	<u>917,483</u>	<u>404,157</u>	<u>879,822</u>
Total liabilities	942,657	434,929	1,484,301

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2018 and 2019

As illustrated in the table above, total revenue of the Group amounted to approximately HK\$297.5 million for the six months ended 30 June 2019, representing a decrease of approximately 63.6% as compared to that of approximately HK\$818.4 million for the six months ended 30 June 2018. According to the 2019 Interim Report, the decrease in revenue of the Group was mainly due to the contraction of the Group's iron ore business volume, which was in turn attributable to the fact that the Group has shifted its business focus to the operation and management of car parking assets and management of private funds that are oriented towards urban redevelopment since 2018 and gradually reduced the volume of its iron ore trading business. On 31 May 2019, the Group further reduced the scale of its iron ore trading business and transferred the iron ore offtake agreements with Mount Gibson Iron Limited to Newton Resources Limited, a related party, at the consideration of approximately HK\$150.0 million.

Despite the decrease in total revenue of the Group, gross profit of the Group for the six months ended 30 June 2019 was approximately HK\$94.9 million, representing an increase of approximately 84.1% as compared to that of approximately HK\$51.5 million for the six months ended 30 June 2018. The Group's gross profit margin increased to approximately 31.9% for the six months ended 30 June 2019 from approximately 6.3% for the six months ended 30 June 2018. In addition, the profit attributable to Shareholders increased from approximately HK\$218.4 million for the six months ended 30 June 2018 to approximately HK\$302.8 million for the six months ended 30 June 2019. Such increases were mainly attributable to the higher gross profit margin of both private fund management business and car parking assets operation and management business than that of iron ore trading business.

As at 30 June 2019, total assets of the Group amounted to approximately HK\$11,062.0 million, representing an increase of approximately 17.3% from approximately HK\$9,430.4 million as at 31 December 2018, which was mainly due to (i) the increase in bank balance and cash of approximately HK\$875.6 million as a result of net proceeds generated from issue of ordinary shares; and (ii) the prepayment for a lease contract of approximately HK\$605.7 million arising from acquisition of a subsidiary during the six months ended 30 June 2019.

As at 30 June 2019, total liabilities of the Group amounted to approximately HK\$1,484.3 million, representing an increase of approximately 241.3% from approximately HK\$434.9 million as at 31 December 2018, which was mainly due to (i) the increase in dividend payable of approximately HK\$699.4 million; and (ii) the increase in long term borrowings of approximately HK\$465.4 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the years ended 31 December 2017 and 2018

As illustrated in the table above, total revenue of the Group amounted to approximately HK\$1,676.3 million for the year ended 31 December 2018, representing a decrease of approximately 56.1% as compared to that of approximately HK\$3,816.1 million for the year ended 31 December 2017. According to the 2018 Annual Report, the decrease in total revenue was mainly due to the strategic withdrawal from the iron ore trading business of higher risk. During the year ended 31 December 2018, revenue generated from iron ore trading business reduced by approximately HK\$2,312.5 million, or approximately 60.6%, from approximately HK\$3,812.3 million for the year ended 31 December 2017 to approximately HK\$1,499.8 million for the year ended 31 December 2018, which was as a result of decrease in sale volume of iron ore transactions.

Notwithstanding the decrease in total revenue, the Group's gross profit for the year ended 31 December 2018 increased from approximately HK\$9.1 million for the year ended 31 December 2017 to approximately HK\$160.5 million, representing an increase of approximately 1,662.2%. The Group's gross profit margin also increased to approximately 9.6% for the year ended 31 December 2018 from approximately 0.2% for the year ended 31 December 2017. In addition, profit attributable to Shareholders increased from approximately HK\$57.3 million for the year ended 31 December 2017 to approximately HK\$353.1 million for the year ended 31 December 2018, which was mainly due to (i) higher gross profit margin generated from urban renewal-oriented private fund management business and car parking assets operation and management business; (ii) the net gains related to commodity contracts of approximately HK\$44.7 million for the year ended 31 December 2018; and (iii) the reversal of provision for impairment loss for trade receivables of approximately HK\$25.2 million for the year ended 31 December 2017.

As at 31 December 2018, total assets of the Group amounted to approximately HK\$9,430.4 million, representing an increase of approximately 15.2% as compared to approximately HK\$8,186.3 million as at 31 December 2017, which was mainly due to the increase in bank balances and cash of approximately HK\$1,644.4 million.

As at 31 December 2018, total liabilities of the Group decreased to approximately HK\$434.9 million, representing a decrease of approximately 53.9% as compared to approximately HK\$942.7 million as at 31 December 2017, which was mainly due to the decrease in trade and bills payables as at 31 December 2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for and benefits of the Share Subscription

As disclosed in the Letter from the Board, the management of the Company believes that the PRC's parking industry has great development potential and there are real estate investment opportunities in Shougang Park (as defined below), and the Group should on one hand seize this opportunity to reserve funds to acquire and construct parking lots in large quantities in the PRC, so as to expand its market share and generate sustainable and stable revenue and cash flow, while on the other hand, continue to set up funds to carry out investment and development, so as to improve the utilisation efficiency of and income generated from its investments, which in turn the Company's investments therein will bring benefits to its customers, the Group and the Shareholders.

As set out in the Letter from the Board, it is intended that the gross proceeds and net proceeds from the Share Subscription are estimated to be approximately HK\$28,000,000 and HK\$27,455,000, respectively. The Company intends to use the net proceeds for (a) investing in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, and for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment; (b) investing in the Group's fund management business; and (c) general working capital and to seize business opportunities.

Expansion of the Group's major business segments

As discussed with the management of the Company, we were given to understand that the Group has continued to make progress in its expansion of car parking assets operation and management and private fund management businesses. In order to substantiate the growth and development of the Group so as to improve the business performance and provide better return to the Shareholders, it is of imminent needs for the Group to conduct fund raising exercise. In particular, due to the nature of the Group's private fund management business and car parking assets operation and management business, the Group is required to maintain sufficient level of liquidity so as to (i) fund the Initial Investment (as defined below) for the parking projects; (ii) establish new partnerships or funds; (iii) cover the daily operating costs; and (iv) seize business opportunities, which in general require sufficient upfront capital, and would then be able to further develop its rapidly growing car parking assets operation and management and private fund management businesses in ways as set out below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Car parking assets operation and management business

As disclosed in the 2019 Interim Report, apart from the parking building in Beijing Daxing International Airport, the parking building in Shanghai Hongqiao Airport and the parking lot in Guiyang Longdongbao International Airport, the Group successfully entered into agreements for the taxi parking lot in Beijing Daxing International Airport in June 2019, assuming all operating rights of the parking facilities in Beijing Daxing International Airport. In July 2019, the Group won the bid for 15 years of operating rights of No.1 parking lot, No.2 parking building, GTC parking building and No.5 parking lot in Beijing Capital International Airport (the “**BCI Airport**”), comprising a total gross floor area of approximately 430,921.4 square meters and a total of 10,774 car parking spaces. The BCI Airport is one of the three integrated transportation hubs in the PRC and is a super-large airport in the world. In 2018, the passenger throughput of the BCI Airport was approximately 101 million person-time, ranking first in Asia and second in the world, which implies a development potential for the Group to exploit. As of May 2019, the Group successfully won the bid for the concession project of public parking lot of Qinhuai District in Nanjing, following the bid of parking business in Tangshan by the Group in 2018. We were advised by the management of the Company that the initial investment for each car parking project (the “**Initial Investment**”) includes rental deposit and expenses, fees for operating right and renovation cost (as the case maybe). Having considered (a) the Group’s ongoing car parking projects; (b) the aforementioned successfully bid car parking projects; and (c) that the expected car parking projects that the Group will participate in the tendering, it is of imminent funding needs for the Group to conduct fund raising activity to preserve sufficient level of liquidity to (i) fund the Initial Investment for the parking projects; (ii) make tenders for more quality projects which can derive sustainable revenue in long term; and (iii) cover the daily operating cost.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the announcement of the Company dated 13 November 2019, the Group has entered into a partnership agreement with Independent Third Parties (together with the Group, the “**Partners**”) in relation to the formation of partnership (the “**Partnership**”) to acquire the right to lease out, operate, manage or dispose of the carpark spaces (the “**Carpark Income Rights**”). It is noted that the Group is required to make capital commitment of RMB350 million in cash. 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 further noted that the consideration for the acquisition of the Carpark Income Rights is RMB671.8 million. As advised by the management of the Company, it is burdensome for the Group to acquire the rights of the large-scale car parking projects (the “**Large-Scale Projects**”) on its own as they typically require abundant capital and rent commitment. On the other hand, establishing partnership or fund enables the Group to obtain the rights of these Large-Scale Projects with the fundings of its own and from other partners. Such rights of Large-Scale Projects generally derive better revenue and profits for the partners. Hence, the management of the Company is of the view that the Group, with sufficient capital, is capable to attempt to acquire the rights for such Large-Scale Projects by formation of partnerships or funds, thereby improving the revenue of the Group and providing greater returns to the Shareholders.

As set out in the 2018 Annual Report, as of 2018, car ownership in the PRC has exceeded 240 million, while the gap between the demand for and the actual number of car parking lots has exceeded 80 million. The management of the Company anticipated that the demand for car parking lots in car parks would remain double-digit growth. The car parking industry currently has problems including low management efficiency, excessive market dispersion, and lack of leading enterprise in the industry, which implied a substantial opportunity for the Group’s integration and market expansion. In 2018, the Group obtained the long-term operation rights of 22,128 car parking lots in Beijing, Shanghai, Chongqing, etc., whereas the Group has obtained the parking spaces of a total number exceeding 40,000 in 2019 as advised by the management of the Company. It is noted that the Group has been expanding the car parking assets operation and management business by bidding and reserving a number of quality car park projects. As such, we concur with the management of the Company’s view that, with adequate cash reserves, the Group is capable to capture the opportunities of the high-growth period of the car parking industry, which in general require sufficient upfront capital, such as obtaining operating rights of the car parking facilities so as to expand the scale of the car parking assets operation and management business, thereby enhancing the revenue of the Group and delivering greater returns to the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, due to (i) the imbalance between the supply and demand of car parking spaces in the most developed cities in the PRC is becoming increasingly notable; and (ii) the utilisation efficiency of existing parking spaces is low and the quality of parking services is barely satisfactory, the parking industry in the PRC has vast market capacity and room for improvement. Given the above, apart from continuing to increase investment in car parking assets, the Group is dedicated to comprehensively improve car parking service quality, to launch five stars service system, and to allocate more resources on car parking technology according to the 2019 Interim Report. The Group has subsequently invested in the research and development of innovative parking products and technology such as artificial intelligence technology and virtual service, thereby enabling the Group to establish an efficient, safe and unified parking operation and management model that is committed to comprehensively improving the efficiency and quality of parking services. Moreover, through big data analysis, the car parking service will be extended towards the direction of innovative business, breaking the traditional parking mode and achieving “smart platform + boundaryless retail + media perception + credit life”, implanting adaptive non-parking products into the parking space to enhance the value of parking assets, and enhancing the customer experience. As set out in the Letter from the Board, the Group concentrates on the development of urban node self-built parking buildings (the “**Urban Node Self-built Parking Buildings**”) with the aim to replicate these parking buildings in the most developed cities of the PRC, which are expected to be comprehensively promoted in the first-tier and second-tier cities in the PRC targeted by the Group to fill the huge gap between supply and demand for parking spaces and improve the utilisation efficiency and experience of existing parking spaces. We were advised by the management of the Company that the Group is inclined to make an investment of the Urban Node Self-built Parking Building amounting to approximately HK\$500 million in the coming years. As discussed in the paragraph headed “Industry overview and prospects of the Group’s major business segments” below in this letter, there are currently significant shortage of car parking spaces in the PRC, it is foreseeable that the Urban Node Self-built Parking Buildings market has huge development potential. Hence, we concur with the management of the Company’s view that it is of imminent funding needs for the Group to conduct fund raising exercise so as to make huge investment in becoming the first mover to occupy in the Urban Node Self-built Parking Buildings market and increase its market share.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Private fund management business*

As disclosed in the circular of the Company dated 28 November 2019, the Group has been negotiating with potential limited partners for entering into partnerships continuously, and identifying appropriate investors in the funds. The current investors of the funds established by the Group and/or its associates include major financial institutions and various provincial and municipal government fund investment agencies. In the coming three to five years, the Group intends to enter into partnership agreements for urban renewal funds which focus on redevelopment and renewal of old industrial zones in 新首鋼高端產業綜合服務區 (New Shougang High-end Industry Comprehensive Service Park*) (“**Shougang Park**”) in Beijing. Shougang Park is one of the few areas in the city district of Beijing that allows large-scale and centralised development, covering an area of up to 8.63 square kilometers for redevelopment. Shougang Park will also provide support and infrastructures for the forthcoming Winter Olympic Games 2022 to be held in Beijing. It is expected that Shougang Park will require a large amount of capital injection to support its development and operation in the coming five years. To take advantage of the business opportunities in Shougang Park, the Group has been setting up and will continue to set up more urban renewal funds which support and serve the industrial transformation and revitalisation of Shougang Park.

Further, the size and operational scale of urban renewal funds managed by the Group has continued to grow, and has attracted more strategic investors and new partners to invest and participate in the funds. As disclosed in the Letter from the Board, the Group will seize urban renewal market opportunities in core cities in the PRC with a view to acquire more high-quality projects in the future. As such, the Group has implemented its strategic planning in the city of Beijing, Northeast China, Southwest China and the Pearl River Delta region on urban renewal. The Group will continue to coordinate with local government departments on supporting and developing local regions through establishing funds in the aspects of smart parking, urban renewal and medical care, and high-end manufacturing, which further supports the expansion of the fund management business of the Group and the increase in fund management fee income. As set out in the 2019 Interim Report, the scale of new fund management business has exceeded RMB10 billion in the first half of 2019 due to the rapid expansion in the scale of the funds. On 30 June 2019, the Group has managed or been responsible for investing into or operating 24 funds in total, with a total target subscription scale of approximately RMB40.4 billion. Coupled with the economic benefits bring about by the Winter Olympic Games 2022, the Group’s fund management business is expected to increase continuously in the next five years or more. Based on the abovementioned business development requirements, sufficient funds will need to be invested in the Group’s operation development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have observed that (i) the Group has attracted renowned and established investors for its funds under management. As disclosed in the 2019 Interim Report, the investors of the currently managed funds include the National Council for Social Security Fund, Agricultural Bank of China, China Merchants Bank, China Life Insurance and other large financial institutions, and fund investment institutions from the provincial and municipal governments such as Beijing, Chengdu, Hebei, Jilin, Sichuan and Heilongjiang; and (ii) there are opportunities for the Group to further develop and grow its fund management business with the development potential associated with Shougang Park and the Winter Olympic Games 2022, as well as the urban renewal in the city of Beijing, Northeast China, Southwest China and the Pearl River Delta region. It is also noted that the investment strategy of the Group's private fund management business involves selecting target asset types that generate stable and steady returns, while taking into consideration potential synergies with the Group's main businesses and the needs of investors. Besides, as mentioned above, the Group attempts to acquire the rights of Large-Scale Projects by formation of partnerships or funds. Hence, the Group is expected to make further investment of approximately HK\$1.8 billion, which comprises (i) committed investments in private funds that are oriented towards urban redevelopment in the amount of approximately HK\$930 million; and (ii) committed investments in funds focusing on car parking assets operation and other related areas in the amount of approximately HK\$910 million, as disclosed in the Letter from the Board. In view of the Group's major businesses' synergistic effects, potential cooperation opportunities and development prospects, we concur with the Group's view that it is of imminent funding needs to conduct fundraising exercise to preserve abundant capital in order to set up funds when business opportunities arise.

Funding requirements of the Group

We noted from the 2019 Interim Report that the net cash used in operating activities for the six months ended 30 June 2019 amounted to approximately HK\$11.6 million, which was primarily due to the Group's transformation towards car parking assets operation and management business and urban renewal oriented private fund management business which are both in the development stage and are therefore required abundant capital and funds to replenish general working capital in order to accelerate the expansion of such businesses. In particular, the car parking assets operation and management business is capital intensive to some extent and generally incurs immense upfront fee and investment, taking into account (i) the bidding of the long-term operating rights of the car parking buildings; (ii) the formation of partnerships or funds to acquire the rights of Large-Scale Projects; and (iii) the rental deposit and expenses and subsequent renovation cost (as the case maybe) as well as daily operating costs, whereas the private fund management business requires even notable capital commitment to support its development and operation in the coming years as compared to the car parking assets operation and management business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have discussed with the management of the Company and were given to understand that, as at 30 November 2019, among the car parks over which the Group has obtained operation right, only a few have commenced operation and generated revenue, and the remaining are still under development and construction, which not only has not generated revenue but also requires further investments from the Group in forms of such as capital injection and rental deposits. In addition, the Group also requires additional funding for its business expansion. Based on the above, and taking into account the required operating costs, the management of the Company is of the view that the Group's own operating cash flow cannot adequately support its operation and expansion strategy.

In relation to the Group's private fund management business, the Group's fund portfolio is still in the investment stage, and therefore has not generated substantial operating cash flow. Moreover, some of the Group's existing fund portfolio and funds to be subsequently set up by the Group require further capital injection, which also adds to the Group's funding needs.

We have sample checked the operating agreements of the car parking projects and noted that such agreements included the fees for operating right and rental deposit and expenses, and the tenure is at least 15 years. We have also sample checked the relevant approved fund proposals to understand the investment direction, expected capital commitment, management fee and expected time of inception. We understand that, for both car parking assets operation and management and private fund management businesses, substantial upfront fee and investment are generally required and the return is usually capitalised later.

Moreover, we have obtained and reviewed the movement of working capital of the Group as at 31 December 2018 and 30 June 2019 and noted that the Group spent approximately HK\$188.8 million for (i) the acquisition of 90% equity interest in Beijing Jingxi Venture Capital Fund Management Co., Ltd.* (北京京西創業投資基金管理有限公司); and (ii) the step acquisition of Beijing Shouzhong Car Parking Management Co., Ltd* (北京首中停車管理有限公司). Furthermore, as advised by the management of the Company, the total cash outflow for operating and developing the car parking assets operation and management business (mainly including the rental deposit and expenses, fees for operating right and renovation cost (as the case maybe)) and private fund management business amounted to approximately HK\$629 million for the 11 months ended 30 November 2019. In addition, we noted that the Group is undergoing fast development period which needs to preserve sufficient fund in order to develop its capability and capture the business opportunities which would all require a strong capital base and healthy cash flow management to allow the Group to maintain its competitiveness against its competitors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account the funding requirements and the expansion of the Group's car parking assets operation and management and private fund management businesses as discussed above, we concur with the management of the Company that it is essential for the Group to conduct Share Subscription as part of its fund raising activities to maintain a strong capital base and healthy cash flow position for ongoing development of the Group, in particular, at times when the Group is at a start-up stage of the car parking assets operation and management business and urban renewal oriented private fund management business.

Industry overview and prospects of the Group's major business segments

In assessing whether it is justifiable to apply the proceeds from the Share Subscription to further expand the Group's major business segments, we have also carried out researches on the prospects of the relevant industries.

(i) Car parking assets operation and management business

In view of the Group's focused segment markets are mainly airports, hospitals, shopping malls, office buildings and roadside in order to source high-quality, high-return operational projects, we have conducted research and noted that the number of car drivers in the PRC and overseas travelers to 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 car drivers in the PRC and overseas visitors to the PRC increased from approximately 200.3 million in 2012 to approximately 338.0 million in 2017 and approximately 129.1 million in 2013 to approximately 141.2 million in 2018, respectively, representing a compound annual growth rate of approximately 11.0% and 1.8%, respectively.

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2018 (Parking Industry Development White Paper 2018*) 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 中國重型機械工業協會 (China Heavy Machinery Industry Association*) in May 2019, as at 31 December 2018, the total number of civil vehicles were approximately 6.08 million in Beijing and approximately 5.11 million in Shanghai. However, as at 31 December 2018, there were only approximately 1.89 million and 0.78 million of car parking spaces in Beijing and Shanghai, respectively, indicating a significant shortage of approximately 8.53 million in car parking spaces in these two main cities in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, in view of the significant 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 of 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 Labour 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 relevant municipal governments of Beijing, Shanghai, Chongqing and Guangdong Province, in which the majority of car parks managed by the Group are located, 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 People’s 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 September 2016; (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; (iv) 《深圳市機動車道路臨時停放管理方法》(Management plan for temporary Motor Vehicle Parking in Shenzhen*) published by Shenzhen Municipal People’s Government in March 2018; (v) 《廣州市停車場條例》(Rules for the Administration of Vehicle Parking in Guangzhou*) published by Guangzhou Municipal People’s Government in October 2018; (vi) 《上海市發展和改革委員會、上海市交通委員會關於授權黃浦等區人民政府開展公共停車場(庫)機動車停放收費管理區域試點的通知》(Notice of the Shanghai Municipal Development and Reform Commission and the Shanghai Municipal Transportation Commission on the authorisation of Municipal People’s Government in Huangpu district to carry out regional pilot projects for the administration of charges for motor vehicle parking in public parking lots (garages)*) published by Shanghai Municipal People’s Government in June 2018; and (vii) 《深圳市經營性停車場設施管理方法》(Management Plan of Operation of Parking Facilities in Shenzhen*) published by Traffic Police Bureau of Shenzhen Municipal Public Security Bureau in November 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Private fund management business*

Based on the data published by the Asset Management Association of China, (i) the number of private funds in the PRC increased from 8,846 in January 2015 to 79,218 in August 2019; and (ii) the total value of assets under management of private funds also increased from approximately RMB2.6 trillion in January 2015 to approximately RMB13.4 trillion in August 2019. According to the publication of KPMG International in June 2018 named “Celebrating 20 years of asset management in China”, it is expected that the total value of assets under management in the PRC asset management industry will further reach to approximately RMB36.3 trillion in 2025. Such growth has been fueled by a number of factors that will continue to exert a positive influence over the coming years. Economic growth creates personal wealth among the population, who have become increasingly sophisticated consumers of financial products. At the same time, institutional investors, including sovereign wealth funds, insurers, pension funds and endowments, are not only growing in size, but also looking for more professional management for their assets. Although individual consumers and institutional investors are very different in terms of their needs, they both prompt the industry to innovate in product design, channel development and operational capabilities. The evolving structure of the financial system is another factor that will help nurture further growth among asset managers. Besides an accommodative regulatory framework, the PRC’s markets are becoming increasingly linked with the outside world, creating opportunities for fund management companies to provide an international platform for their clients.

The provincial and municipal governments have, from time to time, issued guidance and support policies on urban renewal especially the old towns, old factories and old villages (“**Three Olds**”), including 《關於推進“三舊”改造促進節約集約用地的若干意見》(Opinions on Promoting the Transformation of “Three Olds” to Promote the Economical and Intensive Use of Land*) published in 2009, 《國土資源部關於廣東省深入推進節約集約用地示範省建設工作方案的批复》(Approval of Ministry of Land and Resources of the PRC on the Construction Work Plan of Guangdong Province to Demonstrate Economical and Intensive Land Use*) published in 2013, 《廣東省人民政府關於提升“三舊”改造水平促進節約集約用地的通知》(Notice of the People’s Government of Guangdong Province on Promoting the Economical and Intensive use of Land by Upgrading the “Three Olds”*) published in 2016 and 《國土資源部關於印發〈關於深入推進城鎮低效用地再開發的指導意見(試行)〉的通知》(Notice of Ministry of Land and Resources of the PRC on Printing and Distributing the <Notice on Guidance Opinions on Intensifying the Trial Redevelopment of Inefficient Land in Urban Areas>*) published in 2016. On 4 September 2019, Guangdong Municipal Government issued the 《關於深化改革加快推動“三舊”改造促進高質量發展的指導意見》(Guidance Opinions on Intensifying the Reform and Boosting the Promotion of the “Three Olds” to Facilitate High-Quality Development*) to promote and facilitate the urban redevelopment. It is expected that existing land resources will be revitalised and therefore the efficiency of the use of existing land will be improved and optimised. Moreover, industrial transformation is moving forward so as to facilitate the integration of urban and rural development as well as high-quality economic and social development of the cities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above and taking into account (i) the growth in the number of the car drivers in the PRC and the overseas travelers to the PRC; (ii) the significant shortage of car parking spaces in the PRC; (iii) the guidance, notices and implementation plans from the PRC Central Government and the relevant municipal governments of the PRC to strengthen urban parking management and facilities; (iv) the expansion in the number of private funds in the PRC; (v) the increase in the total value of assets under management of private funds in the PRC; (vi) the increasing demand for professional management of assets; and (vii) the enhancing financial system structure as well as the reform and opening-up policies of the PRC providing a worldwide platform to attract the clients, we consider that it is justifiable for the Group to increase its investment in the car parking assets operation and management and private fund management businesses by utilising the proceeds from the Share Subscription, which enables the Group to have the capability to grasp the business opportunities, which in turn enable the Group to further improve its business performance and provide better return to the Shareholders.

Having considered (i) that the net proceeds from the recent fund raising exercises of the Company as disclosed under the paragraph headed “Financing alternatives of the Group” below in this letter had their respective designated uses and have been utilised as intended or for investment opportunity identified; (ii) the nature of the Group’s car parking assets operation and management and private fund management businesses which require the Group to maintain adequate level of liquidity so as to (a) fund the Initial Investment for the parking projects; (b) establish new partnerships or funds; (c) cover the daily operating costs; and (d) seize business opportunities; and (iii) the intended use of proceeds from the Share Subscription and the reasons thereof as discussed above, we agree that the Company’s decision to pursue the Share Subscription is reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financing alternatives of the Group

As disclosed in the Letter from the Board, save for the equity fund raising activities mentioned below, the Company has not conducted any other equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

Date of announcement	Fund raising activities	Net proceeds	Proposed use of the net proceeds
19 March 2019	Issue of 2,715,464,456, 496,902,567, 51,676,111 and 120,000,000 Shares to Soteria Financial Investment Company Limited, Matrix Partners V, Matrix Partners V-A and Red Avenue Investment Group Limited, respectively	Approximately HK\$845.4 million	General working capital, further financing the Group's businesses in management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment, as well as for funding other potential investments by the Group in the future
29 November 2019	Issue of 1,500,000,000 Shares to JD Fountain Technology (Hong Kong) Limited	Approximately HK\$449.8 million	<ol style="list-style-type: none">(1) approximately 60% will be used to invest in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, and the remaining will be used for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment;(2) approximately 25% will be used to invest in the Group's fund management business; and(3) the remaining 15% will be used as general working capital and to seize business opportunities

As advised by the management of the Company, the Group has considered alternative fund-raising methods, including additional bank borrowings, rights issue or open offer, but resolved to proceed with the Share Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Debt financing

We have discussed with the management of the Company and were given to understand that the Group has also approached its existing and new bankers to explore the possibility of additional borrowings. Based on their discussions, the management of the Company was given to understand that given the current global and regional economic environment, the respective banks are reluctant to provide additional financing without additional asset backing and/or interest rates being higher than the existing borrowing rates of the Company. Moreover, the management of the Company considered that further debt financing may be subject to lengthy due diligence and negotiations with banks or financial institutions taking into account the then financial market condition.

(ii) Other forms of equity financing

Despite that both open offer and rights issue would allow the Shareholders to participate in the subscription of new Shares to be issued by the Company and maintain their respective pro-rata shareholdings in the Company, it is difficult for the Company to procure placing agent or underwriter for placing of new Shares and/or raise fund through rights issue or open offer (as the case may be) in view of (i) identifying underwriter(s) with favorable terms; (ii) additional time and fees/costs will be incurred for, including but not limited to, (a) preparing relevant documents including various agreement(s), announcement(s), prospectus; (b) engaging professionals such as legal adviser and reporting accountants; and (c) printing charges in connection with the despatch of the related documents; and (iii) limited liquidity of the Shares as further discussed in the paragraph headed “4.2 Review on trading liquidity of the Shares” below in this letter.

We also understand from the management of the Company that the Company had been and will continue to look for possible equity fund raising opportunities to address the business needs of the Group.

We were given to understand that the above alternatives, in particular, (i) the additional interest burden under debt financing as well as the lengthy due diligence and negotiations with banks or financial institutions; and (ii) the difficulty in finding placing agent/underwriter(s) with acceptable terms in view of the thin trading volume of the Shares in general, we concur with the view of the management of the Company that the Share Subscription offers one of the most efficient and cost-effective ways of raising funds based on the circumstances of the Company and it also shows Shougang Holding’s continued support for the Company’s development and future growth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered (i) the low trading volume of the Shares as set forth under the paragraph headed “4.2 Review on trading liquidity of the Shares” below in this letter; (ii) the reasons for and benefits of the Share Subscription as discussed above; (iii) the possible additional financial burden that could be incurred by debt financing; (iv) the possible additional transaction costs that could be incurred through conducting a rights issue or an open offer; and (v) the willingness of Shougang Holding to subscribe for the Subscription Shares which reflects the confidence, support and commitment of the substantial shareholder of the Company towards the long-term and sustainable development of the Company, we concur with the view of the management of the Company that the Share Subscription is a more preferred method of fund raising for the Group based on the circumstances of the Company and the Share Subscription is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Connected Subscription Agreement

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

Date: 29 November 2019 (after trading hours)

Parties: (1) the Company, as issuer; and
(2) Shougang Holding, as subscriber

Shougang Holding is a substantial shareholder of the Company, holding approximately 27.800% of the total number of issued Shares as at the Latest Practicable Date.

Subscription Shares

Pursuant to the Connected Subscription Agreement, Shougang Holding has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 93,333,333 Subscription Shares, representing:

- (1) approximately 0.34% of the existing total number of issued Shares of 27,428,933,903 Shares as at the date of the Connected Subscription Agreement;
- (2) approximately 0.32% of the existing total number of issued Shares of 28,928,933,903 Shares as at the Latest Practicable Date;
- (3) approximately 0.32% of the enlarged total number of issued Shares of 29,022,267,236 Shares immediately following completion of the Share Subscription, assuming that no Shares will be issued other than the Subscription Shares; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (4) approximately 0.28% of the enlarged total number of issued Shares of 33,127,883,902 Shares immediately following completion of the Share Subscription and the issue of the Conversion Shares upon full conversion of the Convertible Bonds, assuming that the Conversion Price being HK\$0.3 and no Shares will be issued other than the Subscription Shares and the Conversion Shares.

The Subscription Shares will be allotted and issued pursuant to the Share Specific Mandate to be sought at the GM.

The Subscription Shares shall be free from any interest, claim or equity of any person (including any right to acquire, option or right of pre-emption or conversion) or any mortgage, charge, pledge, lien, encumbrances, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement, or any agreement to create any of the above, and with full legal and beneficial title, and together with all rights attaching to them as at the date of completion of the Connected Subscription Agreement, with rights which rank *pari passu* to the Shares in issue, including the right to vote, to receive all distributions and dividends declared, made or paid on or after the date of completion of the Connected Subscription Agreement.

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

Completion of each of the Third Party Subscription Agreement and the Connected Subscription Agreement are not inter-conditional.

Evaluation of the Subscription Price

The Subscription Price of HK\$0.3 per Subscription Share represents:

- (1) a discount of approximately 13.04% to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the date of the Connected Subscription Agreement;
- (2) a discount of approximately 15.25% to the average closing price of HK\$0.354 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Connected Subscription Agreement;
- (3) a discount of approximately 16.20% to the average closing price of HK\$0.358 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Connected Subscription Agreement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (4) a discount of approximately 20.00% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (5) a discount of approximately 12.79% over the net asset value per Share attributable to the Shareholders as at 30 June 2019 of approximately HK\$0.344 per Share, calculated based on the unaudited consolidated net asset attributable to the Shareholders of approximately HK\$9,427,828,000 as at 30 June 2019 and the total number of issued Shares of 27,428,933,903 as at the date of the Connected Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company, Shougang Holding and the Third Party Subscriber with reference to the historical price trend and trading volume of the Shares, the existing capital market conditions, the funding needs and financial and trading prospects of the Group's car parking assets operation and management and private fund management businesses, taking into account the synergistic effects, potential cooperation opportunities and development prospects that Shougang Holding and the Third Party Subscriber will bring to the Group.

Taking into account the expenses of the Share Subscription in the amount of approximately HK\$545,000, the net price per Subscription Share will be approximately HK\$0.294.

We noted that the Subscription Price is the same as the subscription price under the Third Party Subscription Agreement and the Conversion Price. Furthermore, as disclosed in the Letter from the Board, in the 12-month period immediately before and including the date of the Connected Subscription Agreement, the closing prices of the Shares ranged between HK\$0.188 and HK\$0.400, and the Subscription Price falls within such range. In addition, the Subscription Price represents a premium of approximately 5.94% over the average closing price of HK\$0.283 per Share during the 12-month period immediately before and including the date of the Connected Subscription Agreement.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.1 Review on Share price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 30 November 2018 up to and including the last trading day immediately before the Connected Subscription Agreement (the “**Review Period**”), being approximately one year prior to the date of the Connected Subscription Agreement. We consider that the approximate one-year period is reasonable and representative for Shareholders’ reference in regard to the Subscription Price as (i) a one-year period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the Share price performance in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purpose. The comparison of daily closing prices of the Shares and the Subscription Price is illustrated as follows:



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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Review Period, the lowest daily closing price per Share was HK\$0.188 on 4 January 2019 and the highest closing price per Share was HK\$0.400 on 8 November 2019, with an average daily closing price per Share of approximately HK\$0.283.

As shown in the chart above, the closing price for the Shares generally fluctuated within a relatively narrow range between HK\$0.188 per Share and HK\$0.239 per Share, during the period from 30 November 2018 to 26 March 2019, being the date of the publication of the Company's annual results announcement for the year ended 31 December 2018 (after trading hours of the Stock Exchange) (the "**2018 Results Announcement**"). Closing price of the Shares then exhibited a general upward trend since the publication of the 2018 Results Announcement. Subsequently, the closing price of the Shares oscillated between the range of HK\$0.265 per Share and HK\$0.325 per Share until 23 August 2019 on which the Company published its interim result for the six months ended 30 June 2019 after trading hours of the Stock Exchange. The closing price of the Shares then gradually increased from HK\$0.305 per Share on 26 August 2019 to HK\$0.335 per Share on 9 September 2019. Since then, the closing prices of the Shares exhibited a general upward trend and reached the peak at HK\$0.400 per Share on 8 November 2019.

Despite the Subscription Price represented a discount to the recent closing prices of the Shares, it is noted that the Subscription Price (i) is the same as the subscription price under the Third Party Subscription Agreement and the Conversion Price; (ii) falls within the range of the closing prices of the Shares as quoted on the Stock Exchange during the Review Period; (iii) is higher than the closing prices of the Shares for 139 days out of the total of 246 days during the Review Period; (iv) represents a premium of approximately 59.6% over the lowest daily closing price during the Review Period; and (v) represents a premium of approximately 5.9% over the average daily closing price during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.2 Review on trading liquidity of the Shares

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period:

	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares for the month/period	Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/period
2018				
November	7,994,000	1	7,994,000	0.033%
December	122,345,400	19	6,439,232	0.027%
2019				
January	158,804,000	22	7,218,364	0.030%
February	169,041,100	17	9,943,594	0.041%
March	716,121,900	21	34,101,043	0.142%
April	482,855,700	19	25,413,458	0.093%
May	469,258,000	21	22,345,619	0.081%
June	351,102,100	19	18,479,058	0.067%
July	253,047,400	22	11,502,155	0.042%
August	314,758,300	22	14,307,195	0.052%
September	335,999,000	21	15,999,952	0.058%
October	505,494,000	21	24,071,143	0.088%
November (up to and including the date of the Connected Subscription Agreement)	740,204,600	21	35,247,838	0.129%
Maximum			35,247,838	0.142%
Minimum			6,439,232	0.027%
Average			17,927,896	0.068%

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

As illustrated in the above table, the average daily trading volume was low during the Review Period, with a range of approximately 6,439,232 Shares to approximately 35,247,838 Shares, representing approximately 0.027% to 0.129% of the number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares is relatively thin.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The relatively thin trading liquidity of the Shares may lead to difficulties for the Company to pursue other financing alternatives when considering fundraising exercises, such as placement of new Shares to independent investors, rights issue and open offer.

In light of the above and the trading of the Shares is not considered as active, setting the Subscription Price at a discount could provide more incentive for Shougang Holding to participate in the Share Subscription. As such, we are of the view that it is reasonable to set the Subscription Price at a discount to the latest Share prices to balance the low liquidity of the Shares during the Review Period.

4.3 Market comparable analysis

As part of our analysis, we have, on a best effort basis, also conducted an analysis of subscription of new shares for cash under specific mandate (excluding transactions involving (i) notifiable transactions; (ii) H-share companies whose share capital structure is different from that of the Company as not all the issued shares of H-share company can be traded in the Stock Exchange such as its A-share or domestic shares; and (iii) whitewash waiver applications under the Hong Kong Code on Takeovers and Mergers or general offer obligations pursuant to the Hong Kong Code on Takeovers and Mergers which we consider these transactions are different from the Company's circumstance and the structure of the Share Subscription to avoid misalignment) announced by companies listed on the Stock Exchange since 30 May 2019 and up to the date of the Connected Subscription Agreement (the "**Comparables**"), being approximate 6-month period prior to the date of the Connected Subscription Agreement. The approximate half-year timeframe was adopted to demonstrate the recent market trends with sufficient and representative number of Comparables and thus, we consider the timeframe is reasonable and representative.

We are of the view that the Comparables as set out below can provide the Independent Shareholders or potential investors of the Company a reference with regard to the general trend and data of subscription of new shares under specific mandate in the market. Based on the aforesaid criteria and to the best of our knowledge, we have identified 12 Comparables which we consider to be exhaustive. In addition, Independent Shareholders should note that the businesses, operations, financial positions and prospects of the Company are not the same as the companies which make the Comparables. We have not conducted any independent investigation with regards to the businesses, operations, financial positions and prospects of the companies but it shall not affect our analysis as we are comparing the general trend of subscription of new shares for cash under specific mandate in the market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although the Share Subscription involves subscription of new shares by a connected person, we are of the view that the analysis with reference to recent transactions involving issue of new shares to either connected persons or otherwise will allow the Shareholders to make reference to the recent generally acceptable range of premium/discount for the subscription price of new shares against closing price when assessing the fairness and reasonableness of that for the Share Subscription. In addition, it is a common market practice to consider the fairness and reasonableness of the terms of a transaction with a connected person by comparing them against the terms of transactions of similar natures offered to independent third parties. Notwithstanding the wide range of discount/premium of the issue price of the Comparable Share Issues, in view of the large number of reviewed cases (i.e. 12 Comparables), we consider that the discount/premium of all the Comparables to be a good indication of the general market trend for similar transactions and a good reference for assessing the fairness of the Subscription Price.

Based on the above, we consider such analysis to be meaningful for the current purpose. Our findings and analysis on the Comparables are set out below.

Date of announcement	Company name	Stock code	Premium/(discount) of the subscription price over/(to) closing price per share on the last trading day prior to/ on the date of announcements/ agreements in relation to the respective subscription of shares (%)	Premium/(discount) of the subscription price over/(to) average closing price per share on the last five consecutive trading days prior to/ on the date of announcements/ agreements in relation to the respective subscription of shares (%)
26 November 2019	JTF International Holdings Limited	8479	–	(0.38)
10 November 2019	BC Technology Group Limited	863	(8.73)	(11.71)
1 November 2019	BeiGene, Ltd.	6160	(4.87)	18.33
27 September 2019	Global Bio-chem Technology Group Company Limited	809	(20.00)	(23.72)
20 September 2019	Evergreen Products Group Limited	1962	(14.36)	(13.41)
28 August 2019	Global Link Communications Holdings Limited	8060	(30.40)	(10.77)
8 August 2019	Colour Life Services Group Co., Ltd.	1778	(4.22)	(6.95)
13 July 2019	DTXS Silk Road Investment Holdings Company	620	(17.88)	(15.00)
10 July 2019	Glory Sun Financial Group Limited	1282	(16.67)	(19.35)
1 July 2019	Value Convergence Holdings Limited	821	(18.18)	(16.67)
30 June 2019	FDG Electric Vehicles Limited	729	(10.00)	(10.6)
12 June 2019	PuraPharm Corporation Limited	1498	–	3.42
	Maximum		–	18.33
	Minimum		(30.40)	(23.72)
29 November 2019	The Share Subscription		(13.04)	(15.25)

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As demonstrated by the above table, the subscription price of the Comparables ranged from (i) a discount of approximately 30.40% to an equivalent of the respective closing price of shares on their respective last trading days prior to/on the date of the announcement/agreement in relation to the relevant share subscription (the “**Market Range**”); and (ii) a discount of approximately 23.72% to a premium of approximately 18.33% over the respective average closing price of shares on their respective last five consecutive trading days prior to/on the date of the announcement/agreement in relation to the relevant share subscription (the “**5-Days Range**”). Both the discount of the Subscription Price to the last trading day prior to the date of the Connected Subscription Agreement and the discount of the Subscription Price to the last five consecutive trading days prior to the date of the Connected Subscription Agreement fall within the Market Range and the 5-Days Range, respectively.

In view of (i) the analysis on the Subscription Price and the Share price performance during the Review Period as discussed in the paragraph headed “4.1 Review on Share price performance” above in this letter; (ii) the discount of the Subscription Price falls within the Market Range and the 5-Days Range; (iii) the Subscription Price is the same as the subscription price under the Third Party Subscription Agreement and the Conversion Price which were negotiated on an arm’s length basis between the Company, the Third Party Subscriber and the CB Subscribers, respectively, which are Independent Third Parties; (iv) the relatively low liquidity of the Shares during the Review Period as discussed in the paragraph headed “4.2 Review on trading liquidity of the Share” above in this letter; (v) the willingness of Shougang Holding to subscribe for the Subscription Shares reflects the confidence, support and commitment of the substantial shareholder of the Company towards the long-term and sustainable development of the Company; (vi) the Share Subscription is a preferred means to raise funds given the Company’s circumstances comparing to other fundraising methods due to consideration of the time and costs involved for debt financing and other forms of equity financing; (vii) the Group has the imminent needs to conduct fund raisings given the nature of the Group’s car parking assets operation and management and private fund management businesses which require the Group to maintain sufficient level of liquidity so as to (a) fund the Initial Investment for the parking projects; (b) establish new partnerships or funds; (c) cover the daily operating costs; and (d) seize business opportunities; and (viii) the net proceeds from the Share Subscription will be used to further develop the major businesses of the Group as discussed in the above paragraph headed “3. Reasons for and benefits of the Share Subscription” in this letter, we are of the view that the Subscription Price appears to be fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Financial effects of the Share Subscription to the Group

Earnings

Save for the legal and professional fees/expenses of approximately HK\$545,000 incurred and to be incurred in relation to the Share Subscription, there will not be any immediate material impact on the earnings of the Group in this regard.

Liquidity

According to the 2019 Interim Report, the Group had bank balances and cash of approximately HK\$3,909.6 million as at 30 June 2019. Upon the completion of the Share Subscription, the Group's working capital and liquidity positions will be improved as the cash and bank balances will be increased by the net proceeds of approximately HK\$27.5 million. Accordingly, the cash position, gearing ratio and current ratio of the Group are expected to be improved upon the completion of the Share Subscription.

Net assets

According to the 2019 Interim Report, the net assets of the Group was approximately HK\$9,577.7 million as at 30 June 2019. Upon completion of the Share Subscription, the net assets of the Group are expected to increase as a result of the availability of the proceeds from the Share Subscription.

6. Effect of the Share Subscription on the shareholdings of the Company

The Subscription Shares represent approximately (i) 0.32% of the existing issued share capital of the Company as at the Latest Practicable Date; (ii) 0.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only; and (iii) 0.28% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table under the paragraph headed “Effects on shareholding structure of the Company” in the Letter from the Board, upon completion of the Share Subscription, the shareholding interests of the existing public Shareholders would be diluted by approximately 3.218%, representing a decrease in the existing public Shareholders interests in the Company from approximately 25.379% as at the Latest Practicable Date to approximately 22.161%, assuming no other change in the issued share capital of the Company other than the issue of the Subscription Shares and the issue of the Conversion Shares upon full conversion of the Convertible Bonds. Nonetheless, in view of (i) the reasons for and the possible benefits of the Share Subscription to the Group, details of which are set out under the paragraph headed “3. Reasons for and benefits of the Share Subscription” in this letter; (ii) the proposed use of proceeds which is for the purpose of (a) investing in the Group’s car parking business, part of which will be used for the Group’s existing capital injection commitment, rental deposit and construction expenditure, and for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment; (b) investing in the Group’s fund management business; and (c) general working capital and to seize business opportunities; and (iii) the terms of the Connected Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we consider that such dilution effect on the shareholding interests of the existing public Shareholders resulting from the issue of the Subscription Shares is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that, though the Share Subscription is not conducted in the ordinary and usual course of business of the Company, terms of the Connected Subscription Agreement are on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Share Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to approve the Connected Subscription Agreement and the transactions contemplated thereunder at the GM.

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 15 years of experience in the accounting and investment banking industries.

** for identification purpose 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:

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	0.013%
Liu Jingwei	Beneficial owner	2,576,000	0.009%
	Interests of controlled corporation	300,000	0.001%
Wang Xin	Beneficial owner	200,000	0.001%
	Interests of spouse	1,000,000	0.003%

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) Interests of Substantial Shareholders

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

Name of shareholder	Capacity in which interests were held	Number of Shares/ underlying shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date (approximately)	Notes
Shougang Group	Interests of controlled corporations	12,727,237,198	43.995%	1
ORIX Corporation	Interests of controlled corporation	5,220,408,397	18.046%	2
ORIX Asia	Beneficial owner	5,220,408,397	18.046%	2
HOPU Investments Co. III Ltd	Interests of controlled corporation	2,715,464,456	9.387%	3
HOPU USD Master Fund III, L.P	Interests of controlled corporation	2,715,464,456	9.387%	3
Cheng Yu Tung Family (Holdings II) Limited	Interests of controlled corporation	2,677,425,528	9.255%	4
Cheng Yu Tung Family (Holdings) Limited	Interests of controlled corporation	2,677,425,528	9.255%	4
Rocket Parade Limited	Beneficial owner	2,677,425,528	9.255%	4
JD Fountain Technology (Hong Kong) Limited	Beneficial owner	1,500,000,000	5.185%	5

Name of shareholder	Capacity in which interests were held	Number of Shares/ underlying shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date (approximately)	Notes
JD Innovation Information Technology Limited	Interests of controlled corporation	1,500,000,000	5.185%	5
京東數字科技控股有限公司 (Jingdong Digital Technology Holdings Limited*, “JD Digital”)	Interests of controlled corporation	1,500,000,000	5.185%	5
宿遷博裕光年網絡技術有限公司 (Suqian Boyu Guangnian Internet Technology Limited*, “Suqian Boyu”)	Interests of controlled corporation	1,500,000,000	5.185%	5
Mr. Liu Qiangdong	Interests of controlled corporation	1,500,000,000	5.185%	5
Ms. Zhang Zetian	Interests of spouse	1,500,000,000	5.185%	6

Notes:

- Shougang Group is interested in (i) all the Shares held by its direct and indirect subsidiaries, namely, Shougang Holding (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), and (ii) the Subscription Shares to be allotted and issued to Shougang Holding.
- ORIX Corporation is interested in (i) all the 1,503,741,731 Shares held by its wholly-owned subsidiary, ORIX Asia, and (ii) the 3,716,666,666 Conversion Shares (subject to adjustment) to be issued and allotted to ORIX Asia upon exercise of the conversion rights under the Convertible Bonds.
- HOPU Investments Co. III Ltd (“**HOPU Investments**”) is interested in 2,715,464,456 Shares held by its indirect wholly-owned subsidiary, Soteria Financial Investment Company Limited (“**Soteria Financial Investment**”). Soteria Financial Investment is a wholly-owned subsidiary of Soteria Financial Holding Company Limited, which in turn is a wholly-owned subsidiary of HOPU USD Master Fund III, L.P., a direct wholly-owned subsidiary of HOPU Investments.
- 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 was held as to 60.86% by New World Development Company Limited, which in turn was held as to 44.33% by Chow Tai Fook Enterprises Limited (“**Chow Tai Fook Enterprises**”) as at the Latest Practicable Date. Chow Tai Fook Enterprises is wholly-owned by Chow Tai Fook (Holding) Limited, which was held as to 81.03% by Chow Tai Fook Capital Limited, which in turn was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited respectively as at the Latest Practicable Date.

5. JD Fountain Technology (Hong Kong) Limited is wholly-owned by JD Innovation Information Technology Limited, which is in turn wholly-owned by Suqian Boyu, which is in turn wholly-owned by JD Digital. JD Digital is owned as to 21.44% by Mr. Liu Qiangdong.
6. Ms. Zhang Zetian is the wife of Mr. Liu Qiangdong, and therefore Ms. Zhang Zetian is deemed to be interested in Mr. Liu Qiangdong's interest in the Shares pursuant to the SFO.

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:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Zhao Tianyang	Shougang Holding [#]	Trading of iron ore and steel products	Director
	北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.* "Shougang Fund") [#]	Fund management	Director and General Manager
Xu Liang	Shougang Holding [#]	Trading of iron ore and steel products	Director
Ho Gilbert Chi Hang	Urban Parking Limited [#]	Car park management	Director

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

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 2018, 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:

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

As at the Latest Practicable Date, Lego Corporate Finance 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 2018, 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 did not have 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 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 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 2018, 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) Mr. Zhao Tianyang is a deputy general manager of Shougang Group, a director of Shougang Holding and a director and the general manager of Shougang Fund; (ii) Mr. Xu Liang is a director of Shougang Holding; (iii) Mr. Ho Gilbert Chi Hang is an executive director of NWS Holdings Limited and a director of Rocket Parade Limited; (iv) Mr. Li Hao is the operating officer, deputy head of East Asia Business Headquarters and managing director of Greater China Group at ORIX Corporation and the director and president of ORIX Asia. All of Shougang Group, NWS Holdings Limited, Rocket Parade Limited, ORIX Corporation and ORIX Asia 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 54, 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 Connected Subscription Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 30 to 31 of this circular;
- (d) 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 32 to 62 of this circular;
- (e) the consent letter as referred to in the section headed “Qualification and Consent of Expert” in this Appendix; and
- (f) this circular.

NOTICE OF GM



首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the “**GM**”) of Shougang Concord International Enterprises Company Limited (the “**Company**”) will be held at 10:00 a.m. on Friday, 10 January 2020 at Shougang Qiaomengyuan, Shijingshan, Beijing, China for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. The Connected Subscription Agreement

“THAT:

- (a) the share subscription agreement (the “**Connected Subscription Agreement**”) dated 29 November 2019 entered into between the Company and Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”) in relation to Shougang Holding’s subscription of shares of the Company (the “**Subscription Shares**”) (a copy of the Connected Subscription Agreement has been produced to the meeting and marked “A” and initialled by the Chairman of the meeting for identification purpose) and the transactions contemplated thereunder, and the specific mandate to allot and issue Subscription Shares under the Connected Subscription Agreement, be and are hereby approved, confirmed and ratified; and
- (b) 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 Connected Subscription Agreement and the transactions contemplated thereunder and the allotment and issue of the Subscription Shares.”

NOTICE OF GM

2. The CB Subscription Agreements

“THAT:

- (a) the convertible bonds subscription agreements (the “**CB Subscription Agreements**”) dated 29 November 2019 entered into between the Company and each of ORIX Asia Capital Limited, Matrix Partners China V, L.P. and Matrix Partners China V-A, L.P. (together, the “**CB Subscribers**”) in relation to the CB Subscribers’ subscription of the zero coupon convertible bonds in the aggregate principal amount of HK\$1,231,685,000 to be issued by the Company (the “**Convertible Bonds**”) (a copy of each of the CB Subscription Agreements has been produced to the meeting and marked “B” and initialled by the Chairman of the meeting for identification purpose) and the transactions contemplated thereunder, including the issue of the Convertible Bonds, and the specific mandate to allot and issue the conversion shares upon an exercise of the conversion rights attaching to the Convertible Bonds (the “**Conversion Shares**”), be and are hereby approved, confirmed and ratified; and
- (b) 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 CB Subscription Agreements and the transactions contemplated thereunder and the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares.”

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

Hong Kong, 23 December 2019

NOTICE OF GM

Notes:

1. Any member of the Company entitled to attend and vote at the GM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the GM (i.e., at or before 10:00 a.m. on Wednesday, 8 January 2020 (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 Monday, 6 January 2020. 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 6 January 2020 for registration.