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

## **CONNECTED TRANSACTION**

On 28 March 2018, Shouhe, a non-wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Shougang Fund, Keli and Harbin Venture Capital for the establishment of the Partnership.

Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), is interested in approximately 61.876% of the total number of Shares in issue as at the date of this announcement and is a substantial shareholder and a connected person of the Company. Accordingly, the entering into of the Partnership Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Company's capital commitment under the Partnership Agreement, when aggregated with the Previous Transaction, are more than 0.1% but less than 5%, the entering into of the Partnership Agreement is subject to the reporting and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **THE PARTNERSHIP AGREEMENT**

On 28 March 2018, Shouhe, a non-wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Shougang Fund, Keli and Harbin Venture Capital for the establishment of the Partnership.

Shouhe will act as the General Partner and the executive partner to the Partnership, and its duties will include, among others things, convening and holding meetings of the partners, presiding over the daily operational management of the Partnership, representing the Partnership, making recommendation on investors and investment projects to the Fund Manager and coordinating with the Fund Manager on the management of invested projects.

### **Information on the parties to the Partnership Agreement**

Shougang Fund is principally engaged in investment, management and advisory of non-securities businesses. Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), is interested in approximately 61.876% of the total number of Shares in issue as at the date of this announcement and is a substantial shareholder and a connected person of the Company.

Keli is principally engaged in venture capital investment and venture capital fund management. Keli is interested in 30% of Shouhe's capital. Shouhe is an insignificant subsidiary of the Company and Keli is not regarded as a connected person of the Company for the purpose of Rule 14A.09 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, save for being a shareholder of an insignificant subsidiary of the Company, Keli and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Harbin Venture Capital is principally engaged in venture capital investment and venture capital fund management. To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, Harbin Venture Capital and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

### **Establishment of the Partnership**

Under the terms of the Partnership Agreement, the parties have agreed to establish the Partnership for a term of eight years. The first five years of the term shall be the investment period ("**Investment Period**"), and the last three years of the term shall be the payback period ("**Payback Period**"), during which the Partnership shall not carry out any further investments. Subject to agreement at a meeting of the partners, the term of the Partnership may be extended to not more than ten years, and the Investment Period or Payback Period can be extended twice, for one year each time.

The Partnership will engage in investment activities as permitted by law in the PRC, with a focus on investing in car parking infrastructure facilities, smart cities, ice sports entertainment, underground pipelines, healthcare and other city integrated services industry areas, as well as advanced manufacturing, robotics, technology, media and telecoms, new materials, cloud computing, comprehensive health and other new strategic industry areas. The Partnership shall not, among other things, invest in listed companies, engage in guarantee, mortgage, entrusted loans, real estate businesses, or invest in another venture capital fund or investment enterprise.

Furthermore, the Partnership's investments in Heilongjiang Province shall not be less than 60% of its total available investment amount, among which investment in the city of Harbin shall not be less than RMB100 million. Furthermore, more than 60% of the Partnership's investment shall be in the areas of comprehensive city services, with the remainder being invested to strategic emerging industries.

### **Capital contribution to the Partnership**

The target total capital contribution to the Partnership is RMB600 million. Shouhe, Shougang Fund, Keli and Harbin Venture Capital shall be the founding partners and make capital contributions after the Partnership's establishment in the total amount of RMB406 million:

	<b>Amount to be contributed RMB</b>	<b>Percentage interest in the Partnership</b>	<b>Nature of holding</b>
Shouhe	6,000,000	1.478%	General Partner
Shougang Fund	200,000,000	49.261%	Limited Partner
Keli	150,000,000	36.946%	Limited Partner
Harbin Venture Capital	<u>50,000,000</u>	<u>12.315%</u>	Limited Partner
Total	<u><u>406,000,000</u></u>	<u><u>100%</u></u>	

After the establishment of the Partnership, the Fund Manager shall be responsible for raising contributions in the amount of RMB60 million and RMB134 million, respectively, from the Harbin Economic-Technological Development Zone Guidance Fund (Harbin Yuerong) and from social capital. For the avoidance of doubt, Harbin Economic-Technological Development Zone Guidance Fund (Harbin Yuerong) and other potential social capital investors are not party to the Partnership Agreements and are have no binding commitment to contribute capital.

Within 12 months from the date of establishment of the Partnership, the Fund Manager has the right to carry out one or more capital raisings from existing limited partners or new investors, in order to attract more limited partners to subscribe for the capital of the Partnership. The General Partner has the right to make an independent decision as to whether to accept the admission of such limited partners into the Partnership.

### **Management of the Partnership**

The Partnership will enter into an entrusted management agreement with Shougang Dongbei, a wholly-owned subsidiary of the Company. Shougang Dongbei will act as Fund Manager, to provide investment management and daily operation management services, including filing, capital rising, information disclosure and other necessary consultation services.

The Fund Manager shall set up an investment committee to be responsible for all investment decisions of the Partnership. The investment committee will comprise of five committee members, four of which will be appointed by the Fund Manager, and one of which will be appointed by Keli. The investment committee shall be in charge of, among other things, reviewing and deciding on the Partnership's entrance into and exit from investments.

### **Management fee**

The Partnership shall pay the Fund Manager:

- (i) During the Investment Period, an annual management fee of 0.5% of the Partnership's total subscribed capital contribution amount; and
- (ii) During the Payback Period as well as during extensions of the Investment Period or Payback Period, an annual management fee of 0.5% of the fund under the management of the Partnership.

The Partnership shall pay the General Partner in its role as executive partner:

- (iii) During the Investment Period, an annual executive compensation of 1% of the Partnership's total subscribed capital contribution amount; and
- (iv) During the Payback Period as well as during extensions of the Investment Period or Payback Period, an annual executive compensation of 1% of the fund under the management of the Partnership.

Pursuant to the Partnership Agreement, in the case of the relevant PRC governmental authority permitting an increase to the cap on fund management fees and executive compensation (the "**Fees**"), the annual executive compensation payable to the General Partner shall increase from 1% to 1.5%, but the total annual Fee payable to the Fund Manager and the General Partner shall not exceed 2%.

### **Profit distribution**

The Partnership will distribute based on the principle of prioritizing the repayment of principal, followed by the distribution of profits. After all partners have recovered their actual capital contributions based on their proportional actual capital contributions, 20% of the Partnership's net profit from investment will be distributed to the General Partner, and 80% will be distributed to each partner according to the proportion of their actual capital contributions.

## **REASON FOR THE PARTNERSHIP**

The Group is principally engaged in (i) trading of iron ore, steel and related products; (ii) the business of car parking facilities and investment operation in the PRC with a focus on smart car parking market; and (iii) the business of provision of private fund management services in the PRC. In late 2016, the Company disposed of its loss-making steel mills and related businesses in Qinhuangdao City, Hebei Province, the PRC. Since the disposal of such businesses, the Company has been exploring new business opportunities and on 8 September 2017, the Group entered into agreements with Shougang Fund to acquire, among others, 95% equity interest in Jingji Capital. At the end of December 2017, the Group further acquired 5% equity interest in Jingji Capital from an independent third party and Jingji Capital became a wholly-owned subsidiary of the Company. Since then, the Group has begun its fund management business.

The Group has attracted Keli and Harbin Venture Capital, both representing the local Government Guiding Fund based in Harbin, to co-sponsor the establishment of the Partnership. The Partnership is established along with the strategy of revitalization of Northeast China and will enhance the connection between the Group and the economic activities in Heilongjiang Province, which would lead to a priority of potential business in the future. The establishment of the Partnership will play a positive role in furthering the fund management business of the Group and exploiting potential market for its car parking facilities and investment operation business in Heilongjiang Province.

The entering into of the Partnership Agreements is in the ordinary and usual course of business of the Group. At the Board meeting held to approve the establishment of the Partnership and the Partnership Agreement, Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Liang Hengyi and Mr. Shu Hong had abstained from voting in respect of the resolutions proposed to approve the establishment of the Partnership and the Partnership Agreement, as they considered that they might be interested in the transactions under the Partnership Agreement. Other Directors, (including the independent non-executive Directors) considered that the Partnership Agreement have been entered into on normal commercial terms, such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the establishment of the Partnership is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group, through its subsidiaries (including Shougang Fund), is interested in approximately 61.876% of the total number of Shares in issue as at the date of this announcement and is a substantial shareholder and a connected person of the Company. Accordingly, the entering into of the Partnership Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Company's capital commitment under the Partnership

Agreement, when aggregated with the Previous Transaction, are more than 0.1% but less than 5%, the entering into of the Partnership Agreement is subject to the reporting and announcement requirements and exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Keli is interested in 30% of Shouhe's capital. Shouhe is an insignificant subsidiary of the Company and Keli is not regarded as a connected person of the Company for the purpose of Rule 14A.09 of the Listing Rules.

## **DEFINITIONS**

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

“%”	per cent.
“Board”	the board of Directors;
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fund Manager”	Shougang Dongbei;
“General Partner”	Shouhe;
“Group”	the Company and its subsidiaries;
“Harbin Venture Capital”	哈爾濱創業投資集團有限公司(Harbin Venture Capital Group Co., Ltd.*), a limited liability company established in the PRC;
“Harbin Yuerong”	哈爾濱越榕資本創業投資基金管理股份有限公司(Harbin Yuerong Capital Venture Capital Fund Management Co., Ltd.*), a limited liability company established in the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special administrative Region of the PRC;

“Jingji Capital”	京冀協同發展示範區（唐山）基金管理有限公司 (Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement;
“Keli”	黑龍江省科力高科技產業投資有限公司 (Heilongjiang Keli High Technology Industry Investment Co., Ltd.*) a limited liability company established in the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Partnership Agreement”	the agreement (as supplemented) dated 28 March 2018 between Shouhe, Shougang Fund, Keli and Harbin Venture Capital in relation to the establishment of the Partnership;
“Partnership”	the partnership (proposed name: 黑龍江首科振興基金合夥企業（有限合夥）(Heilongjiang Shouke Revitalization Fund Limited Partnership*) to be established in the PRC pursuant to the terms of the Partnership Agreement;
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan;
“Previous Transaction”	the entering into the agreement dated 12 February 2018 between Jingji Capital, Shougang Fund, 曹妃甸金融發展集團有限公司 (Caofeidian Financial Development Group Co., Ltd.*) and 招商證券資產管理有限公司 (China Merchants Securities Assets Management Co., Ltd.)* in relation to the establishment of the 京冀曹妃甸協同發展示範區基金一期(Beijing-Hebei Caofeidian Co-development Exhibition Zone Fund I*) for investment in 京冀曹妃甸協同發展示範區 (Beijing-Hebei Caofeidian Co-development Exhibition Zone*). For details, please refer to the Company’s announcement dated 12 February 2018;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	ordinary shares of the Company;

“Shougang Dongbei”	首鋼東北振興產業基金管理有限公司 (Shougang Dongbei Revitalization Industry Fund Management Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;
“Shougang Fund”	北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*), a limited liability company established in the PRC;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a solely stated-owned enterprise established in the PRC;
“Shouhe”	黑龍江首和創業投資管理企業 (有限合夥) (Heilongjiang Shouhe Venture Capital Limited Partnership*), a limited partnership established in the PRC and a non-wholly-owned subsidiary of the Company as at the date of this announcement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules.

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

28 March 2018

*As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Li Shaofeng (Vice Chairman), Mr. Liang Hengyi (Managing Director), Mr. Shu Hong (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Liu Jingwei (Non-executive Director), Dr. Li Yinhui (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director) and Ms. Zhang Quanling (Independent Non-executive Director).*

\* for identification purpose only