

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.



首程控股有限公司
SHOUCHENG HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

DISCLOSEABLE TRANSACTION
ACQUISITION OF RIGHT-OF-USE ASSET UNDER
THE OPERATING RIGHTS TRANSFER AGREEMENT

Reference is made to the voluntary announcement of the Company dated 8 October 2019 regarding the entering into of the Cooperation Agreement.

On 30 December 2019, the Consortium, Beijing Shouzhong Jingtai and BCIA entered into the Operating Rights Transfer Agreement in relation to the transfer of the operating rights of the Car Park Buildings and the Car Parks, pursuant to which BCIA agreed to transfer the Operating Rights and to lease the Car Park Buildings to Beijing Shouzhong Jingtai for a term of 15 years commencing from 1 January 2020 to 31 December 2034, and Beijing Shouzhong Jingtai agreed to pay the Fees to BCIA.

Pursuant to HKFRS16, in light of the entering into of the Operating Rights Transfer Agreement as a lessee, the Group shall start to recognise a right-of-use asset in its consolidated financial statements from the current financial year, during which the Operating Rights Transfer Agreement took effect, for an initial estimated value of approximately RMB843,332,000 (equivalent to approximately HK\$943,267,000).

As the applicable percentage ratios in respect of the leasing of Car Park Buildings and the transfer of the Operating Rights contemplated under the Operating Rights Transfer Agreement exceed 5% but are less than 25%, the leasing of Car Park Buildings and the transfer of the Operating Rights constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to the voluntary announcement of the Company dated 8 October 2019 regarding the entering into of the Cooperation Agreement.

After the entering into of the Cooperation Agreement, the Consortium formed by Shouzhong Investment (a wholly-owned subsidiary of the Company) and Beijing Jingtai Transportation established Beijing Shouzhong Jingtai as the special purpose vehicle to operate and manage the Car Park Buildings and Car Parks. On 30 December 2019, the Consortium, Beijing Shouzhong Jingtai and BCIA entered into the Operating Rights Transfer Agreement in relation to the transfer of the operating rights of the Car Park Buildings and the Car Parks, pursuant to which BCIA agreed to transfer the Operating Rights and to lease the Car Park Buildings to Beijing Shouzhong Jingtai for a term of 15 years commencing from 1 January 2020 to 31 December 2034, and Beijing Shouzhong Jingtai agreed to pay the Fees to BCIA.

OPERATING RIGHTS TRANSFER AGREEMENT

The principal terms of the Operating Rights Transfer Agreement are set out below:

Date

30 December 2019

Parties

- (1) Shouzhong Investment and Beijing Jingtai Transportation (as Consortium);
- (2) Beijing Shouzhong Jingtai (as operator and lessee); and
- (3) BCIA (as transferor and lessor)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, BCIA and its ultimate beneficial owner are Independent Third Parties.

Operation and Management of Project

The Operating Rights Transfer Agreement specifies the designated areas in the Car Park Buildings and the Car Parks which Beijing Shouzhong Jingtai is assigned the Operating Rights. In the designated areas, Beijing Shouzhong Jingtai shall provide services ranging from car park management, indoor and outdoor commercial resources development, other resources development and maintenance.

To facilitate the transfer of the Operating Rights, BCIA shall for the Term lease the venue, buildings and car parking spaces in the Car Parking Buildings with a total gross floor area of approximately 430,921.4 square metres to Beijing Shouzhong Jingtai for commercial (such as catering, advertising, retail and other value-added services), office, warehousing and parking and other uses.

Term

The term of the Project shall be 15 years commencing from 1 January 2020 to 31 December 2034 (unless otherwise terminated earlier pursuant to the Operating Rights Transfer Agreement).

Fees

The fees payable by Beijing Shouzhong Jingtai to BCIA per year during the Term comprise the following:

	From 1 January 2020 to 31 December 2024	From 1 January 2025 to 31 December 2029	From 1 January 2030 to 31 December 2034
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(Approximate HK\$)</i>	<i>(Approximate HK\$)</i>	<i>(Approximate HK\$)</i>
(i) Rent and Operating Rights Base Transfer Fee	70,000,000 (78,295,000)	77,000,000 (86,124,500)	84,700,000 (94,736,950)
(ii) Operating Income Commission	An agreed percentage of the total operating income generated from the Car Park Buildings and Car Parks (excluding income from entrusted management of trolleys and staff parking services)		

The Rent and Operating Rights Base Transfer Fee shall be payable within 15 Business Days after the commencement of each year during the Term. The Operating Income Commission shall be payable within 30 Business Days after the end of each year during the Term.

The Fees shall be deducted pursuant to the terms of the Operating Rights Transfer Agreement if, during the Term, there is any adjustment to the overall plan of Beijing Airport due to certain factors, or if BCIA modifies or adjusts other parts of the Project, resulting in Beijing Shouzhong Jingtai being unable to operate normally in accordance with the agreed scope of the transfer of Operating Rights.

The Fees was agreed among the Consortium, Beijing Shouzhong Jingtai and BCIA after arm's length negotiation with reference to, among others, the appraisal value of the Operating Rights as at 31 May 2019. The Fees will be paid by the internal resources of the Group.

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

Security Deposit

Beijing Shouzhong Jingtai shall pay an aggregate of RMB110 million (equivalent to approximately HK\$123 million) within 15 Business Days from the date of the Operating Rights Transfer Agreement. The security deposit shall be used to settle any liabilities not performed by Beijing Shouzhong Jingtai pursuant to the Operating Rights Transfer Agreement or compensation payable by Beijing Shouzhong Jingtai as a result of its breach of the Operating Rights Transfer Agreement.

Whenever the Rent increases, the security deposit shall be adjusted and paid by Beijing Shouzhong Jingtai according to the terms of the Operating Rights Transfer Agreement.

REASONS FOR AND BENEFITS OF THE TRANSFER OF OPERATING RIGHTS

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

The Directors are of the view that the acquisition of the Operating Rights will strengthen the Group's leading position in the airport parking building operation arena in the PRC. Apart from the Project, it is also managing and operating the Beijing Daxing International Airport Parking Building, Shanghai Hongqiao International Airport P1 Parking Building, Guiyang Longdongbao International Airport Parking Lot and Shanghai Pudong International Airport Parking Building. Going forward, the Group will continue to expand its investment and operation of airport car park buildings, and develop the smart car parking market. The Company is of the view that car parks are not only places for vehicles parking and transit, but also urban nodes and flow spaces. Based on product dimension of nodes and spaces, the Company continues to provide the market with car parking products of "ten-fold better" to grasp the opportunity of the rapidly growing market share.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Operating Rights Transfer Agreement and all the transactions contemplated thereunder (including the leasing of the Car Park Buildings and the transfer of the Operating Rights) are entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

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

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

INFORMATION OF BEIJING JINGTAI TRANSPORTATION

Beijing Jingtai Transportation is a municipal state-owned enterprise established in the PRC, which is owned as to 24% by 北京首鋼基金有限公司(Beijing Shougang Fund Co., Ltd.*), a substantial shareholder of the Company, and 76% by Independent Third Parties. It is principally engaged in on-street parking management in Beijing, and the investment and operation management of off-street parking.

INFORMATION OF BEIJING SHOUZHONG JINGTAI

Beijing Shouzhong Jingtai is the special purpose vehicle formed by Consortium. It is owned as to 80% by Shouzhong Investment and 20% by Beijing Jingtai Transportation, and is a non-wholly-owned subsidiary of the Company. It is principally engaged in provision of motor vehicle public parking service, business management consulting, technology development and consulting, product and advertisement design and car rental.

INFORMATION OF BCIA

BCIA is a subsidiary of Capital Airports Holding Company, and is principally engaged in operating and managing aeronautical and non-aeronautical businesses at Beijing Airport. The shares of BCIA are listed on the Stock Exchange.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, BCIA and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

The Operating Rights Transfer Agreement was entered into in the ordinary and usual course of business of the Group. However, pursuant to HKFRS16, in light of the entering into of the Operating Rights Transfer Agreement as a lessee, the Group shall start to recognise a right-of-use asset in its consolidated financial statements from the current financial year, during which the Operating Rights Transfer Agreement took effect, for an initial estimated value of approximately RMB843,332,000 (equivalent to approximately HK\$943,267,000), which is calculated with reference to the present value of the aggregated Rents and Operating Rights Base Transfer Fees to be made under the Operating Rights Transfer Agreement. The entering into of the Operating Rights Transfer Agreement has no financial impact for the financial year ended 31 December 2019.

As the applicable percentage ratios in respect of the leasing of Car Park Buildings and the transfer of the Operating Rights contemplated under the Operating Rights Transfer Agreement exceed 5% but are less than 25%, the leasing of Car Park Buildings and the transfer of the Operating Rights constitute a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“BCIA”	Beijing Capital International Airport Co., Ltd., a sino-foreign joint stock limited company incorporated in the PRC (stock code: 694);
“Beijing Airport”	Beijing Capital International Airport;

“Beijing Jingtai Transportation”	北京靜態交通投資運營有限公司 (Beijing Jingtai Transportation Investment & Operation Co., Ltd.*), a municipal state-owned enterprise established in the PRC, which is owned as to 24% by 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*), a substantial shareholder of the Company, and 76% by Independent Third Parties;
“Beijing Shouzhong Jingtai”	北京首中靜態交通停車管理有限公司 (Beijing Shouzhong Jingtai Transportation Carpark Management Co., Ltd.*), a company incorporated in the PRC with limited liability, which is owned as to 80% by Shouzhong Investment and 20% by Beijing Jingtai Transportation, and a non-wholly-owned subsidiary of the Company;
“Board”	the board of Directors;
“Business Day(s)”	Monday to Friday or a day adjusted according to the official notice issued by relevant authority of the PRC;
“Car Park Buildings”	F2 floor to B4 floor (except for external space for advertising and reserved areas) of Car Park Building No. 2 and B1 and B2 floors (except for external space for advertising and the reserved areas) of GTC Parking Building in Beijing Airport;
“Car Parks”	Car Park No. 1 and Car Park No. 5 in Beijing Airport;
“Company”	Shoucheng Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (stock code: 697);
“Consortium”	Shouzhong Investment and Beijing Jingtai Transportation;
“Cooperation Agreement”	the cooperation agreement (as supplemented) entered into between Shouzhong Investment, Beijing Jingtai Transportation and BCIA in relation to the Project;
“Directors”	the directors of the Company;
“Fees”	the fees payable by Beijing Shouzhong Jingtai to BCIA under the Operating Rights Transfer Agreement, comprising the Rent and Operating Rights Base Transfer Fee, and the Operating Income Commission;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China;
“Independent Third Parties”	third parties independent of the Company and connected persons of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Operating Income Commission”	the operating income commission pursuant to the Operating Rights Transfer Agreement;
“Operating Rights”	the rights of Beijing Shouzhong Jingtai to operate and manage the Car Park Buildings and Car Parks and receive revenue within a designated period pursuant to the terms of the Operating Rights Transfer Agreements;
“Operating Rights Base Transfer Fee”	the operating rights base transfer fee payable by Beijing Shouzhong Jingtai to BCIA pursuant to the Operating Rights Transfer Agreement;
“Operating Rights Transfer Agreement”	the operating rights transfer agreement dated 30 December 2019 entered into among the Consortium, Beijing Shouzhong Jingtai and BCIA in relation to the Project;
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macao Special Administrative Region of the People's Republic of China and Taiwan;
“Project”	the Beijing Airport Car Park Buildings and/or Car Parks Operating Rights Transfer Project, comprising the transfer of the Operating Rights and the leasing of the Car Park Buildings;
“Rent”	the rent payable by Beijing Shouzhong Jingtai to BCIA in respect of the Car Park Buildings pursuant to the Operating Rights Transfer Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholders of the Company;
“Shouzhong Investment”	首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*), a company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Term”	the term of the Project under the Operating Rights Transfer Agreement; and
“%”	per cent.

By order of the Board
Shoucheng Holdings Limited
Zhao Tianyang
Chairman

Hong Kong, 19 June 2020

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

For the purpose of this announcement, the exchange rate of RMB 1.00 = HK\$1.1185 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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