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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or their registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shougang Concord Century Holdings Limited, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or 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 transferee.

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**SHOUGANG CONCORD CENTURY HOLDINGS LIMITED****首長寶佳集團有限公司***(Incorporated in Hong Kong with limited liability)*

(Stock Code: 103)

**CONNECTED TRANSACTION  
PROPOSED ISSUE OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE  
AND  
NOTICE OF GENERAL MEETING****Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

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Capitalised terms used on this cover have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee is set out on page 20 of this circular. A letter from Grand Moore containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 46 of this circular. A notice convening the GM to be held at 10:00 a.m. on Friday, 1 February 2019 at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages 57 to 58 of this circular. A proxy form for use at the GM is enclosed.

Whether or not you are able to attend the GM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the appointed time for holding of the GM (i.e. by no later than Wednesday, 30 January 2019 at 10:00 a.m.) or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the GM or any adjournment thereof should you so wish.

11 January 2019

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 18 December 2018 in relation to the Subscription Agreement
“associate”	has the meaning as ascribed to it in the Listing Rules
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder
“Board”	the board of Directors
“Company”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 103)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.33 per Conversion Share (subject to adjustments)
“Conversion Rights”	the rights to convert the Convertible Bonds into Conversion Shares
“Conversion Shares”	the Share(s) to be issued by the Company upon the holder(s) of the Convertible Bonds exercising its/their Conversion Rights attached to the Convertible Bonds in accordance with the terms and conditions of the instrument constituting the Convertible Bonds
“Convertible Bonds”	the 4% unsecured fixed coupon convertible bonds in the aggregate principal amount of up to HK\$150,000,000 due 2022 (extendable to 2024) to be issued by the Company to Jingxi Holdings pursuant to the Subscription Agreement
“Current Market Price”	in respect of a Share at a particular date, subject to certain specific circumstances, the arithmetic average of the closing prices for one Share for the 20 consecutive trading days ending on the trading day immediately preceding such date

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## DEFINITIONS

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“Director(s)”	director(s) of the Company from time to time
“GM”	the general meeting of the Company to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 1 February 2019, the notice of which is set out on pages 57 to 58 of this circular, or where the context so admits, any adjournment of such meeting for the purpose of considering and if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the grant of Specific Mandate to allot and issue the Conversion Shares
“Governance Rights Proportion”	not less than 5% of the total number of Shares on a fully diluted basis (assuming full conversion of Jingxi Holdings’ holding of the Convertible Bonds)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Board comprising all independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Lam Yiu Kin, established to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Grand Moore”	Grand Moore Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription
“Independent Shareholder(s)”	Shareholder(s) other than Shougang Group and its associates who are required to abstain from voting at the GM

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## DEFINITIONS

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“Jiaxing Eastern”	Jiaxing Eastern Steel Cord Co., Ltd. (嘉興東方鋼簾線有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Jingxi Holdings”	Jingxi Holdings Limited 京西控股有限公司, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Fund
“Last Trading Date”	17 December 2018, being the last full trading day of the Shares on the Stock Exchange immediately prior to the signing of the Subscription Agreement
“Latest Practicable Date”	9 January 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this circular, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shougang Fund”	北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shougang Group

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## DEFINITIONS

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“Shougang Group”	Shougang Group Co., Ltd. (a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission, established in the PRC) and a controlling Shareholder
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong and a controlling Shareholder
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the GM to grant the authority to the Board for the allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Convertible Bonds by Jingxi Holdings pursuant to the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18 December 2018 entered into between the Company and Jingxi Holdings in relation to the Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tengzhou Eastern”	Tengzhou Eastern Steel Cord Co., Ltd. (滕州東方鋼簾線有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“TESC Phase II Project”	the construction project of production lines with an annual capacity of 20,000 tonnes of brass wires (half product or work in progress)
“%”	per cent.

*In this circular, unless otherwise indicated, amounts in RMB have been converted into HK\$ at the rate of RMB1 = HK\$1.133 for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.*

*Also, in this circular, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

*References to times and dates in this circular are to Hong Kong times and dates.*

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## LETTER FROM THE BOARD

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### SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

### 首長寶佳集團有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 103)

*Directors:*

Mr. Su Fanrong (*Chairman and Managing Director*)  
Mr. Tang Cornor Kwok Kau (*Deputy Managing Director*)  
Mr. Liao Jun<sup>#</sup>  
Mr. Yip Kin Man, Raymond\*  
Mr. Law, Yui Lun\*  
Mr. Lam Yiu Kin\*

*Registered Office:*

Room 1215, 12/F,  
Honour Industrial Centre,  
6 Sun Yip Street,  
Chai Wan,  
Hong Kong

<sup>#</sup> *Non-executive Director*

\* *Independent Non-executive Director*

11 January 2019

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
PROPOSED ISSUE OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE  
AND  
NOTICE OF GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the Announcement dated 18 December 2018 in relation to the proposed issue of the Convertible Bonds under the Subscription Agreement.

The purpose of this circular is to provide you with information in respect of, among other things, (i) further details of the Subscription; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Subscription Agreement and issue of the Convertible Bonds; (iii) the advice of Grand Moore to the Independent Board Committee and the Independent Shareholders in relation to the Subscription, the Subscription Agreement and the issue of the Convertible Bonds; and (iv) details of the Specific Mandate together with notice of the GM.

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## LETTER FROM THE BOARD

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### ISSUE OF CONVERTIBLE BONDS

On 18 December 2018, the Board announced that the Company entered into the Subscription Agreement with Jingxi Holdings whereby the Company conditionally agreed to issue and Jingxi Holdings conditionally agreed to subscribe for the Convertible Bonds in the principal amount of up to HK\$150,000,000.

The salient terms of the Subscription Agreement are set out below:

### SUBSCRIPTION AGREEMENT

Date: 18 December 2018

Parties: Issuer – The Company

Subscriber – Jingxi Holdings

Jingxi Holdings is a connected person of the Company.

### Subject matter

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and Jingxi Holdings conditionally agreed to subscribe for, the Convertible Bonds in the principal amount of up to HK\$150,000,000.

### Conversion price

The Conversion Price of HK\$0.33 per Conversion Share represents:

- (a) a premium of approximately 83.33% over the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (b) a premium of approximately 86.44% over the average closing price of approximately HK\$0.177 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Date.

The Company considered various financing structures including but not limited to other equity and debt financing methods in light of the capital requirements for the TESC Phase II Project. The representative of Shougang HK in the Board had contacts within Shougang Group who are also involved in the management of Shougang Fund. Upon discussion of the latest development of the Group since the first half of 2018, the parties came up with the proposed issue of the Convertible Bonds with terms favourable to the Company as disclosed in the circular.



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## LETTER FROM THE BOARD

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The parties to the Subscription Agreement made reference to the premium of conversion price over market price of other convertible bonds/notes issues in the market and the net asset value per Share of the Company when fixing the Conversion Price at HK\$0.33. No formal profit forecast has been prepared but given the performance of the Group's steel cord segment in the second half of 2018, the Company believes that the estimated earnings of the Group could sustain such a level of conversion premium.

Whilst the Conversion Price represents a discount of approximately 53.72% to the net asset value per Share as at 30 June 2018 of HK\$0.713, it is substantially above the current market price of the Shares for the last 6 months. The management of the Company also has taken into account of the historical daily closing prices of the Shares as quoted on the Stock Exchange for the last 6 months before the date of the Announcement and noted that the Conversion Price represented a premium of approximately 91.86% over the average daily closing price of the said period. As such, the Board believes that the Conversion Price is in the interests of the Company and the Shareholders.

The Conversion Price was arrived at after arm's length negotiations between the Company and Jingxi Holdings with reference to the prevailing market prices of the Shares as shown above. The Directors (including the independent non-executive Directors) consider that the Conversion Price and the terms and conditions of the Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **Conversion shares**

The Convertible Bonds carry the Conversion Rights to convert into the Conversion Shares at the Conversion Price of HK\$0.33 per Conversion Share (subject to adjustments). Assuming the Conversion Rights are exercised in full at the Conversion Price, 454,545,454 new Shares, being the Conversion Shares, may be allotted and issued to Jingxi Holdings subject to the Conversion Restrictions, representing approximately 23.64% of the total number of issued Shares as at the Latest Practicable Date and approximately 19.12% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other change to the total number of Shares from the Latest Practicable Date to the Completion Date. The details of the shareholdings are set out in the paragraph headed "EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" below.

The Conversion Shares, when allotted and issued, will be credited as full paid, free from any security interest and will rank *pari passu* in all respects with the Shares in issue on the conversion date.

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the GM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

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## LETTER FROM THE BOARD

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### Conditions precedent

The Completion is conditional upon the following conditions being satisfied or, if applicable, waived:

- (a) Jingxi Holdings having conducted due diligence exercise (technical, financial and legal) on the Company and satisfied with the results thereof;
- (b) Jingxi Holdings having obtained all necessary approvals for completion of the Subscription in accordance with its internal decision-making procedures;
- (c) Jingxi Holdings having completed all relevant third-party entities' (including but not limited to any government department) required approval(s) and/or filing procedures for completion of the Subscription in accordance with PRC laws;
- (d) the representations and warranties of the Company being true, correct and complete when made and remaining true, correct and complete and not misleading as at the Completion Date;
- (e) the Listing Committee having granted (either unconditionally or subject to conditions to which neither the Company nor Jingxi Holdings objects) listing of and permission to deal in the Conversion Shares;
- (f) the passing by the Independent Shareholders at the GM of the necessary resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder;
- (g) the compliance by the Company of any other requirements under the Listing Rules and the Takeover Code or otherwise of the Stock Exchange and the SFC which requires compliance in relation to the Subscription Agreement and the transactions contemplated thereunder (including but not limited to, the issue of the Convertible Bonds, the execution of the instrument constituting the Convertible Bonds, the allotment and issue of the Conversion Shares); and
- (h) (where required) having obtained all necessary approvals and consents from any government or regulatory authority or any person (including but not limited to the confirmation from Bekaert, a substantial Shareholder, for not exercising the right of first refusal in relation to the Convertible Bonds) and the completion of all necessary registration and filings with any government or regulatory authority required for the entering into of the Subscription Agreement and/or the performance of its obligations thereunder by the Company (including but not limited to, the issue of the Convertible Bonds, the execution of the instrument constituting the Convertible Bonds, the issue of the certificates for the Convertible Bonds and the allotment and issue of the Conversion Shares).

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## LETTER FROM THE BOARD

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The conditions under items (a) to (d) and (h) may be waived by Jingxi Holdings. None of the other conditions may be waived by either party. If the above conditions precedent have not been fulfilled (or, if applicable, waived) on or before 31 March 2019, or such other date as the parties may agree in writing, the Subscription Agreement will lapse and the parties will be released from all obligations thereunder, save for the liabilities for any antecedent breach thereof (if any).

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

### **Completion**

The Completion shall take place on the next business day after the date on which all conditions precedent have been fulfilled or waived (or such other date as the parties may agree in writing).

On the Completion Date, the Convertible Bonds will be issued by the Company to Jingxi Holdings (or its nominee) at full at full face value, that is, HK\$150,000,000.

### **Right to nominate Director**

Following the Completion Date and for such time as Jingxi Holdings holds, directly or indirectly, the Governance Rights Proportion, Jingxi Holdings shall to the extent permitted under the applicable laws, the Takeovers Code and the Listing Rules have the right from time to time to require the Company to nominate one person approved by Jingxi Holdings through lawful procedures and such person will be appointed and to continue in office as an executive Director by giving notice in writing to the Company, provided that such person fulfils the requirements under the applicable laws, the articles of association of the Company and the Listing Rules as well as internal procedures of the Company with respect to the appointment of a Director.

### **CONVERTIBLE BONDS**

The principal terms and conditions of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	Up to HK\$150,000,000

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## LETTER FROM THE BOARD

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Status:	The Convertible Bonds constitute direct, unsecured, unsubordinated and unconditional obligations of the Company and rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, subject to such exceptions as may be provided by applicable laws, rank at least <i>pari passu</i> with all its other present and future direct, unsecured, unsubordinated and unconditional obligations.
Conversion price:	HK\$0.33 per Conversion Share, subject to adjustments in accordance with the relevant provisions in the terms and conditions of the Convertible Bonds.
Maturity date:	The date falling on the third (3rd) anniversary of the issue date of the Convertible Bonds, which can be extended by Jingxi Holdings for one year twice to the date falling on the fifth (5th) anniversary of the issue date of the Convertible Bonds, subject to Jingxi Holdings' sole discretion.
Interest:	<p>4% per annum accrued on a daily basis of a 360-day year consisting of 12 months of 30 days each and payable every six months from the issue date in arrears until maturity, conversion or early redemption.</p> <p>The interest paid will not be returned to the Company if the Convertible Bonds are converted into Conversion Shares before the maturity date of the Convertible Bonds.</p>
Default interest:	8% per annum on any outstanding amount due under the Convertible Bonds accrued from the due date to the date of payment in full.

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## LETTER FROM THE BOARD

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- Conversion period: Subject to the terms and conditions of the Convertible Bonds and in particular, the Conversion Restrictions, Jingxi Holdings may exercise its right to convert all or any part of the principal amount of the Convertible Bonds in integral multiple of HK\$1,000,000 into Conversion Shares at any time during the period from and including the date falling 6 months from the issue date up to the close of business on the maturity date of the Convertible Bonds.
- Conversion restrictions: Conversion shall be subject to the following conditions (the “**Conversion Restrictions**”):
- (a) any exercise of the Conversion Rights shall not trigger any mandatory offer under Rule 26 of the Takeovers Code; and
  - (b) any exercise of the Conversion Rights shall not render the Company no longer be able to maintain the minimum public float of the Shares as required under the Listing Rules.
- Adjustment events: The Conversion Price will be adjusted in accordance with the terms and conditions of the Convertible Bonds upon occurrence of the following events:
- (a) consolidation, sub-division and reclassification of the Shares;
  - (b) capitalisation of profits;
  - (c) capital distributions;
  - (d) rights issues of Shares or options over Shares;
  - (e) rights issues of other securities of the Company;
  - (f) issue of Shares or other securities of the Company at a price per Share which is less than 80% of the Current Market Price on the date of the announcement of the terms of issue of such securities;

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## LETTER FROM THE BOARD

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- (g) issue wholly for cash of any securities which are convertible into, exchangeable for or carry rights of subscription for new Shares at a price per Share which is less than 80% of the Current Market Price on the date of the announcement of the terms of issue of such securities; and
- (h) the rights of conversion or exchange or subscription attached to any such securities as are mentioned in item (g) are modified so that the effective price initially receivable which is less than 80% of the Current Market Price per Share on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription.

The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Shares would fall to be issued at a discount to their par value (if any) or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong.

Redemption:

Unless previously redeemed, converted or cancelled, the Convertible Bonds will be redeemed on the maturity date at 100% of the principal amount outstanding plus any accrued and unpaid interest.

Upon occurrence of any event of default, Jingxi Holdings may demand the Company to redeem all or such part of the Convertible Bonds at 100% of the principal amount outstanding plus any accrued and unpaid interest on the date of the relevant written notice being served to the Company.

Transferability:

The Convertible Bonds are transferrable in integral multiple of HK\$1,000,000 except to direct competitors of the Company.

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## LETTER FROM THE BOARD

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Voting:	The Convertible Bonds shall not confer on Jingxi Holdings any right to attend or vote at any shareholder's meeting of the Company.
Listing:	No listing of the Convertible Bonds will be sought from the Stock Exchange or any other stock exchange.

### INFORMATION ON THE COMPANY AND JINGXI HOLDINGS

The Company is an investment holding company of the Group, which is principally engaged in the manufacturing of steel cords for radial tyres and sawing wires.

As at the Latest Practicable Date, Jingxi Holdings is a wholly-owned subsidiary of Shougang Fund, which is in turn a wholly-owned subsidiary of Shougang Group. As at the Latest Practicable Date, Shougang Group is a controlling Shareholder interested in an aggregate of 906,719,179 Shares, representing approximately 47.15% of the total number of issued Shares. Therefore, Jingxi Holdings is a connected person of the Company. Jingxi Holdings is principally engaged in investment and advisory services businesses.

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 1,922,900,556 Shares in issue. Set out below are the shareholding structures of the Company as at the Latest Practicable Date and immediately after full conversion of the Convertible Bonds into the Conversion Shares, assuming there is no other change to the total number of Shares from the Latest Practicable Date to the time of exercise of the Conversion Rights:

Name of Director or Shareholder	As at the Latest Practicable Date		Immediately after full exercise of the Conversion Rights attaching to the Convertible Bonds (Note 2)	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
<b>Director</b>				
Tang Cornor Kwok Kau	10,000,000	0.52	10,000,000	0.42
<b>Controlling and substantial Shareholders</b>				
Shougang Group and its controlled corporations (Notes 1 & 2)	906,719,179	47.15	1,361,264,633	57.26
Bekaert Combustion Technology B.V.	250,000,000	13.00	250,000,000	10.52
Public Shareholders	<u>756,181,377</u>	<u>39.33</u>	<u>756,181,377</u>	<u>31.80</u>
<b>Total</b>	<b><u>1,922,900,556</u></b>	<b><u>100.0</u></b>	<b><u>2,377,446,010</u></b>	<b><u>100.0</u></b>

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## LETTER FROM THE BOARD

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*Notes:*

1. Shougang Group is the ultimate holding company of Shougang HK, it is deemed to be interested in the 6,456,000 Shares held by Shougang HK and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,254,000 Shares held by Able Legend Investments Limited (“**Able Legend**”) and Prime Success Investments Limited (“**Prime Success**”) respectively as Able Legend and Prime Success are Shougang HK’s wholly owned subsidiaries and Shougang Group is deemed to be interested in the 12,370,000 Shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Concord Grand (Group) Limited (Stock code: 730) (“**Shougang Grand**”) as Shougang Group is the ultimate holding company of Shougang Grand. Shougang Group is also deemed to be interested in the 135,721,936 Shares held by Fair Union Holdings Limited (“**Fair Union**”), the 148,537,939 Shares held by Richson Limited (“**Richson**”) and the 402,395,304 Shares held by Casula Investments Limited (“**Casula Investments**”) whereas Richson and Casula Investments are wholly-owned by Fair Union and Fair Union is wholly owned by Shougang Concord International Enterprises Company Limited (Stock Code: 697) (“**Shougang International**”) as Shougang Group is the ultimate holding company of Shougang International. On 21 November 2018, Shougang HK and Shougang International entered into a sale and purchase agreement whereby Shougang HK agreed to acquire the entire issued share capital of Fair Union from Shougang International. Upon completion of the said share transfer (which has not taken place as at the Latest Practical Date), Shougang International will cease to hold any share of Fair Union and thus any direct or indirect interest in the Shares. Fair Union will become a wholly-owned subsidiary of Shougang HK and the interest in the Shares held by Shougang HK will remain unchanged at 47.15%. For details, please refer to the announcement of the Company and the announcement of Shougang International both dated 21 November 2018.
2. The shareholdings of the Company set out in the above table are for illustration purpose only. As one of the Conversion Restrictions is that any exercise of the Conversion Rights shall not trigger any mandatory offer obligation under Rule 26 of the Takeovers Code, Jingxi Holdings will not be able to exercise its Conversion Rights to the extent that the voting rights held by Shougang Group and its associates shall increase by more than 2% within any 12 month period pursuant to the 2% creeper rule under Rule 26.1 of the Takeovers Code.

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The net proceeds from the Subscription, after deducing the costs and expenses of approximately HK\$1 million, will be approximately HK\$149,000,000 and are expected to be used as follows: (i) as to approximately HK\$37.3 million for repaying interest-bearing borrowings with high interest rate of the Group (excluding borrowings provided by Shougang HK and its related party(ies)); (ii) as to approximately HK\$110.0 million for funding the capital investment for the TESC Phase II Project subject to the construction cost and time needed to supplement the production need for both Tengzhou Eastern and Jiaxing Eastern; and (iii) as to approximately HK\$1.7 million, being the remaining proceeds for supplementing general working capital.



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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors who have given their view after receiving the advice from Grand Moore) and excluding Mr. Su Fanrong (Chairman and managing Director) who is the deputy general manager of Shougang HK abstained from voting for the betterment of corporate governance practice)) consider that the Subscription is an appropriate means of raising additional capital of the Company considering the recent market conditions which represent an opportunity for the Company to obtain the funding at reasonable cost for construction of the brass wire production lines which will enhance the efficiency of production of both Jiaxing Eastern and Tengzhou Eastern, in turn increase their annual production capacity and as a result bring positive impact on the profitability of the steel cord segment, enhance its working capital and strengthen its capital base. Also, it will not have an immediate dilution effect on the shareholding of the existing Shareholders and the interest payable under the Convertible Bonds is more stable and predictable than bank borrowing. The Subscription by Jingxi Holdings (being a controlling Shareholder) reflects the confidence and commitment of Shougang Fund towards the long-term business development of the Group, and the continuing support of the controlling Shareholder would be beneficial to the long-term business development of the Group.

The Company intends to use part of the net proceeds from the Subscription to repay two bank borrowings bearing interest rate of 6.5% per annum. These bank borrowings will become due within six months from the Latest Practicable Date with 6-month rollover option. While there is no imminent needs for the Company to repay such borrowings, the interest cost of the Convertible Bonds is lower than that of the borrowings to be repaid and issue of the Convertible Bonds will reduce the overall financing cost of the Group and is in the interests of the Company and the Shareholders.

The Company has considered other equity and debt financing methods before resolving to issue of the Convertible Bonds. Under the current market conditions, other alternative fund-raising methods are not suitable or available for the Company while issue of the Convertible Bonds could give the Company more funds for construction of production lines and repayment of loans with higher interest rates. A summary of the other equity and debt financing methods considered by the Company is set out as follows:

1. Debt and bank financing is not the optimal financing method because (i) the Group has recorded a net loss for the year ended 31 December 2017, making it difficult to secure loan from financial institution; (ii) lengthy negotiation and due diligence with banks may be required; (iii) significant interest burden will be incurred, given the size of funding needs; and (iv) more financial costs will be incurred rather than improving the Company's financial position.

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## LETTER FROM THE BOARD

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2. Open offer or rights issue is less optimal than the Subscription in the sense that (i) open offer or rights issue would incur more transaction costs including but not limited to underwriting commission; (ii) the price of a rights issue or open offer normally involves a substantial discount to the market price; (iii) longer timetable to complete; and (iv) lack of certainty in the successful implementation of a sizeable rights issue or open offer.
3. Placing of new Shares to other investors will inevitably dilute the shareholding interests of the existing Shareholders immediately and then decrease net asset value per Share.

Save for the proposed issue of the Convertible Bonds, as at the date of the Latest Practicable Date, the Company has no intention to conduct any fund-raising activities in the coming 12 months. However, the Company will review its capital structure from time to time with a view to optimise its cost of capital.

Based on the estimated net proceeds from the issue of the Convertible Bonds and a total of 454,545,454 Conversion Shares to be issued at the initial Conversion Price of HK\$0.33 each upon exercise of the Conversion Rights in full, the net issue price per Conversion Share is approximately HK\$0.328.

The transactions carried out by the Group in the course of construction of the production lines for the TESC Phase II Project may constitute notifiable transaction(s) under Chapter 14 of the Listing Rules subject to the calculations of the applicable percentage ratios. The Company will ensure full compliance with the requirements under Chapter 14 and/or Chapter 14A of the Listing Rules as and when required.

The Directors, including the independent non-executive Directors who have given their view after receiving the advice from Grand Moore and excluding Mr. Su Fanrong, who is willing to abstain from voting on the resolution as he is the deputy general manager of Shougang HK, for the betterment of corporate governance practice, at the Board meeting, consider that the terms of the Subscription Agreement including the terms of the Convertible Bonds, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE**

The Company did not conduct any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

### **IMPLICATIONS UNDER THE LISTING RULES**

As at the Latest Practicable Date, Jingxi Holdings is a wholly-owned subsidiary of Shougang Fund, which is in turn a wholly-owned subsidiary of Shougang Group. As at the Latest Practicable Date, Shougang Group is a controlling Shareholder interested in an aggregate of 906,719,179 Shares, representing approximately 47.15% of the total number of issued Shares, and a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shougang Group and its associates are required to abstain from voting on the resolution in respect of the Subscription at the GM. To the best of the information, belief and knowledge of the Directors, save for Shougang Group and its associates, no other Shareholder has any material interest in the Subscription and the grant of the Specific Mandate. Save for Mr. Su Fanrong, who is willing to abstain from voting on the resolution as he is the deputy general manager of Shougang HK, for the betterment of corporate governance practice, none of the Directors has material interest in the Subscription and is required to abstain from voting on the resolution passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder.

### **GM**

The GM will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 1 February 2019 at 10:00 a.m. to consider and, if thought fit, approve, by way of poll, the Subscription Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Shougang Group and its associates are interested in an aggregate of 906,719,179 Shares (representing approximately 47.15% of the total number of issued Shares). As they are considered to have material interests in the Subscription Agreement, they will abstain from voting on the resolution relating to the Subscription Agreement and the transactions contemplated thereunder at the GM. Save as disclosed above and to the best knowledge of the Directors after having made all reasonable enquiries, no other Shareholder would be required to abstain from voting to approve the Subscription Agreement and the transactions contemplated thereunder.

The notice of GM is set out on pages 57 to 58 of this circular. Whether or not you are able to attend the GM, please complete and return the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the GM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the GM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of the GM will be put to vote by way of poll at the GM. An announcement on the poll vote results will be made by the Company after the GM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 20 of this circular; and
- (b) the letter from Grand Moore, the Independent Financial Adviser to advise the Independent Shareholders and the Independent Board Committee with respect to the Subscription Agreement and the transactions contemplated thereunder, the text of which is set out on pages 21 to 46 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the GM.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice of Grand Moore, considers that the terms of the Subscription Agreement are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the GM to approve the Subscription Agreement and the transactions as contemplated thereunder.

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription Agreement are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders taken as a whole. As such, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the GM to approve the Subscription Agreement and the transactions contemplated thereunder.

### **FURTHER INFORMATION**

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,

By Order of the Board

**Shougang Concord Century Holdings Limited**

**Su Fanrong**

*Chairman and managing Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**SHOUGANG CONCORD CENTURY HOLDINGS LIMITED**

**首長寶佳集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 103)

11 January 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
PROPOSED ISSUE OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE**

We have been appointed as members of the Independent Board Committee to advise you on the Subscription Agreement and the transactions as contemplated thereunder, details of which are set out in the “Letter from the Board” in the circular of the Company dated 11 January 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Your attention is drawn to the letter of advice from Grand Moore, as set out on pages 21 to 46 of the Circular, which contains its advice and recommendations to us and the Independent Shareholders in respect of the Subscription Agreement and the transactions as contemplated thereunder, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinions of, Grand Moore as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Subscription Agreement are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the GM to approve the Subscription Agreement and the transactions as contemplated thereunder.

Yours faithfully,

**Independent Board Committee**

**Shougang Concord Century Holdings Limited**

**Mr. Yip Kin Man, Raymond**

**Mr. Law, Yui Lun**

**Mr. Lam Yiu Kin**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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中毅資本有限公司  
Grand Moore Capital Limited

Unit 1607, 16/F.,  
Silvercord Tower 1,  
30 Canton Road  
Tsim Sha Tsui, Kowloon,  
Hong Kong

11 January 2019

*To the Independent Board Committee and  
the Independent Shareholders of  
Shougang Concord Century Holdings Limited*

Dear Sirs,

### **CONNECTED TRANSACTIONS PROPOSED ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the connected transaction contemplated thereunder (collectively, the “**Transactions**”); (ii) give our recommendation as to whether the Transactions are in the interest of the Company and the Shareholders as a whole; and (iii) advise the Shareholders on how to vote at the GM. Details of the Transactions are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 11 January 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular, unless the context requires otherwise.

Reference is made to the Announcement made by the Company dated 18 December 2018 and the Circular in relation to the proposed issue of Convertible Bonds and connected transactions contemplated therein. On 18 December 2018, the Company and Jingxi Holdings (a connected person of the Company) entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to issue and Jingxi Holdings conditionally agreed to subscribe for the Convertible Bonds in a principal amount of up to HK\$150,000,000. Completion of the Subscription Agreement is subject to the satisfactory completion of the conditions precedent. The initial Conversion Price of the Convertible Bonds is HK\$0.33 per Conversion Share (subject to adjustments), and the Convertible Bonds will carry an interest rate of 4.0% per annum and will mature on the third (3rd) anniversary of the issue date of the Convertible Bonds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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With reference to the Letter from the Board, as at the Latest Practicable Date, Jingxi Holdings is a wholly-owned subsidiary of Shougang Fund, which is in turn a wholly-owned subsidiary of Shougang Group. As Shougang Group is a controlling Shareholder who owns an aggregate of 906,719,179 Shares representing approximately 47.15% of the total number of issued Shares, Jingxi Holdings is a connected person of the Company. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, the Company has 1,922,900,556 Shares in issue. Assuming the Conversion Rights are exercised in full at the Conversion Price, up to 454,545,454 new Shares, being the Conversion Shares, may be allotted and issued to Jingxi Holdings subject to the Conversion Restrictions, representing approximately 23.64% of the total number of issued Shares as at the Latest Practicable Date and approximately 19.12% of the total number of issued Shares as enlarged by the allotment and issue of the Conversion Shares, assuming that there is no other change to the total number of Shares from the Latest Practical Date to the Completion Date. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the GM.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Lam Yiu Kin, has been established to advise the Independent Shareholders on whether the Transactions are fair and reasonable, on normal commercial terms, in the interest of the Company and its Shareholders as a whole and how the Independent Shareholders should vote in respect of the resolution(s) to approve the Transactions.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions. In the last two years, we have not acted as any financial adviser role to the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Transactions.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Group. We have assumed that all information and representations that have been provided by the Directors and the management of the Group, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the management of the Group (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapters 13 and 14A of the Listing Rules.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Transactions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. The Company has been separately advised by its own professional advisers with respect to the Transactions and the preparation of the Circular (other than this letter).

We have assumed that the Transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation in relation to the Transactions, we have taken into account the following principal factors and reasons:

#### **1. Reasons for entering the Subscription Agreement**

##### ***1.1 Business overview of the Group***

As stated in the Letter from the Board, the Company is an investment holding company of the Group, which is principally engaged in the manufacturing of steel cords for radial tyres and sawing wires.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Certain summary financial information of the Group as extracted from the Company's published annual report (the "**2017 Annual Report**") for the year ended 31 December 2017 ("**FY2017**") and interim report (the "**2018 Interim Report**") for the six months ended 30 June 2018 ("**1H2018**") is set out below.

	For the year ended 31 December		For the six months ended 30 June	
	2017	2016	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	2,113,258	1,703,255	1,142,797	979,887
Gross profit	196,065	215,414	116,547	124,988
Profit/(Loss) for the year	(68,518)	10,103	(22,543)	24,372

For FY2017, the Group recorded consolidated revenue of approximately HK\$2,113.3 million, representing an increase of approximately 24.1% as compared with the consolidated revenue of approximately HK\$1,703.3 million for the year ended 31 December 2016 ("**FY2016**"). The increase of revenue was primarily attributable to the increase in a solid growth in sales volume of the steel cord segment of approximately 15.2% for FY2017 due to the increase in demand for radial tyres and as a result of the Company's strategy to increase focus on large scale and multinational tyre manufacturers and the fine-tuning of sales mix to meet the customers' requirements flexibly. The Group recorded a decrease in gross profit of approximately 9.0% from approximately HK\$215.4 million for FY2016 to approximately HK\$196.1 million for FY2017, which was mainly attributable to the increase in total unit cost of production of steel cord as a result of a substantial increase in raw material prices due to the decapacitation in the wire rod industry in particular during the second half of 2017. For FY2017, the Group recorded consolidated loss of approximately HK\$68.5 million as compared with net profit of approximately HK\$10.1 million for FY2016. According to the 2017 Annual Report, such consolidated loss was attributable to the decrease in gross profit and recognition of impairment loss of approximately HK\$72.5 million as a result of possible forfeiture of land use rights.

We noted from the 2017 Annual Report that the Group's finance costs increased from approximately HK\$45.9 million for FY2016 to approximately HK\$52.5 million for FY2017, representing an increase of approximately HK\$6.6 million or 14.4%, which was mainly attributable to the increase in both interest expenses on bank borrowings and loans from related companies. As per the management of the Group, the proportion of discounted bills borrowings has increased significantly during FY2017, which bears a higher rate than other bank loan facilities.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For 1H2018, the Group recorded consolidated revenue of approximately HK\$1,142.8 million, representing an increase of approximately 16.6% as compared with the consolidated revenue of approximately HK\$979.9 million for the six months ended 30 June 2017 (“1H2017”). This was attributable to the fact that the Group’s steel cord segment had successfully managed to achieve growth in both sales volume and selling price in months of May and June 2018. However, due to discernible operating loss incurred during the latter half of the first quarter and early part of the second quarter of 2018, the overall growth of sales revenue and sales volume for the steel cord segment could not bring forth positive impact on the gross profit margin. As per the 2018 Interim Report, the Group recorded a decrease in gross profit from approximately HK\$125.0 million to approximately HK\$116.5 million for 1H2018. For 1H2018, the Group had recorded net loss of approximately HK\$22.5 million as compared with the net profit of approximately HK\$24.4 million for 1H2017.

	<b>As at 30 June 2018</b>	<b>As at 31 December 2017</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(audited)
Bank balances and cash	107,365	210,559
Current assets	2,118,339	2,007,373
Current liabilities	1,843,527	1,706,893
Net current assets	274,812	300,480
Bank borrowings – due within one year	605,795	502,764
Bank borrowings – due after one year	282,636	295,322

As at 30 June 2018, the current assets and current liabilities of the Group amounted to approximately HK\$2,118.3 million and approximately HK\$1,843.5 million, respectively. We note from the 2017 Annual Report and 2018 Interim Report that the majority of the current assets of the Group were trade and bills receivables. As at 30 June 2018 and 31 December 2017, the trade and bills receivables amounted to approximately HK\$1,523.3 million and approximately HK\$1,372.3 million, respectively. We also note from the 2017 Annual Report and 2018 Interim Report that the majority of the current liabilities of the Group were trade and bills payables. As at 30 June 2018 and 31 December 2017, the trade and bills payables amounted to approximately HK\$840.8 million and approximately HK\$830.3 million, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The total interest-bearing borrowings of the Group mainly comprised of loans from related companies and bank borrowings, which were approximately HK\$1,131.4 million as at 30 June 2018, representing an increase by approximately 7.9% as compared to approximately HK\$1,049.0 million as at 31 December 2017. The amount of net interest-bearing borrowings (total interest-bearing borrowings less bank balances and cash) therefore increased from approximately HK\$778.7 million as at 31 December 2017 to approximately HK\$937.2 million as at 30 June 2018.

As at 30 June 2018, the bank borrowings due within one year and due after one year amounted to approximately HK\$605.8 million and approximately HK\$282.6 million, representing an increase of approximately HK\$103.0 million or 20.5% and a decrease of approximately HK\$12.7 million or 4.3%, respectively, as compared with that as at 31 December 2017. This was mainly attributable to the fact that during the 1H2018, the Group obtained new bank borrowings of approximately HK\$411.9 million and repaid bank loans of approximately HK\$270.6 million. As at 30 June 2018, the interest-bearing borrowings on majority of bank loans and related companies loans were fixed rates ranging from 4.78% to 6.5% per annum, with the total at approximately HK\$799.7 million. While smaller portion of these interest-bearing borrowings were floating-rate borrowings at total of approximately HK\$331.7 million with interest rates ranging from 3.97% to 5.87% per annum during 1H2018.

The Group's unaudited bank balances and cash amounted to approximately HK\$107.4 million as at 30 June 2018, representing a decrease of approximately 49.0% as compared to approximately HK\$210.6 million as at 31 December 2017. As confirmed by the management of Company, as at 30 November 2018, the Group's unaudited bank balances and cash amounted to approximately HK\$84.5 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *1.2 Capital investment*

As stated in the Letter from the Board, approximately HK\$110.0 million will be used for funding the capital investment for TESC Phase II Project subject to the construction cost and time needed to supplement the production need for both Tengzhou Eastern and Jiaxing Eastern. As per the management of the Group, the existing production lines of brass wires of Jiaxing Eastern, which have been in use for over 20 years, incur high maintenance and operation costs with relatively low production efficiency due to lack of spare parts and level of production consistency. In light of the decreasing gross profit margin of the Group, we concur with the management of the Group that there is a need to control the production costs and improve the production efficiency. We are given to understand that the Company intends to upgrade the brass wires production lines by supplementing the existing production facilities with the TESC Phase II Project which is expected to allow the Group to achieve higher production efficiency by reducing production time and alleviating the production costs. We are given to understand that the production lines of TESC Phase II Project are expected to produce brass wires with similar production time and production costs as the existing production lines of Tengzhou Eastern. We have reviewed the monthly fracture ratio and the unit consumption rate for the production lines of Tengzhou Eastern and Jiaxing Eastern for 2018 to assess the efficiency of the production lines of Tengzhou Eastern and Jiaxing Eastern. We note that both of the average fracture ratio and the average unit consumption rate for the two existing production lines of Jiaxing Eastern are higher than that of Tengzhou Eastern, which are considered as factors leading to the demand for higher production efficiency of the planned production lines of TESC Phase II Project and the higher production efficiency would hopefully result in improved financial performance for the Group in the future. We have also reviewed the relevant documents including construction plans and are provided with the internal rate of return (IRR) calculations on the financial merits of the TESC Phase II Project. As per the management of the Group, the construction of TESC Phase II Project is expected to take place by stages in the latter half of 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***1.3 Repayment of loan***

As per the management of the Group, approximately HK\$37.3 million of proceeds will be used to repay the Group's interest-bearing borrowings with higher finance costs. We have reviewed the loan portfolio of the Group and note that the interest rate of the fixed interest loan ranged from 4.78% to 6.5% per annum. We have also reviewed the loan agreements in respect of such interest-bearing loans which the Group intends to repay with part of the proceeds (the "**Repayment Loans**") and note that the Repayment Loans carry interest rate of 6.5% per annum, which is among the highest interest costs in the Group's loan portfolio and will become due within six months from the Latest Practicable Date with a six months rollover option. We concur with the management of the Group that notwithstanding there is no imminent needs to repay the Repayment Loans, the early repayment of Repayment Loans with part of the proceeds from the Convertible Bonds to be issued at a lower interest rate would allow the Group to save interest expenses upon repayment of the Repayment Loans which would in any event become due in the not too distant future. As such, we concur with the management of the Group that the repayment of Repayment Loans is in the interest of the Shareholders and the Company.

### ***1.4 Supplementing general working capital***

It is stated in the Letter from the Board that the Directors consider that the Subscription is an appropriate means of raising additional capital of the Company considering the recent market conditions which represent an opportunity for the Company to obtain the funding at reasonable cost for construction of the brass wire production line, enhance its working capital and strengthen its capital base and financial position. As per the management of the Group, the Company intends to utilize approximately HK\$1.7 million of proceeds, being the remaining proceeds for supplementing general working capital.

### ***1.5 Other financing alternatives***

We have enquired to the management of the Group whether other financing alternatives have been considered. As per the Directors, the Company has considered various fund-raising alternatives before resolving to the Subscription, including funds raising from capital markets (such as subscription or placing of new shares and rights issue or open offer) and bank borrowings. As disclosed in the Letter from the Board, the representative of Shougang HK in the Board had contacts within Shougang Group who are also involved in the management of Shougang Fund. Furthermore, upon discussion between the Company and Shougang Fund since the first half of 2018 of the latest development of the Group, the parties came up with the proposed issue of the Convertible Bonds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We concur with the Company that placing of new shares and rights issue or open offer would generally be more time-consuming as the Company needs to engage placing agent or underwriter, negotiate the terms and fees of relevant engagement and finalise the terms of placing or rights issue or open offer. We further concur with the management of the Group that placing or rights issue or open offer generally carry higher costs as the Company will need to pay placing or underwriting commission thereunder, whilst no such commission is involved in the Subscription. We have further considered that (i) it is likely that higher placing or underwriting commission, documentation preparation costs and/or professional fees will be involved for these equity fund raising alternative methods and considerable discount to the market prices of the Shares would be required by the investor(s) in view of the low historical trading volumes of the Shares; (ii) the trading of the Shares did not appear to be active during the past six months, which may indicate a difficulty to pursue sizeable equity financing alternatives in the stock market; and (iii) placing or subscription of new Shares to other investors will have inevitable immediate dilution effect on the shareholding interests of the existing Shareholders. Alternatively, the Subscription represents immediate funding for the Company without immediate dilution of the shareholding of the existing Shareholders and the Conversion Price represented approximately 83.33% premium on the share price over the date of the Subscription Agreement.

In respect of debt financing, we have enquired with the Company and concur with the management of the Group that (i) as the Group has recorded a net loss position for FY2017, it may be not as appealing to financial institutions to provide debt financing; (ii) debt financing may be subject to lengthy due diligence and negotiation with banks, including pledging of assets of the Group as security; (iii) given such size of funding needs, financing through bank borrowings will incur significant interest expenses which would add burden to the Group's gearing (with no possibility of conversion of debt into equity) and hence impact its profitability; and (iv) bank borrowings will not improve the financial position of the Company but will likely to incur significant finance costs every year. Alternatively, there exists an option that the Conversion Rights attached to the Convertible Bonds to be exercised, such that the capital base of the Company can be enlarged and strengthened.

Based on the above, we concur with the Board that the Subscription is an appropriate means of fund-raising exercise and is in the interest of the Company.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **1.6 Our view**

Based on the above and having considered in particular that:

- i. provided that the Group recorded a net loss position and decrease in gross profit, the Group has a need to improve the profitability by improving its production and costs efficiency;
- ii. as at the 30 November 2018, the unaudited bank balances and cash amounted to approximately HK\$84.5 million, which is not sufficient for the capital investment of TESC Phase II Project (given the necessity of such capital investment) and the repayment of Repayment Loans;
- iii. there will be savings on the interest expense upon repayment of Repayment Loans; and
- iv. Jingxi Holdings, being a subsidiary of the controlling shareholder of the Group, has indicated its willingness to subscribe for the Convertible Bonds with a Conversion Price set at a high premium to the existing share price, whilst other equity financing alternatives such as placing, right issues or open offer may face lack of market demand or likely to be in unfavorable terms to the Group and debt financing would be time consuming and add burden to the Group's gearing ratio (with no possibility of conversion of debt into equity) and profitability,

we consider that the entering into of the Subscription Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. The Principal Terms of the Convertible Bonds

#### 2.1 Key terms of the Convertible Bonds

Issuer:	The Company
Principal amount:	Up to HK\$150,000,000
Status:	The Convertible Bonds constitute direct, unsecured, unsubordinated and unconditional obligations of the Company and rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, subject to such exceptions as may be provided by applicable laws, rank at least <i>pari passu</i> with all its other present and future direct, unsecured, unsubordinated and unconditional obligations.
Conversion price:	HK\$0.33 per Conversion Share, subject to adjustments in accordance with the relevant provisions in the terms and conditions of the Convertible Bonds.
Maturity date:	The date falling on the third (3rd) anniversary of the issue date of the Convertible Bonds, which can be extended by Jingxi Holdings for one year twice to the date falling on the fifth (5th) anniversary of the issue date of the Convertible Bonds, subject to Jingxi Holdings' sole discretion.
Interest:	4% per annum accrued on a daily basis of a 360-day year consisting of 12 months of 30 days each and payable every six months from the issue date in arrears until maturity, conversion or early redemption.  The interest paid will not be returned to the Company if the Convertible Bonds are converted into Conversion Shares before the maturity date of the Convertible Bonds.
Default interest:	8% per annum on any outstanding amount due under the Convertible Bonds accrued from the due date to the date of payment in full.

For other terms of the Convertible Bonds, please refer to the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **2.2 Conversion price**

The Conversion Price of HK\$0.33 per Conversion Share represents:

- (a) a premium of approximately 83.33% over the closing price of HK\$0.180 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (b) a premium of approximately 86.44% over the average closing price of approximately HK\$0.177 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 86.44% over the average closing price of approximately HK\$0.177 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Date;
- (d) a premium of approximately 80.3% over the closing price of HK\$0.183 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a discount of approximately 53.72% over the consolidated net asset value per Share of approximately HK\$0.713 as calculated from dividing the unaudited equity attributable to the owners of the Group of approximately HK\$1,370,819,000 as at 30 June 2018 with the total number of Shares in issue of 1,922,900,556 as at the Latest Practicable Date.

The Company considered various financing structures including but not limited to other equity and debt financing methods in light of the capital requirements for the TESC Phase II Project. The representative of Shougang HK in the Board had contacts within Shougang Group who are also involved in the management of Shougang Fund. Upon discussion between the Company and Shougang Fund. Upon discussion of the latest development of the Group, the parties came up with the proposed issue of the Convertible Bonds with terms favourable to the Company as disclosed in the Circular.

The parties to the Subscription Agreement made reference to the premium of conversion price over market price of other convertible bonds/notes issues in the market and the net asset value per Share of the Company when fixing the Conversion Price at HK\$0.33. No formal profit forecast has been prepared but given the performance of the Group's steel cord segment in the second half of 2018, the Company believes that the estimated earnings of the Group could sustain such a level of conversion premium.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Whilst the Conversion Price represents a discount of approximately 53.72% to the net asset value per Share as at 30 June 2018 of approximately HK\$0.713, it is substantially above the current market price of the Shares for the last 6 months. The management of the Company also has taken into account of the historical daily closing prices of the Shares as quoted on the Stock Exchange for the last 6 months before the date of the Announcement and noted the Conversion Price represented a premium of approximately 91.86% over the average daily closing pricing price of the said period. As such, the Board believes the Conversion Price is in the interests of the Company and the Shareholders.

The Conversion Price was arrived at after arm's length negotiations between the Company and Jingxi Holdings with reference to the prevailing market prices of the Shares as shown above. The Directors (including the independent non-executive Directors) consider that the Conversion Price and the terms and conditions of the Subscription Agreement are fair and reasonable based on the current market conditions and in the interest of the Company and the Shareholders as a whole.

In considering the fairness and reasonableness of the Conversion Price, we have conducted following analyses:

### *2.2.1 Historical price and trading volume of the Shares*

In assessing the fairness and reasonableness of the Conversion Price, we have taken into account (i) the daily closing prices of the Shares as quoted on the Stock Exchange commencing from 19 June 2018 up to and including the date of the Announcement on 18 December 2018, being a six months period (the “**Review Period**”); and (ii) the average daily trading volumes of the Shares for each month during the Review Period.

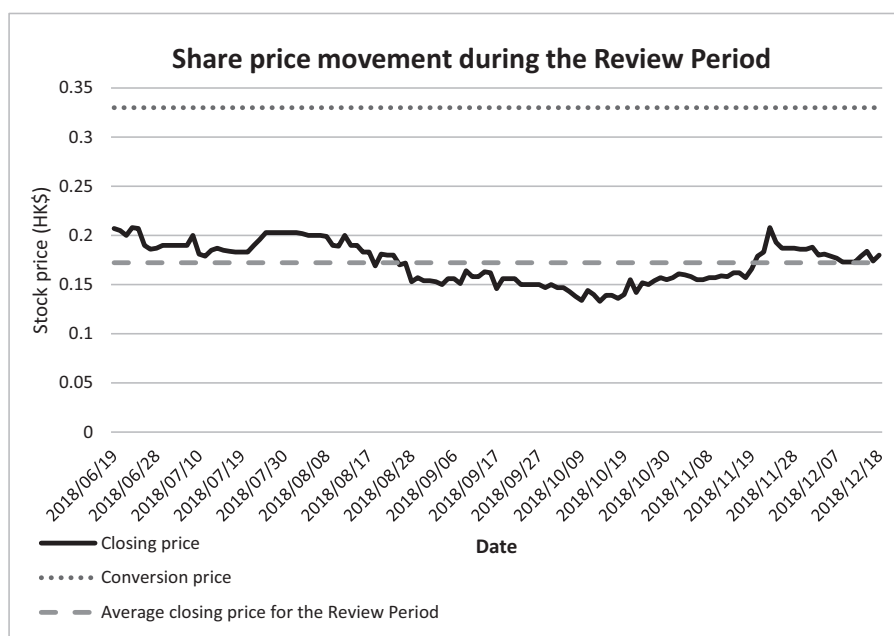
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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In relation to the 6-month period adopted in our analysis, we note that (i) it represents a reasonable period to provide a general overview of the recent price performance of the Shares which has fully reflected relevant information of the Group's performance; (ii) a shorter period (e.g. 2 months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; (iii) a longer period (e.g. 12 months) may have been too distant in time making such historical trend less relevant within the context of the Subscription and with reference to the dynamic financial markets; and (iv) the Convertible Bonds holders may convert the Conversion Shares at any time during period from and including the date falling 6 months from the issue date up to the maturity date of the Convertible Bonds. Accordingly, we consider that the sampling period of six months is appropriate when conducting an analysis among the historical closing prices of the Shares, trading volumes and the Conversion Price.

### Share price movement during the Review Period



Source: website of the Stock Exchange

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the chart above, the closing prices of the Shares exhibited a generally flat trend during the Review Period. Starting from HK\$0.207 per Share at the beginning of the Review Period, the closing price of the Shares had been decreasing from HK\$0.208 per Share on 22 June 2018 to HK\$0.133 per Share on 12 October 2018 before climbing back to HK\$0.208 per Share on 22 November 2018. The closing price of the Shares then returned to a decline trend, reaching HK\$0.180 per Share on 18 December 2018.

During the Review Period, the closing prices of the Shares ranged from HK\$0.133 per Share (recorded on 12 October 2018) to HK\$0.208 per Share (recorded on 22 June 2018 and 22 November 2018). The initial Conversion Price falls outside the above range and represents a premium of approximately 148.1% and approximately 58.7% over the lowest and highest closing price of the Shares during the Review Period, respectively.

As disclosed in the Letter from the Board, the Conversion Price represents a discount of approximately 53.72% to the net asset value per Share as at 30 June 2018 of HK\$0.713, which is substantially above the current market price of the Shares for the last 6 months. We concur with the management of the Company that considering the historical daily closing prices of the Shares as quoted on the Stock Exchange for the last 6 months before the date of the Announcement and the Conversion Price represents a premium of approximately 91.86% over the average daily closing price of approximately HK\$0.172 per Share during the said period, the Conversion Price is in the interests of the Company and the Shareholders.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*2.2.2 Average daily trading volume for each month during the Review Period*

The table below sets out the average daily trading volume of the Shares for each month during the Review Period.

<b>Month</b>	<b>Number of trading days</b>	<b>Average daily trading volume of Shares during the month/period (Note 1) (approximate)</b>	<b>Average daily trading volume of the shares during the month/period to the total number of issued Shares (Note 2) (approximate) (%)</b>
2018			
June (from 19 June 2018)	9	135,778	0.007%
July	21	185,048	0.010%
August	23	508,957	0.026%
September	19	125,895	0.007%
October	21	137,048	0.007%
November	22	1,552,545	0.081%
December (up to 18 December 2018)	12	176,167	0.009%

*Source: website of the Stock Exchange*

*Notes:*

- 1. The average daily trading volumes are calculated by dividing the total trading volume of Shares for the month/period by the number of trading days during the month/period.*
- 2. Based on the total number of issued Shares of 1,922,900,556 as at the Latest Practicable Date.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the Review Period, the Shares generally demonstrated a low level of liquidity. The average daily trading volume of the Shares in each month ranged from the highest of approximately 1.6 million Shares in November 2018 to the lowest of approximately 0.1 million Shares in September 2018, representing approximately 0.081% and 0.007% to the total number of issued Shares as at the end of the month, respectively. Therefore, the trading of the Shares did not appear to be active. Such thin trading may indicate difficulty to pursue sizeable equity financing alternatives in the stock market without providing considerable discount and/or placing/underwriting fees.

### *2.2.3 Comparable analysis*

We have conducted comparable analysis through identifying 22 companies listed on the Main Board of the Stock Exchange which announced issue of convertible bonds/notes during the period between 19 September 2018 and 18 December 2018 (the “**Comparable Issues**”), being a three-month period.

Our research covers announced issues of convertible bonds/notes to both connected persons and independent third parties by companies listed on the Main Board of Stock Exchange during the same period. In order to examine whether the terms of the Convertible Bonds are significantly different from the comparable issues to independent third parties and to assess whether the terms of the Convertible Bonds are relatively more favourable to the connected persons as compared with independent third parties, we do not exclude the announced issues of convertible bonds/notes to independent third parties in our research. In addition, we consider that our comparable analysis would be more comprehensive and could better represent the prevailing overall market sentiments including terms determined with independent third parties.

We consider the discount to the Group’s consolidated net asset value per Shares as reference only, provided that the market price is a more prevailing factor in determining the fairness and reasonableness of the Conversion Price as the market price reflects the fair value of the Shares after taking into account the market conditions and other factors. As such, we consider that using the conversion prices to market prices is a fair and reasonable approach in our analysis.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Although the Comparable Issues may have different scales when compared with the Company, after having considered (i) all of the issuers among the Comparable Issues and the Group are listed on the Main Board of the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the convertible bonds/notes and we are not aware of any established evidence showing any correlation between scale of the convertible bonds/notes and its underlying principal terms; and (iii) including transactions conducted by issuers with different scales in the Comparable Issues can reflect a more comprehensive overall market sentiment in our comparable analysis, we consider that the Comparable Issues are fair and representative samples.

Furthermore, although the Comparable Issues represent a wide range of premium and discount of the relevant conversion prices, we consider that the Comparable Issues are fair and representative samples as (i) we have purposely adopted a 3-month period for the selection of the Comparable Issues which in our opinion generated a reasonable and meaningful number of samples for the purpose of our analysis; (ii) if a longer period (e.g. 6 months) is used, that would have generated way too many comparables making the analysis less meaningful with an even wider range of premium and discount of the relevant conversion prices; and (iii) the Comparable Issues were included without any artificial selection or filtering on our part so the Comparable Issues represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers.

Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the terms of the Convertible Bonds. To the best of our knowledge and as far as we are aware of, the Comparable Issues represent all relevant companies fitting our search criterion mentioned above, and we consider that such Comparable Issues can provide a reference on the recent issues of convertible bonds/notes given the sufficient number of transactions in such period resulting in a reasonable sample size.

It should be noted that all the subject companies involved in the Comparable Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the issues of convertible bonds/notes may also be different from that of the Company.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets forth the relevant details of the Comparable Issues:

Item	Stock code	Company	Date of Announcement	Principal amounts (HK\$'000)	Maturity period (years)	Issue to Connected Persons (Y/N) %	Interest rate per annum %	Premium/(discount) of conversion price over/(to)		
								Closing price per share on the last trading day prior to/on the date of the announcement %	Average closing price per share for the last five consecutive trading days prior to/on the date of the announcement %	Average closing price per share for the last ten consecutive trading days prior to/on the date of the announcement %
1	0932	Shunten International (Holdings) Limited	14/12/2018	120,000	2	N	5.0	17.60	16.30	16.10
2	0715	China Oceanwide Holdings Limited	12/12/2018	600,000	5	N	6.0	86.80	87.30	87.80
3	0803	Prosperity International Holdings (H.K.) Limited	4/12/2018	30,000	2	N	8.0	46.34	46.34	49.25
4	1096	Sino Energy International Holdings Group Limited	30/11/2018	50,000	2	N	8.0	35.91	35.91	27.18
5	0996	Carnival Group International Holdings Limited	21/11/2018	2,730,000	2	N	8.0	57.48	54.08	70.34
6	2280	HC Group Inc.	16/11/2018	100,000	4	N	2.9	22.20	23.61	20.29
7	0115	Grand Field Group Holdings Limited	16/11/2018	112,320	2	Y	3.0	5.13	4.77	(1.61)
8	0724	Ruixin International Holdings Limited	12/11/2018	158,400	3	Y	0.0	(5.17)	(5.98)	(14.53)
9	1281	Longtech Smart Energy Holding Limited	7/11/2018	195,360	3	N	3.5	17.65	16.65	17.08
10	2014	Ozner Water International Holding Limited	30/10/2018	215,000	3	N	6.8	13.40	13.00	10.50
11	0970	Sparkle Roll Group Limited	30/10/2018	102,000	2	N	0.0	1.69	0.67	0.84
12	0033	Asia Investment Finance Group Limited	29/10/2018	50,000	5	N	5.0	51.50	61.30	61.30
13	1281	Longtech Smart Energy Holding Limited	29/10/2018	339,000	3	N	7.0	8.70	6.50	6.40
14	0197	Heng Tai Consumables Group Limited	29/10/2018	80	2	N	8.0	(51.70)	(51.30)	(52.70)
15	0377	Huajun International Group Limited	26/10/2018	1,000,000	2	Y	1.5	100.00	90.46	72.20
16	0803	Prosperity International Holdings (H.K.) Limited	24/10/2018	30,000	1	N	8.0	17.60	17.60	13.20
17	0223	Elife Holdings Limited	15/10/2018	45,412	5	N	0.0	30.60	26.98	0.10
18	0346	Yangchang Petroleum International Limited	12/10/2018	468,000	2	Y	6.0	8.57	0.00	(2.56)
19	0750	China Singyes Solar Technologies Holdings Limited	10/10/2018	230,000	5	N	12.0	16.70	13.00	(3.70)
20	6880	Tempus Holdings Limited	9/10/2018	30,000	2	N	7.0	14.95	0.00	1.03
21	2012	Sunshine Oilsands Ltd.	28/9/2018	11,000	1	N	5.0	5.61	6.15	3.50
22	6116	Shanghai La Chapelle Fashion Co., Ltd	21/9/2018	1,740,368	1	N	4.4	16.80	53.70	53.90
			<b>Maximum</b>	2,730,000	5		12.0	100.00	90.46	87.80
			<b>Minimum</b>	11,000	1		0.0	(51.70)	(51.30)	(52.70)
			<b>Median</b>	120,000	2		6.0	14.95	13.00	10.50
			<b>Average</b>	401,603	3		5.3	23.11	23.01	19.47
103	The Group		18/12/2018	150,000	3	Y	4.0	83.33	86.44	86.44

As illustrated in the table above, we note that the premium/(discount) to last trading day represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 51.7% to a premium of approximately 100.0%, with an average figure being a premium of approximately 23.11%. The premium of 83.33% represented by the Conversion Price over the closing price on the date of the Subscription Agreement, therefore falls within the range of the premium/(discount) to the last trading day of the Comparable Issues and is above the average figure thereof.

We note that the premium/(discount) to average closing price of the last five trading days represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 51.3% over a premium of approximately 90.46%, with an average figure being a premium of approximately 23.01%. The premium of approximately 86.44% represented by the Conversion Price to the average closing price of the last five trading days (up to and including the Last Trading Day), therefore falls within the range of the premium/(discount) to the average closing price of the last five trading days of the Comparable Issues and is above the average figure thereof.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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It is noted that the premium/(discount) to average closing price of the last ten trading days represented by the conversion prices of the Comparable Issues ranges from a discount of approximately 52.7% to a premium of approximately 87.8%, with an average figure being a premium of approximately 19.47%. The premium of approximately 86.44% represented by the Conversion Price over the average closing price of the last ten trading days (up to and including the Last Trading Day), therefore falls within the range of the premium/(discount) to the average closing price of the last ten trading days of the Comparable Issues.

We further note that the interest rates in respect of the Comparable Issues ranged from nil to 12.0% per annum, with an average of approximately 5.3% per annum. The interest rate of the Convertible Bonds, being 4% per annum, therefore falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues.

Lastly, we note that the maturity period in respect of the Comparable Issues ranged from 1 year to 5 years, with an average of around 3 years. The maturity period of Convertible Bonds, being 3 years, therefore falls within the range of the maturity period of the Comparable Issues and is in line with the average maturity period of the Comparable Issues.

### **2.3 Our view**

Based on the totality of all of the factors mentioned above and having considered in particular that:

- (a) the premium/(discount) to the average closing price of the last trading day, the last 5 consecutive days and the last 10 consecutive days represented by the Conversion Price are within the respective ranges of Comparable Issues and is above the average thereof;
- (b) the Group has a funding need to finance the capital investment of TESC Phase II Project;
- (c) the interest rate of the Convertible Bonds, being 4% per annum, falls within the range of the interest rates of the Comparable Issues and is lower than the average interest rate of the Comparable Issues;
- (d) the maturity period of the Convertible Bonds, being 3 years, falls within the range of the maturity period of the Comparable Issues and is in line with the average maturity period of the Comparable Issues; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (e) the Convertible Bonds bear interest at a rate of 4% per annum on the outstanding principal amount of the Convertible Bonds, which is lower than that of 6.5% per annum for the Repayment Loans, and one of the primary purposes of the issue of the Convertible Bonds is for the repayment of the Repayment Loans as a significant proportion of the net proceeds therefrom will be used to repay the Repayment Loans. In this sense, we are of the view that the issue of the Convertible Bonds at this interest rate of 4% per annum represents a means for the Company to relieve its financial pressure at a lowered finance cost,

we are of the view that the Conversion Price and the interest rate of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Possible dilution effect on interests of other public Shareholders

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full conversion of the Convertible Bonds (assuming no other change to the total number of issued Shares from the Latest Practicable Date to the time of exercise of the Conversion Rights);

Name of Director or Shareholder	As at the Latest Practicable Date		Immediately after full exercise of the Conversion Rights attaching to the Convertible Bonds (Note 2)	
	Number of Shares	Approx. %	Number of Shares	Approx. %
<b>Director</b>				
Tang Cornor Kwok Kau	10,000,000	0.52	10,000,000	0.42
<b>Controlling and substantial Shareholders</b>				
Shougang Group and its controlled corporations (Notes 1 & 2)	906,719,179	47.15	1,361,264,633	57.26
Bekaert Combustion Technology B.V.	250,000,000	13.00	250,000,000	10.52
Public Shareholders	756,181,377	39.33	756,181,377	31.80
<b>Total</b>	<b>1,922,900,556</b>	<b>100.0</b>	<b>2,377,446,010</b>	<b>100.0</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. Shougang Group is the ultimate holding company of Shougang HK, it is deemed to be interested in the 6,456,000 Shares held by Shougang HK and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,254,000 Shares held by Able Legend and Prime Success respectively as Able Legend and Prime Success are Shougang HK's wholly owned subsidiaries and Shougang Group is deemed to be interested in the 12,370,000 Shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Grand (Stock code: 730) as Shougang Group is the ultimate holding company of Shougang Grand. Shougang Group is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula Investments whereas Richson and Casula Investments are wholly-owned by Fair Union and Fair Union is wholly owned by Shougang International (Stock Code: 697) as Shougang Group is the ultimate holding company of Shougang International. On 21 November 2018, Shougang HK and Shougang International entered into a sale and purchase agreement whereby Shougang HK agreed to acquire the entire issued share capital of Fair Union from Shougang International. Upon completion of the said share transfer (which has not taken place as at the Latest Practical Date), Shougang International will cease to hold any share of Fair Union and thus any direct or indirect interest in the Shares. Fair Union will become a wholly-owned subsidiary of Shougang HK and the interest in the Shares held by Shougang HK will remain unchanged at 47.15%. For details, please refer to the announcement of the Company and the announcement of Shougang International both dated 21 November 2018.
2. The shareholdings of the Company set out in the above table are for illustration purpose only. As one of the Conversion Restrictions is that any exercise of the Conversion Rights shall not trigger any mandatory offer obligation under Rule 26 of the Takeovers Code, Jingxi Holdings will not be able to exercise its Conversion Rights to the extent that the voting rights held by Shougang Group and its associates shall increase by more than 2% within any 12 month period pursuant to the 2% creeper rule under Rule 26.1 of the Takeovers Code.

As shown from the above table, for illustrative purpose only, assuming (i) full conversion of the Convertible Bonds at the Conversion Price of HK\$0.33 per Shares immediately after the completion of the Subscription Agreement; (ii) there is no further issue or repurchase of the Shares; and (iii) the amount of Shares held by other non-public Shareholders remains the same, the shareholding of the existing public Shareholders of 756,181,377 Shares will be diluted from approximately 39.33% to approximately 31.80%, representing a decrease of approximately 7.53%.

Having considered that (i) the principal terms of the Convertible Bonds are fair and reasonable as discussed above; (ii) any form of non-pro rata fund raising activities would also have dilution effect to all Shareholders; and (iii) if the Company satisfies future funding needs through the issue of consideration shares and/or other convertible securities, such issue will still have dilution effect to all existing Shareholders, we are of the view that the dilution effect to the shareholding interests of the existing public Shareholders is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Financial effects from the Subscription

#### 4.1 *Net asset value*

As per the 2018 Interim Report, the Group had unaudited net assets (total equity) of approximately HK\$1,370,819,000 as at 30 June 2018.

Given that the Convertible Bonds, when being booked into the financial statements of the Group, will consist of an equity portion and a liability portion which would require assessment and valuation by a professional valuer in accordance with the Hong Kong Financial Reporting Standards, the Company is unable to assess the exact impact of the Convertible Bonds on the net asset value of the Group until reliable estimations of the value of the Convertible Bonds can be made as at the issue date.

On the other hand, it is expected that the net asset value of the Group will increase upon conversion of the Convertible Bonds by the Subscriber into Conversion Shares (subject to the relevant conversion restrictions of the Convertible Bonds and applicable requirements under the Takeovers Code) as a result of the decrease in liabilities and increase in share capital.

#### 4.2 *Gearing ratio*

Based on the 2018 Interim Report, the Group had unaudited total debts of approximately HK\$1,131,369,000 (comprising (i) loans from related companies of approximately HK\$242,938,000; (ii) bank borrowings (current portion) of approximately HK\$605,795,000; and (iii) bank borrowings (non-current portion) of approximately HK\$282,636,000) and total equity of approximately HK\$1,370,819,000 as at 30 June 2018, translating into a gearing ratio (total debts/total equity x 100%) of approximately 82.53%.

As mentioned above, since the relevant accounting entries for the issue of the Convertible Bonds have not yet been determined, the impact of the issue of the Convertible Bonds on the gearing level of the Group could not be estimated at this stage.

On the other hand, it is expected that the gearing position of the Group will decrease upon conversion of the Convertible Bonds by the Subscriber into Conversion Shares (subject to the relevant conversion restrictions of the Convertible Bonds and applicable requirements under the Takeovers Code) as a result of the decrease in liabilities and increase in share capital.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **4.3 Liquidity**

As illustrated in the 2018 Interim Report, the Group had unaudited current assets of approximately HK\$2,118,339,000 and unaudited current liabilities of approximately HK\$1,843,527,000 as at 30 June 2018, translating into a current ratio (current assets/current liabilities) of approximately 1.15 times.

As mentioned above, since the relevant accounting entries for the issue of the Convertible Bonds have not yet been determined, the impact of the issue of the Convertible Bonds on the liquidity of the Group could not be estimated at this stage.

### **4.4 Earnings**

It is stated in the 2017 Annual Report that the Group recorded net loss of approximately HK\$68,518,000 in FY2017.

As the Convertible Bonds carries an interest of 4.0% per annum which is lower than that of the Repayment Loans and will mature on the third anniversary of the issue date, the Directors expect that the future earnings of the Group will be enhanced due to the lower finance costs.

The Directors further expect that upon completion of TESC Phase II Project, the Group will enjoy lower production costs and higher production efficiency, which is expected to allow the Group to alleviate its net loss position and hopefully generate positive financial results in the long term.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Subscription Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered that (i) despite the thin historical trading of the Shares which may indicate difficulty to pursue sizeable equity financing alternatives in the stock market without providing considerable discount and/or underwriting fees, whilst the Conversion Price represents a premium of approximately 83.33% over the closing price of the Shares on the date of the Subscription Agreement; (ii) the interest rate of the Convertible Bonds is lower than that of the Repayment Loans; (iii) the principal terms of the Convertible Bonds compare favourably to those demonstrated in the Comparable Issues; (iv) the issue of the Convertible Bonds represents a means for the Company to relieve its financial pressure at a lowered cost and funding for the capital investment of TESC Phase II Project to improve the Company's production efficiency and reduce production costs; and (v) the issue of Convertible Bonds does not have an immediate dilution effect on the existing Shareholders, we are of the opinion that (i) although the Subscription is not in the ordinary and usual course of the Company's business, it is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Subscription Agreement and the Convertible Bonds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the GM to approve the Subscription Transactions.

Yours faithfully,  
For and on behalf of  
**Grand Moore Capital Limited**  
**Kevin So**  
*Director*

*Note:*

*Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore's type 6 regulated activity (advising on corporate finance). Mr. So has over 16 years of experience in the corporate finance industry in Hong Kong.*



## 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 Group. 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. SHARE CAPITAL

### (a) Share capital of the Company

The number of issued Shares (i) as at the Latest Practicable Date; and (ii) upon full exercise of the Conversion Rights attaching to the Convertible Bonds (assuming there will be no other change in the number of issued Shares after the Latest Practicable Date) as follows:

(i)	Number of issued Shares as at the Latest Practicable Date	1,922,900,556
(ii)	Number of issued shares immediately upon full exercise of the Conversion Rights attaching to the Convertible Bonds	
	Conversion Shares to be allotted and issued upon full exercise of the Conversion Rights attaching to the Convertible Bonds	454,545,454
	Shares in issue upon full exercise of the Conversion Rights attaching to the Convertible Bonds	2,377,446,010

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Conversion Shares to be allotted and issued will, when issued, rank *pari passu* in all respects with the Shares then in issue. Jingxi Holdings will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of issue of Conversion Shares. As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

**(b) Share options**

The first share option scheme of the Company was adopted on 7 June 2002, with options to be granted to any directors, employees and other parties at the discretion of the Board. As at the Latest Practicable Date, 4,000,000 share options remained outstanding. The existing share option scheme of the Company was adopted on 29 May 2012 and no share option thereunder remained outstanding as at the Latest Practicable Date.

Save as disclosed above, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

**3. DISCLOSURE OF INTERESTS**

**(a) Directors and Chief Executive**

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV 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 the Directors and chief executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company were as follows:

Names of Director	Nature of interest	Number of Shares <i>(Note 2)</i>	Approximate percentage of shareholding
Mr. Tang Cornor Kwok Kau	Beneficial owner	10,000,000 (L) <i>(Note 1)</i>	0.52%

*Notes:*

1. Those Shares were beneficially owned by Mr. Tang Cornor Kwok Kau and in which 200,000 Shares were also jointly owned by his wife.
2. “L” stands for a long position in the Shares.

As at the Latest Practicable Date, none of the Directors, chief executive nor their associates had any short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

**(b) Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group were as follows:

Names of Shareholders	Nature of interest	Number of Shares <i>(Note 8)</i>	Approximate percentage of shareholding
Shougang HK	Beneficial owner	6,456,000 (L)	0.34%
	Interest in controlled corporations	900,263,179 (L) <i>(Notes 1 to 4)</i>	46.81%
Shougang Group	Interest in controlled corporations	906,719,179 <i>(Note 5)</i>	47.15%
Shougang International	Interest in controlled corporations	686,655,179 (L) <i>(Note 4)</i>	35.71%
Fair Union	Beneficial owner	135,721,936 (L) <i>(Note 4)</i>	7.06%
	Interest in controlled corporations	550,933,243 (L) <i>(Note 4)</i>	28.65%

Names of Shareholders	Nature of interest	Number of Shares (Note 8)	Approximate percentage of shareholding
Casula Investments	Beneficial owner	402,395,304 (L) (Note 4)	20.93%
Bekaert	Interest in a controlled corporation	250,000,000 (L) (Note 6)	13.00%
Bekaert Combustion Technology B.V.	Beneficial owner	250,000,000 (L) (Note 6)	13.00%
Richson	Beneficial owner	148,537,939 (L) (Note 4)	7.72%
Able Legend	Beneficial owner	126,984,000 (L) (Note 3)	6.60%
Li Ka Shing Foundation Limited	Beneficial owner	100,000,000 (L) (Note 7)	5.20%

## Notes:

1. 12,370,000 Shares are held by Lyre Terrace Management Limited (“Lyre Terrace”) as a registered holder. The entire issued share capital of Lyre Terrace is wholly-owned by SCG Investment (BVI) Limited (“SCG Investment”). The entire issued share capital of SCG Investment is wholly-owned by Shougang Grand. 50.53% of the issued share capital of Shougang Grand is held by Wheeling Holdings Limited (“Wheeling Holdings”), the entire issued share capital of which is in turn wholly-owned by Shougang HK. Therefore, Shougang HK is deemed to be interested in such 12,370,000 Shares held by Lyre Terrace.
2. 74,254,000 Shares are held by Prime Success as a registered holder, the entire issued share capital of which is in turn wholly-owned by Shougang HK. Therefore, Shougang HK is deemed to be interested in such 74,254,000 Shares held by Prime Success.
3. 126,984,000 Shares are held by Able Legend as a registered holder, the entire issued share capital of which is in turn wholly-owned by Shougang HK. Therefore, Shougang HK is deemed to be interested in such 126,984,000 Shares held by Able Legend.

4. 148,537,939 Shares are held by Richson as a registered holder. 402,395,304 Shares are held by Casula Investments as a registered holder. 135,721,936 Shares are held by Fair Union as a registered holder. The entire issued share capital of Richson and Casula Investments is wholly-owned by Fair Union. The entire issued share capital of Fair Union is wholly-owned by Shougang International, 33.69% of the issued share capital of which is held by Shougang HK. Shougang International is deemed to be interested in such 148,537,939 Shares held by Richson, 402,395,304 Shares held by Casula Investments and 135,721,936 Shares held by Fair Union. Therefore, Shougang HK is deemed to be interested in such 686,655,179 Shares held by Shougang International.

On 21 November 2018, Shougang HK and Shougang International entered into a sale and purchase agreement whereby Shougang HK agreed to acquire the entire issued share capital of Fair Union from Shougang International. Upon completion of the said share transfer (which has not taken place as at the Latest Practical Date), Shougang International will cease to hold any share of Fair Union and thus any direct or indirect interest in the Shares. Fair Union will become a wholly-owned subsidiary of Shougang HK and the interest in the Shares held by Shougang HK will remain unchanged at 47.15%. For details, please refer to the announcement of the Company and the announcement of Shougang International both dated 21 November 2018.

5. Shougang Group is the ultimate holding company of Shougang HK, it is deemed to be interested in the 6,456,000 Shares held by Shougang HK and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,254,000 Shares held by Able Legend and Prime Success respectively as Able Legend and Prime Success are Shougang HK's wholly owned subsidiaries and Shougang Group is deemed to be interested in the 12,370,000 Shares held by Lyre Terrace, a subsidiary of Shougang Grand as Shougang Group is the ultimate holding company of Shougang Grand. Shougang Group is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Shougang Group is the ultimate holding company of Shougang International.
6. 250,000,000 Shares are held by Bekaert Combustion Technology B.V. as a registered holder, the entire issued share capital of which is in turn wholly-owned by Bekaert. Therefore, Bekaert is deemed to be interested in such 250,000,000 Shares held by Bekaert Combustion Technology B.V..
7. Li Ka Shing Foundation Limited ("Li Ka Shing Foundation") is beneficially interested in 100,000,000 Shares. By virtue of the terms of the constituent documents of Li Ka Shing Foundation, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of Li Ka Shing Foundation.
8. "L" stands for a long position in the Shares.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

#### 5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and any proposed Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entity
Liao Jun (Note 1)	Bekaert	Manufacturing and sale of steel wire and/or cord products	Senior Vice President of Bekaert, General Manager of Rubber Reinforcement North Asia
Yip Kin Man, Raymond (Note 2)	BeijingWest Industries International Limited	Manufacturing, sales and trading of auto parts and construction decorative hardware products	Independent non-executive director

*Notes:*

1. Pursuant to a subscription agreement entered into by the Company and Bekaert in September 2006 and further agreement between Bekaert and the Company in February 2015, Mr. Liao Jun was nominated by Bekaert as a non-executive Director and was appointed on 25 February 2015.
2. Mr. Yip Kin Man, Raymond was appointed as independent non-executive director of BeijingWest Industries International Limited (“BeijingWest Industries”) on 27 January 2014 and does not participate in any decision making on daily operation of BeijingWest Industries.

## **6. DIRECTORS’ INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

## **7. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, the date to which the latest published audited accounts of the Company are made up.

## **8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## **9. MATERIAL CONTRACTS**

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the provisional sale and purchase agreement dated 9 October 2017 among Hing Cheong Metals (China & Hong Kong) Limited (“**Hing Cheong**”) (a direct wholly-owned subsidiary of the Company), Tam Bros & Sis Limited and Hong Yip Properties Agency Limited as agent whereby Hing Cheong agreed to sell Workshop 3 on G/F, TCL Tower, No. 8 Tai Chung Road, Tsuen Wan, New Territories (“**Workshop 3**”) to Tam Bros & Sis Limited at the consideration of HK\$12,450,000;

- (b) the provisional sale and purchase agreement dated 9 October 2017 among Hing Cheong, Extra Billion Investment Limited and Hong Yip Properties Agency Limited as agent whereby Hing Cheong agreed to sell the Lorry Parking Space No. L3 on the Basement, TCL Tower, No. 8 Tai Chung Road, Tsuen Wan, New Territories (the “**Lorry Parking Space**”) to Extra Billion Investment Limited at the consideration of HK\$1,900,000;
- (c) the provisional sale and purchase agreement dated 9 October 2017 among Hing Cheong, Yau Man Investment Limited and Hong Yip Properties Agency Limited as agent whereby Hing Cheong agreed to sell Workshop 2 on G/F, TCL Tower, No. 8 Tai Chung Road, Tsuen Wan, New Territories (“**Workshop 2**”) to Yau Man Investment Limited at the consideration of HK\$13,650,000;
- (d) the agreement for sale and purchase dated 20 October 2017 between Hing Cheong and Tam Bros & Sis Limited whereby Hing Cheong agreed to sell Workshop 3 to Tam Bros & Sis Limited at the consideration of HK\$12,450,000;
- (e) the agreement for sale and purchase dated 20 October 2017 between Hing Cheong and Extra Billion Investment Limited whereby Hing Cheong agreed to sell the Lorry Parking Space to Extra Billion Investment Limited at the consideration of HK\$1,900,000;
- (f) the agreement for sale and purchase dated 20 October 2017 between Hing Cheong and Yau Man Investment Limited whereby Hing Cheong agreed to sell Workshop 2 to Yau Man Investment Limited at the consideration of HK\$13,650,000; and
- (g) the Subscription Agreement.

## 10. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular and has given its letter contained in this circular:

<b>Name</b>	<b>Qualification</b>
Grand Moore	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, Grand Moore has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and reference to its name, in the form and context in which it is included.



As at the Latest Practicable Date, Grand Moore did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Group.

As at the Latest Practicable Date, Grand Moore did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## **11. GENERAL**

- (a) The company secretary of the Company is Chan Lai Yee, a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is Room 1215, 12/F, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong.
- (c) The share registrar and transfer office of the Company is Tricor Tengis Limited.
- (d) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Room 1215, 12/F, Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong during normal business hours on any weekdays (except public holidays), from the date of this circular up to and including 1 February 2019:

- (a) the Subscription Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 20 of this circular;
- (c) the material contracts as referred to in the paragraph headed “9. Material Contracts” in this appendix;
- (d) the articles of association of the Company;

- (e) the audited consolidated accounts of the Group for the years ended 31 December 2016 and 31 December 2017;
- (f) the letter from Grand Moore to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 46 of this circular;
- (g) the written letter of consent of Grand Moore as referred to in the section headed “Expert and Consent” of this Appendix; and
- (h) this circular.

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## NOTICE OF GM

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### SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

### 首長寶佳集團有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 103)

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** a general meeting (the “**Meeting**”) of Shougang Concord Century Holdings Limited (the “**Company**”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 1 February 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 11 January 2019.

### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the Subscription Agreement entered into between the Company and Jingxi Holdings in relation to the subscription for the Convertible Bonds in the principal amount of up to HK\$150,000,000, a copy of the Subscription Agreement having been produced to the Meeting marked “A” and signed by the chairman of the Meeting for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue by the Company of the Convertible Bonds in the principal amount of HK\$150,000,000 at an initial Conversion Price of HK\$0.33 per Share (subject to adjustments) pursuant to the Subscription Agreement together with the issuance of the bond instrument and the bond certificate to Jingxi Holdings be and are hereby approved;
- (c) the Directors be and are hereby granted a specific mandate to allot and issue up to 454,545,454 Conversion Shares upon the exercise of the Conversion Rights (subject to Conversion Restrictions) attaching to the Convertible Bonds; and

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## NOTICE OF GM

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- (d) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Subscription Agreement, the issue of the Convertible Bonds to Jingxi Holdings, the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attaching to the Convertible Bonds and any of the transactions contemplated thereunder.”

By order of the Board  
**Shougang Concord Century Holdings Limited**  
**Su Fanrong**  
*Chairman and managing Director*

Hong Kong, 11 January 2019

*Notes:*

1. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. Any Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a Shareholder. To be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.
2. Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
3. For determining the entitlement to attend and vote at the Meeting or any adjournment thereof, the record date is fixed on Friday, 25 January 2019. Shareholders whose names appear on the Register of Members of the Company at the close of business on the record date will be entitled to attend and vote at the Meeting. In order to be entitled to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 25 January 2019.
4. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect at the time of the Meeting, the Meeting will be held as scheduled unless further notice posted on the websites of the Company at <http://www.irasia.com/listco/hk/sccentury/> and the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and place of the rescheduled meeting.  
  
Shareholders should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.
5. As at the date of this notice, the Board comprises Mr. Su Fanrong (chairman and managing Director), Mr. Tang Cornor Kwok Kau (deputy managing Director), Mr. Liao Jun (non-executive Director), Mr. Yip Kin Man, Raymond (independent non-executive Director), Mr. Law, Yui Lun (independent non-executive Director) and Mr. Lam Yiu Kin (independent non-executive Director).