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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 your stockbroker or other 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 International Enterprises Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

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

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED RESTRUCTURING
AND
NOTICE OF GENERAL MEETING**

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



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

A letter from the Board is set out on pages 4 to 18 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 19 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder is set out on pages 20 to 40 of this circular.

A notice convening the GM to be held at 9:30 a.m. on Wednesday, 27 March 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-2 of this circular. A form of proxy for the GM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the GM (i.e., at or before 9:30 a.m. on Monday, 25 March 2019 (Hong Kong Time)) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

Hong Kong, 2 January 2019

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DEFINITIONS

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

“%”	per cent;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Casula”	Casula Investments Limited, a company incorporated with limited liability in the British Virgin Islands and subsequently re-domiciled to Samoa, being an indirect wholly-owned subsidiary of the Company;
“Company”	Shougang Concord International Enterprises Company Limited (stock code: 697), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
“Fair Union”	Fair Union Holdings Limited, a company incorporated with limited liability in the British Virgin Islands and subsequently re-domiciled to Samoa, being a wholly-owned subsidiary of the Company;
“GM”	a general meeting to be held by the Company to consider, and if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent Board committee comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders on the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder;

DEFINITIONS

“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	shareholders of the Company other than Shougang Holding and its associates;
“Jingxi Holdings”	Jingxi Holdings Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Shougang Fund and an indirect wholly-owned subsidiary of Shougang Group and also a substantial shareholder of the Company as at the Latest Practicable Date;
“Latest Practicable Date”	19 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	means the date falling 180 days after the date of the Sale and Purchase Agreement or such other date as may be agreed between the Company and Shougang Holding;
“PRC”	the People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Proposed Restructuring”	the proposed restructuring by way of transferring the entire issued share capital of Fair Union held by the Company to Shougang Holding pursuant to the terms and conditions of the Sale and Purchase Agreement, reflecting an indirect transfer of 686,655,179 shares of Shougang Century, representing approximately 35.71% of the entire issued share capital of Shougang Century as at the Latest Practicable Date;
“Richson”	Richson Limited, a company incorporated with limited liability in the British Virgin Islands and subsequently re-domiciled to Samoa, being an indirect wholly-owned subsidiary of the Company;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 November 2018 between the Company and Shougang Holding in relation to the Proposed Restructuring;

DEFINITIONS

“Sale Share”	one ordinary share of Fair Union, representing the entire issued share capital of Fair Union as at the Latest Practicable Date;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	the holder(s) of the Shares;
“Share(s)”	ordinary share(s) of the Company;
“Shougang Century”	Shougang Concord Century Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 103) which is indirectly owned as to approximately 35.71% in aggregate by the Company (through Fair Union, Richson and Casula) as at the Latest Practicable Date;
“Shougang Fund”	北京首鋼基金有限公司(Beijing Shougang Fund Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of Shougang Group;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC and a controlling shareholder of the Company;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Group and also a controlling shareholder of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC.

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

LETTER FROM THE BOARD



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

Executive Directors:

Mr. Zhao Tianyang (*Chairman*)
Mr. Li Shaofeng (*Vice Chairman*)
Mr. Xu Liang
Mr. Liang Hengyi (*Managing Director*)

Non-executive Directors:

Dr. Li Yinhui
Mr. Liu Jingwei
Mr. Ho Gilbert Chi Hang
Mr. Li Hao

Independent Non-executive Directors:

Dr. Wang Xin
Mr. Choi Fan Keung Vic
Mr. Deng Yougao
Ms. Zhang Quanling

Registered Office:

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

2 January 2019

To the Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED RESTRUCTURING
AND
NOTICE OF GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 21 November 2018 relating to the entering into of the Sale and Purchase Agreement in relation to the Proposed Restructuring.

LETTER FROM THE BOARD

The purposes of this circular are to provide you:

- (i) a letter from the Board containing further details of the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the opinions of the Independent Financial Adviser in respect of the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (iv) a notice of convening the GM; and
- (v) other information as required under the Listing Rules.

2. DISCLOSEABLE AND CONNECTED TRANSACTION – THE PROPOSED RESTRUCTURING

On 21 November 2018, the Company entered into the Sale and Purchase Agreement with Shougang Holding, pursuant to which the Company has conditionally agreed to sell, and Shougang Holding has conditionally agreed to purchase, the Sale Share, being the one ordinary share of Fair Union which represents the entire issued share capital of Fair Union as at the Latest Practicable Date, at a consideration of HK\$205,996,553.70. Fair Union holds, directly and indirectly, approximately 35.71% in aggregate of the entire issued share capital of Shougang Century as at the Latest Practicable Date.

The principal terms of the Sale and Purchase Agreement are set out below.

Sale and Purchase Agreement

Date: 21 November 2018

Parties: The Company as the seller and Shougang Holding as the purchaser

Consideration

The consideration of HK\$205,996,553.70 was agreed after arms' length negotiations between the parties. The consideration of HK\$205,996,553.70 reflects an indirect transfer of 686,655,179 shares of Shougang Century at a consideration of HK\$0.30 per share of Shougang Century, representing a premium of approximately 65.75% to the closing price of HK\$0.181 per share of Shougang Century as quoted on the Stock Exchange as at the Latest Practicable Date. The consideration is to be settled by way of cash on completion of the Proposed Restructuring.

In determining the consideration, the Board took into account the following factors:

LETTER FROM THE BOARD

- (i) the historical performance of the stock price of Shougang Century – the consideration represents a premium to the closing price of Shougang Century’s shares as at the date of the Sale and Purchase Agreement and for the year up to and including the date of the Sale and Purchase Agreement; and
- (ii) the price to net asset value ratio (the “**P/B ratio**”) of comparable companies – the Board conducted analysis on the P/B ratio of comparable companies that are principally engaged in the processing and trading of metal-related products, and listed on the Stock Exchange with market capitalisation below HK\$2,000 million (the “**Comparable Companies**”) . In determining the market capitalisation of the Comparable Companies, the Board took into account the market capitalisation of Shougang Century as implied by the consideration. The table below sets out the list of the Comparable Companies:

Stock code	Company name	Principal activities
24	Burwill Holdings Limited	The company is principally engaged in (i) the procurement and sale of steel products and raw materials such as imported iron ore, cast iron, steel scraps and steel billets; (ii) the provision of steel processing services, and warehousing and logistics services; and (iii) the mining of mineral resources.
235	China Strategic Holdings Ltd.	The company is principally engaged in (i) the trading of metal minerals and electronic components; (ii) security investment; and (iii) money lending.
505	Huan Yue Interactive Holdings Limited	The company is principally engaged in (i) the manufacturing and sale of high precision copper plates and strips; (ii) the trading of raw materials; and (iii) the provision of processing services. The company is also involved in the provision of property services through its subsidiaries.

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Stock code	Company name	Principal activities
637	Lee Kee Holdings Ltd.	The company is principally engaged in the trading of metal products including zinc, zinc alloy, nickel, nickel-related products, aluminum, aluminum alloy, stainless steel and other electroplating chemical products. The company is also engaged in the provision of technical consultancy services and management services through its subsidiaries.
661	China Daye Non-Ferrous Metals Mining Limited	The company is engaged in the sale of metal products including copper cathodes, copper products, gold and gold products, silver and silver products, sulphuric acid, sulphuric concentrate and iron ores, among others. The company also provides copper processing services.
758	Macrolink Capital Holdings Limited	The company is principally engaged in the trading of mineral concentrates, and operates through six business segments, namely (i) the manufacturing and sale of slag powder; (ii) the trading of mineral concentrates; (iii) the exploration and development of coal mine and the sale of coal; (iv) property investment and development; (v) the provision of property management and agency services; and (vi) security investment.

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Stock code	Company name	Principal activities
769	China Rare Earth Holdings Limited	The company is engaged in (i) the manufacturing and sale of rare earth, including metal oxides and fluorescent products, such as phosphor for lamps, yttrium oxide phosphor grade and yttrium europium oxide phosphor grade, among others; and (ii) the manufacturing and sale of refractory products including high temperature ceramics products and magnesium grains.
803	Prosperity International Holdings (H.K.) Limited	The company is principally engaged in (i) the purchasing, mining and trading of raw materials including iron ore; (ii) the trading of building materials such as clinker and cement; (iii) the mining, processing and sale of granite products; and (iv) real estate investment and development.
1080	Shengli Oil & Gas Pipe Holdings Limited	The company is engaged in (i) the production of submerged-arc helical welded pipes, submerged-arc longitudinal welded pipes and cold-formed section steel; and (ii) the trading of electrolytic copper, aluminum ingot and aluminum oxide. The company is also engaged in the provision of equity investment, investment management and investment consultation services through its subsidiaries.

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Stock code	Company name	Principal activities
1104	APAC Resources Limited	The company is principally engaged in (i) the sale of commodities on the spot market; and (ii) the trading of and investment in listed and unlisted securities. The company is also engaged in the money lending business, the investment in and development of mineral resources, and the provision of consultancy services in corporate management and metallurgy technology through its subsidiaries.
1116	Mayer Holdings Limited	The company is engaged in (i) the manufacturing and trading of steel pipes, steel sheets and other products made of steel; (ii) equity investment; and (iii) aircraft leasing and the provision of consultancy services.
1152	Momentum Financial Holdings Limited	The company is principally engaged in the trading of metal and equipment. The company is also engaged in the financial services business, including the finance leasing business, the leasing business, the purchasing of leased assets in domestic and overseas markets, the disposal of residual value and maintenance of leased assets, as well as the provision of consultation and guarantees services for lease transactions.

LETTER FROM THE BOARD

Stock code	Company name	Principal activities
1164	CGN Mining Company Limited	The company is principally engaged in the trading of natural uranium. The company operates through three business segments, namely (i) property investment; (ii) natural uranium trading; and (iii) other investments. The company is also engaged in investment projects business and the provision of management services through its subsidiaries.
1203	Guangnan (Holdings) Limited	The company is principally engaged in the manufacturing and sale of tinplates and related products. The company is also engaged in (i) the distribution, purchasing and sale of fresh and live foodstuffs; and (ii) the leasing of office and industrial premises. The company is also involved in the operation of pig farming and the distribution of live pigs through its subsidiaries.
2302	CNNC International Limited	The company is engaged in the exploration and trading of mineral properties including uranium.
3313	ArtGo Holdings Limited	The company is principally engaged in the mining, processing, distribution and sale of marble stones including one-side-polished slabs, cut-to-size slabs and marble blocks. Through its subsidiaries, the company is also engaged in mining planting projects and the sale of decoration materials.

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The P/B ratio of Shougang Century calculated based on the market capitalisation as implied by the consideration (HK\$576.9 million) and the net asset value of Shougang Century as at 30 June 2018 (HK\$1,370.8 million) was approximately 0.42 times (the “**Implied P/B**”). The Implied P/B is slightly higher than the median P/B ratio and falls within the range of the P/B ratios of the Comparable Companies. This indicates that the consideration is priced within an acceptable range of the Comparable Companies with similar business in the open market. The table below sets out the P/B ratios of the Comparable Companies:

Stock code	Company name	P/B ratio
24	Burwill Holdings Limited	0.77
235	China Strategic Holdings Ltd.	0.28
505	Huan Yue Interactive Holdings Limited	0.48
637	Lee Kee Holdings Ltd.	0.30
661	China Daye Non-Ferrous Metals Mining Limited	0.37
758	Macrolink Capital Holdings Limited	3.60
769	China Rare Earth Holdings Limited	0.23
803	Prosperity International Holdings (H.K.) Limited	0.14
1080	Shengli Oil & Gas Pipe Holdings Limited	0.23
1104	APAC Resources Limited	0.32
1116	Mayer Holdings Limited	1.36
1152	Momentum Financial Holdings Limited	2.24
1164	CGN Mining Company Limited	0.88
1203	Guangnan (Holdings) Limited	0.31
2302	CNNC International Limited	2.45
3313	ArtGo Holdings Limited	0.29
		Maximum 3.60
		Minimum 0.14
		Median 0.34
		Average 0.89

The P/B ratios of most Comparable Companies are lower than one time, which indicates that the Comparable Companies are traded at various discounts to their net asset values. Therefore, the Board considers that the consideration of HK\$205,996,553.70 is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Conditions

Completion of the Proposed Restructuring is conditional upon:

- (i) the approval from the Independent Shareholders of the Sale and Purchase Agreement and the transactions contemplated thereunder at the GM in accordance with the Listing Rules, and such approval remaining valid and effective;

LETTER FROM THE BOARD

- (ii) the approval from Shougang Group of the Sale and Purchase Agreement and the transactions contemplated thereunder which has been granted by Shougang Group prior to the date of the Sale and Purchase Agreement remaining valid and effective and not having been revoked by Shougang Group; and
- (iii) the waiver from the obligation to make a mandatory general offer for the shares of Shougang Century not already owned or agreed to be acquired by Shougang Holding under Rule 26.1 of the Takeovers Code as a result of the transactions contemplated under the Sale and Purchase Agreement which has been granted by the Executive to Shougang Holding prior to the date of the Sale and Purchase Agreement remaining valid and effective and not having been revoked by the Executive.

None of the conditions can be waived. If any of the conditions is not satisfied on or before the Long Stop Date, the Company or Shougang Holding may (by notice in writing to the other party) terminate the Sale and Purchase Agreement, whereupon the Sale and Purchase Agreement (other than certain surviving provisions) shall terminate with immediate effect and neither party shall have any claim against the other in respect of the Sale and Purchase Agreement save for any rights accrued by the parties prior to termination.

Completion

Completion of the Proposed Restructuring will take place on the second business day following the date on which the conditions set out in the Sale and Purchase Agreement have been satisfied or on such other date as may be agreed between the Company and Shougang Holding.

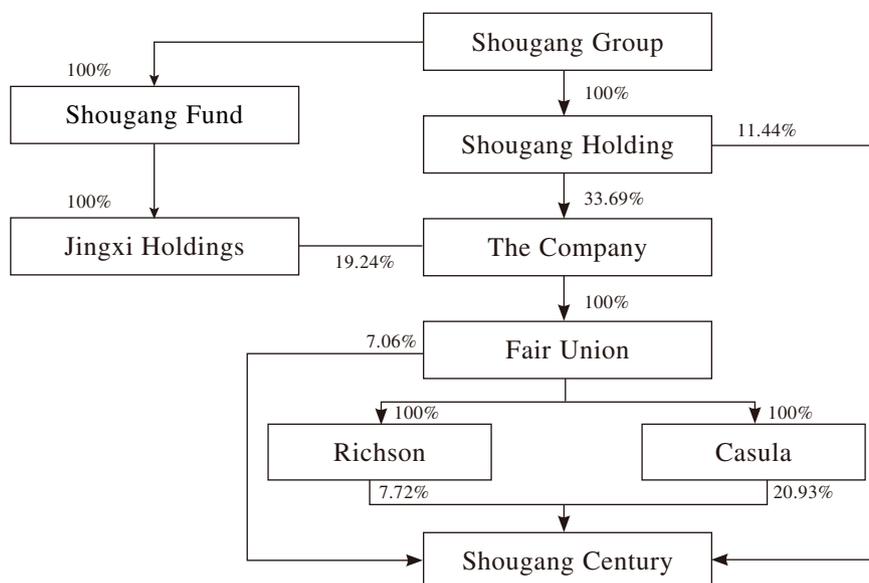
Upon completion of the Proposed Restructuring, the Company will cease to have any shareholding interest in Shougang Century.

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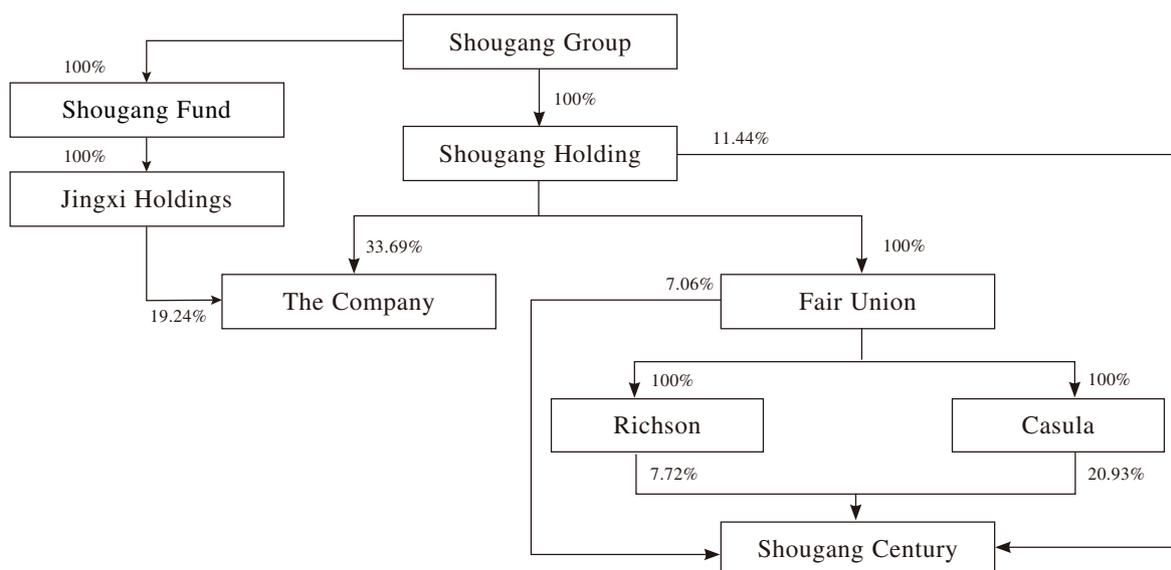
Shareholding Structures Before and After the Completion of the Proposed Restructuring

The simplified shareholding structures of the Company, Fair Union, Casula, Richson and Shougang Century immediately before and after the completion of the Proposed Restructuring are set out below:

Immediately before completion of the Proposed Restructuring



Immediately after completion of the Proposed Restructuring



LETTER FROM THE BOARD

Reasons for and Benefits of the Proposed Restructuring

The Proposed Restructuring is a strategic move of the Group to align with the business development strategy of the Group. As the Group's iron ore trading business has been encountering increasing difficulties, the Group has adjusted its business model according to market conditions, and started to use hedging tools such as iron ore future/swap to reduce the risks exposed to its iron ore trading business. The Group expects that the prospects of its iron ore trading business will remain challenging, and has decided to strictly control the risks of iron ore trading and gradually reduce the revenue from iron ore trading as well as the volume of iron ore transaction.

Since 2018, the Group has shifted its business focus to the management and operations of car parking assets and the management of private funds that are oriented towards urban redevelopment. The Group plans to devote resources in developing its business of management and operations of car parking assets, and adhere to the principle of "key cities, prime locations and quality parking spaces", while focusing on segment markets such as airports, hospitals, shopping malls, office buildings and roadside to source high-quality and high-return operational projects. The Group further expanded its business of management and operations of car parking assets by acquiring the entire equity interest in Urban Parking (Beijing) Limited (富城(北京)停車管理有限公司), which, together with its subsidiaries, is principally engaged in the provision of car parking management services in Beijing, Shanghai and Chongqing.

The Group commenced its private fund management business through the acquisition of Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd. (京冀協同發展示範區(唐山)基金管理有限公司) in late 2017. The Group plans to continue focusing on the management of private funds that are oriented towards urban redevelopment, including but not limited to the renovation of old industry parks and car parking infrastructure. The Group expects that in the foreseeable future, the management fee income and investment returns from the provision of private fund management services will achieve sustainable and rapid growth.

Therefore, the business development of the Group and the existing business of Shougang Century and its subsidiaries (being the manufacturing of steel cords and processing and trading of copper and brass products) are not complementary from a strategic perspective. The Company's management considers that the Proposed Restructuring can facilitate the Group with utilising its resources to optimise its principal business structure.

As at the Latest Practicable Date, the Company holds investments in two associates (as defined under the Hong Kong Financial Reporting Standards) whose shares are listed on the Stock Exchange, namely Shougang Century and Shougang Fushan Resources Group Limited ("**Shougang Resources**"). As Shougang Resources has regularly paid dividends to the Group in the recent years, the Company has no specific plans towards it as at the Latest Practicable Date.

As a result of the Proposed Restructuring, the Group is expected to recognise an unaudited loss of approximately HK\$232,738,296, being the difference between the consideration and the carrying value of the Sale Share held by the Group as at 31 December 2017.

LETTER FROM THE BOARD

The Group intends to use the proceeds of the Proposed Restructuring in the following manners:

- (i) approximately 60% will be used as general working capital of the Group. With the business expansion of the Group and the increase in the number of car parks acquired and funds set up, the Group's employee headcount has also increased, which, coupled with the general trend of rising salaries in China, makes the Group's salary expenses one of the major components of the Group's operating expenses. Therefore, it is important that the Group has sufficient working capital to support its business expansion;
- (ii) approximately 20% will be used to finance the Group's existing business expansion, in particular its business of management and operations of car parking assets, and its business of management of private funds that are oriented towards urban redevelopment. In relation to the car parking facility projects that are in the Group's pipeline, the Group expects the liquidity demand to be in the range of approximately RMB650.0 million (equivalent to approximately HK\$730.0 million). In relation to its private fund management business, the Group has been actively looking for investment and acquisition opportunities to further supplement its operational capacity, although as at the Latest Practicable Date, the Group has not entered into any finalised agreements or memorandum of understanding in this regard. The Company will make announcement(s) if and when any investments and acquisitions are implemented as necessary in compliance with the relevant requirements of the Listing Rules; and
- (iii) approximately 20% will be used to fund other potential investments by the Group in the future. The Group plans to build up its war chest for future investments and acquisitions that are in line with its business development strategy to increase value for the Shareholders. As at the Latest Practicable Date, save as disclosed above, the Group has no finalised or definitive understandings, commitments or agreements for investment or acquisition, and has not engaged in any related negotiations.

At the Board meeting approving the Sale and Purchase Agreement, the executive Directors, namely Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi, by virtue of their connection with Shougang Group, have abstained from voting in respect of the resolutions proposed to approve the Proposed Restructuring.

The other Directors (excluding the members of the Independent Board Committee who will form their view after receiving advice from the Independent Financial Adviser) consider that the Sale and Purchase Agreement is on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Grant of Waiver

The Proposed Restructuring may lead to a general offer for the shares of Shougang Century under the Takeovers Code unless otherwise waived by the Executive. As informed by Shougang Holding, (i) Shougang Holding applied to the Executive for a waiver to dispense with its obligation to make a mandatory general offer for the shares of Shougang Century not already owned or agreed

LETTER FROM THE BOARD

to be acquired by it pursuant to Rule 26.1 of the Takeovers Code as a result of the Proposed Restructuring; and (ii) the said waiver was granted by the Executive pursuant to Note 6(a) to Rule 26.1 of the Takeovers Code on 2 November 2018.

Information on Shougang Century

Shougang Century is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange. Shougang Century is an investment holding company and its subsidiaries are principally engaged in the manufacturing of steel cord and the processing and trading of copper and brass products.

According to the annual report of Shougang Century for the year ended 31 December 2017, the audited consolidated financial results of Shougang Century and its subsidiaries for the two years ended 31 December 2017 are as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
	<i>HK\$</i>	<i>HK\$</i>
Profit/(loss) before tax	(75,213,000)	5,937,000
Profit/(loss) after tax	(68,518,000)	10,103,000

According to the interim report of Shougang Century for the six months ended 30 June 2018, as at 30 June 2018, the unaudited consolidated net asset value of Shougang Century and its subsidiaries was approximately HK\$1,370,819,000.

Information on Fair Union and Shougang Holding

Fair Union is a company incorporated in the British Virgin Islands and subsequently re-domiciled to Samoa and its principal business is investment holding. Fair Union holds, directly and indirectly, approximately 35.71% in aggregate of the entire issued share capital of Shougang Century as at the Latest Practicable Date. Other than this, Fair Union does not have any other investment holding. Other than an amount due to the Company which will be capitalised prior to the completion of the Proposed Restructuring, the shareholding in Shougang Century represents all assets and liabilities of Fair Union in all material aspects. Fair Union is a wholly-owned subsidiary of the Company.

Shougang Holding is a company incorporated in Hong Kong with limited liability and its principal business is investment holding. Shougang Holding is a controlling shareholder of the Company.

Implications under the Listing Rules

Shougang Holding is a connected person of the Company under the Listing Rules by virtue of being a controlling shareholder of the Company. The Proposed Restructuring therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Proposed Restructuring exceed 5% but are less than 25%, the

LETTER FROM THE BOARD

Proposed Restructuring constitutes a discloseable and connected transaction for the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

The GM will be convened for Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Only Independent Shareholders will be entitled to vote at the GM on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. Shougang Holding and its associates, which together own and control approximately 52.93% of the issued Shares as at the Latest Practicable Date, will be required to abstain from voting on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder. A letter from the Independent Board Committee is set out on page 19 of this circular.

Lego Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A letter from the Independent Financial Adviser is set out on pages 20 to 40 of this circular.

GM

The GM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Proposed Restructuring, the Sale and Purchase Agreement and the transactions contemplated thereunder.

A notice convening the GM to be held at 9:30 a.m. on Wednesday, 27 March 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for use by the Shareholders at the GM is enclosed herewith. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM (i.e., at or before 9:30 a.m. on Monday, 25 March 2019 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure that the chairman of the GM shall demand voting on the resolution set out in the notice of GM be taken by way of poll.

LETTER FROM THE BOARD

Recommendation

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Advisor set out on pages 20 to 40 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular, but excluding Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi (who, by virtue of their connection with Shougang Group, have abstained from voting in respect of the resolution proposed to approve the Sale and Purchase Agreement) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the GM.

Additional Information

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

2 January 2019

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 2 January 2019 (the “Circular”), to which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder as set out on pages 20 to 40 of the Circular and the letter from the Board set out on pages 4 to 18 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and entry into the Sale and Purchase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the GM.

Yours faithfully,
Independent Board Committee
Dr. Wang Xin
Mr. Choi Fan Keung Vic
Mr. Deng Yougao
Ms. Zhang Quanling
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



2 January 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED RESTRUCTURING

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Restructuring, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 2 January 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 21 November 2018, the Company entered into the Sale and Purchase Agreement with Shougang Holding, pursuant to which the Company has conditionally agreed to sell, and Shougang Holding has conditionally agreed to purchase, the Sale Share, being the one ordinary share of Fair Union, which represents the entire issued share capital of Fair Union as at the Latest Practicable Date, at a consideration of HK\$205,996,553.70. Fair Union holds, directly and indirectly, approximately 35.71% in aggregate of the entire issued share capital of Shougang Century as at the Latest Practicable Date.

Upon completion of the Proposed Restructuring, the Company will cease to have any shareholding interest in Shougang Century.

Shougang Holding is a connected person of the Company under the Listing Rules by virtue of being a controlling shareholder of the Company. The Proposed Restructuring therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Proposed Restructuring exceed 5% but are less than 25%, the Proposed Restructuring constitutes a discloseable and connected transaction for the Company and is subject to the announcement, reporting and independent shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao and Ms. Zhang Quanling, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (including the Proposed Restructuring) is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and whether the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the GM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or Shougang Holding, or close associate or core connected person of the Company or any party to the Sale and Purchase Agreement that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, Lego Corporate Finance Limited had acted as independent financial adviser to the Company in relation to (i) the connected transactions involving the connected subscriptions, and the entering into of the fund subscription agreement and partnership agreement; (ii) the framework agreement in relation to formation of funds; and (iii) connected transaction involving issue of consideration shares under specific mandate and continuing connected transactions, details of which were disclosed in the circulars of the Company dated 27 August 2018, 29 August 2018 and 28 November 2018, respectively. Apart from normal professional fees paid or payable to us in connection with the aforementioned appointments and this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Given that remuneration for our engagement to opine on the Sale and Purchase Agreement and the transactions contemplated thereunder is on normal commercial terms and not conditional upon successful passing of the resolution at the GM, we are independent of the Company. Based on the foregoing and notwithstanding we had acted as independent financial adviser to the Company in the last two years, we are qualified to give independent advice in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder as described above.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the GM and the Shareholders will be notified of any material changes to such information and representations as soon as possible in accordance with Rule 13.80 of the Listing Rules until the GM. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the GM.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, Shougang Century, Shougang Holding, Fair Union, or any of their respective subsidiaries and associates (as defined under the Listing Rules).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Proposed Restructuring, we have considered the following principal factors and reasons:

1. Background of the Group, Shougang Century, Fair Union and Shougang Holding

The Company and the Group

The Company is incorporated in Hong Kong with limited liability, and the Shares have been listed on the Stock Exchange since 30 April 1991.

As at the Latest Practicable Date, the Group mainly focuses on the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment.

Shougang Century

Shougang Century is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange. Shougang Century is an investment holding company and its subsidiaries are principally engaged in the manufacturing of steel cord and the processing and trading of copper and brass products.

Fair Union

Fair Union is a company incorporated in the British Virgin Islands and subsequently re-domiciled to Samoa and its principal business is investment holding. Fair Union holds, directly and indirectly, approximately 35.71% in aggregate of the entire issued share capital of Shougang Century as at the Latest Practicable Date. Other than this, Fair Union does not have any other investment. Fair Union is a wholly-owned subsidiary of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

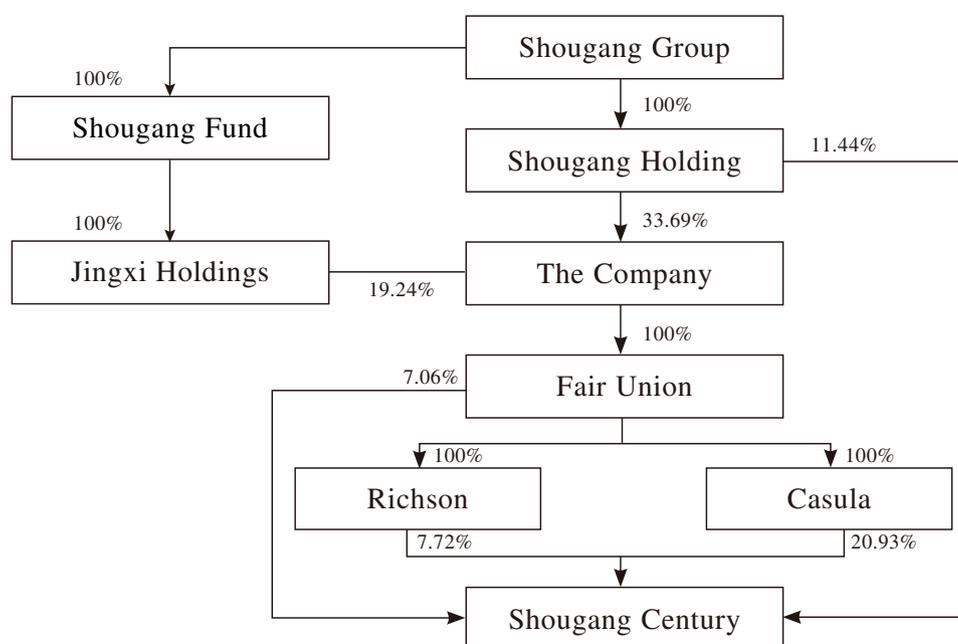
Shougang Holding

Shougang Holding is a company incorporated in Hong Kong with limited liability and its principal business is investment holding. Shougang Holding is the controlling shareholder of the Company.

Shareholding structures before and after the completion of the proposed restructuring

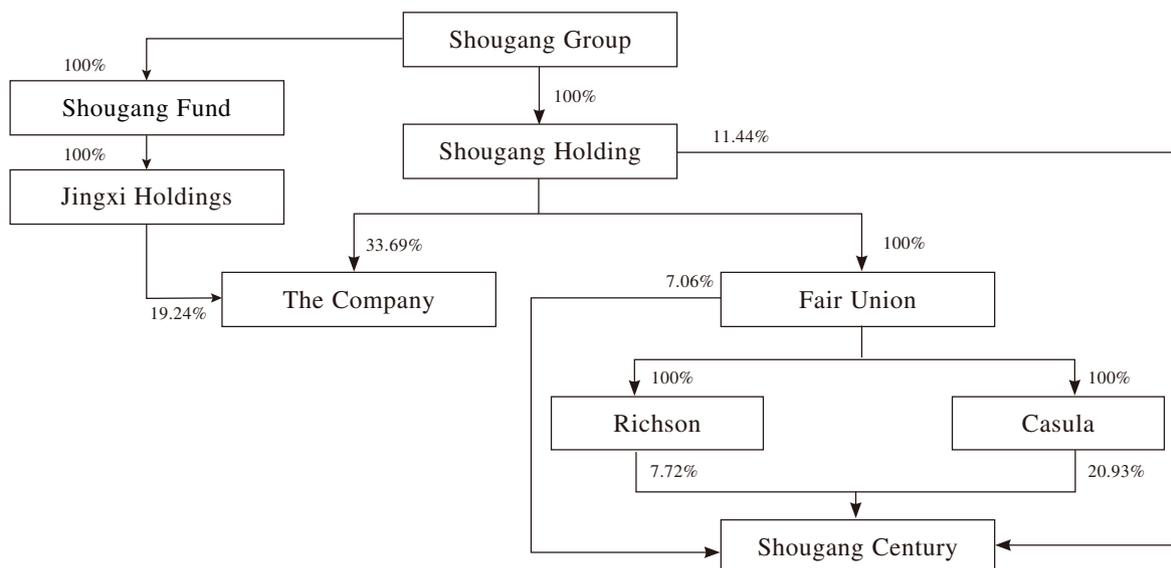
The simplified shareholding structures of the Company, Fair Union, Casula, Richson and Shougang Century immediately before and after the completion of the Proposed Restructuring are set out below:

Immediately before completion of the Proposed Restructuring



LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Immediately after completion of the Proposed Restructuring



2. Information of Shougang Century

Financial information of Shougang Century

The following tables summarised the key consolidated financial information of Shougang Century for the years ended 31 December 2016 (“**FY2016**”) and 2017 (“**FY2017**”), and the six months ended 30 June 2017 (“**2017 Interim**”) and 2018 (“**2018 Interim**”) as extracted from the annual report of Shougang Century for the year ended 31 December 2017 (the “**2017 Annual Report**”) and the interim report of Shougang Century for the six months ended 30 June 2018 (the “**2018 Interim Report**”), respectively.

Key items extracted from the consolidated statement of financial position of Shougang Century

	As at 31 December		As at
	2016	2017	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	3,037,042	3,444,076	3,525,512
Total liabilities	1,715,077	2,052,548	2,154,693
Net assets	1,321,965	1,391,528	1,370,819

(Unaudited)

The total assets, total liabilities and total net assets of Shougang Century remained relatively stable as at 31 December 2016, 31 December 2017 and 30 June 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Key items extracted from the consolidated statement of profit or loss of Shougang Century

	For the year ended		For the six months	
	31 December		ended 30 June	
	2016	2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	(Unaudited)
Revenue	1,703,255	2,113,258	979,887	1,142,797
Gross profit	215,414	196,065	124,988	116,547
Profit/(loss) before tax	5,937	(75,213)	27,959	(24,560)
Profit/(loss) for the year/period	10,103	(68,518)	24,372	(22,543)

For FY2017 against FY2016

As illustrated in the table above, revenue of Shougang Century increased by approximately 24.1% from approximately HK\$1,703.3 million for FY2016 to approximately HK\$2,113.3 million for FY2017. As disclosed in the 2017 Annual Report, the steel cord business segment of Shougang Century (the “**Steel Cord Segment**”) sold 173,986 tonnes of steel cord during FY2017, representing an increase of 15.2% as compared to 150,990 tonnes for FY2016. Other steel wire business sold an aggregate of 7,376 tonnes of wire products during FY2017, significantly increased by 69.9 times as compared to 104 tonnes for the previous year. The sales volume of steel cord for all types of tyres recorded a solid growth. In respect of selling price, Shougang Century were able to raise selling price practically across the board, due to the rebound in steel prices, the relief in overcapacity situation of steel cord industry together with the introduction of new products and expansion of exports during FY2017. As such, the average selling price of steel cords for FY2017 increased by approximately 10% as compared to FY2016. The sales volume growth of 15.2% in steel cord and the increase in average selling price of 10% caused the revenue of the Steel Cord Segment increased by approximately 28.5% over FY2016 to approximately HK\$1,805.5 million for FY2017 (FY2016: approximately HK\$1,405.5 million). For FY2017, the copper and brass products business segment (the “**Copper and Brass Products Segment**”) of Shougang Century sold a total of 6,627 tonnes of copper and brass products during FY2017, decreased by 21.9% as compared to 8,482 tonnes for FY2016. Copper price increased during FY2017, in which the 3-month copper price as quoted by the London Metals Exchange recorded an increase of approximately 31% throughout the year. The average selling price of this segment for the year recorded a year-on-year increase of 22.7% as compared to FY2016. The contribution from increased sales price was fully offset by the decline in sale volume. Therefore, the Copper and Brass Products Segment recorded a decrease in revenue of approximately 4.1% as compared to FY2016 to approximately HK\$305.4 million for FY2017 (FY2016: approximately HK\$318.4 million).

As further disclosed in the 2017 Annual Report, cost of sales of the Steel Cord Segment increased substantially by approximately 34.7% to approximately HK\$1,619.0 million for FY2017 (FY2016: approximately HK\$1,201.9 million), which was driven by the significant corresponding increase of 15.2% in tonnage and the sharply rising price of major raw materials, wire rod. The rising wire rod prices especially in the second half of FY2017 resulted in the increase in costs of production of steel cord in the year and the average unit cost of production of steel cord increased by approximately 16% as compared to FY2016. Therefore, despite revenue increased by 28.5% as

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compared with FY2016, gross profit of the Steel Cord Segment recorded a decrease of 8.4% as compared to FY2016 to approximately HK\$186.5 million for FY2017 (FY2016: approximately HK\$203.6 million). The decrease was mainly attributable to the increase in cost of sales of 34.7% as compared to FY2016 and therefore gross profit margin dropped from 14.5% in FY2016 to 10.3% for FY2017. For the Copper and Brass Products Segment, attributable to the reduced sale volume and higher unit cost of sales, segment gross profit recorded a significant decrease of approximately 27.6% over FY2016 to approximately HK\$7.4 million for FY2017 (FY2016: approximately HK\$10.2 million). Segment gross profit margin decreased by 0.8 percentage point from approximately 3.2% for FY2016 to approximately 2.4% for FY2017.

Given the above reasons, despite Shougang Century recorded an increase in revenue in FY2017 as compared to FY2016, it recorded net loss for FY2017 of approximately HK\$68.5 million, as compared to that of FY2016 of net profit of approximately HK\$10.1 million.

For 2018 Interim against 2017 Interim

As illustrated in the table above, revenue of Shougang Century increased by approximately 16.6% from approximately HK\$979.9 million for 2017 Interim to approximately HK\$1,142.8 million for 2018 Interim. As disclosed in the 2018 Interim Report, the Steel Cord Segment sold 85,274 tonnes of steel cord during 2018 Interim, increased by approximately 9.7% as compared to 77,700 tonnes in the same period last year. The sales volume of steel cord for all types of tyres recorded growth. In respect of sales mix, there was no significant change during 2018 Interim, the proportion of sales of steel cord for truck tyres accounted for 65.6% of total sales volume of steel cord for 2018 Interim, decreased by 0.5 percentage point as compared to 2017 Interim, but still remained the largest share of sales of steel cord of Shougang Century. In respect of selling price, Shougang Century were able to raise selling price to a certain extent to partially offset the increase in the cost of wire rod during 2018 Interim. The average selling price of steel cord for 2018 Interim increased by approximately 2.6% as compared to 2017 Interim. The overall sales volume growth of 9.7% in steel cord and the increase in average selling price of 2.6% were recorded, in addition to sawing wire products and other steel wires growth of 94.3% were achieved, together lead to revenue of this segment increased by 25.4% over 2017 Interim to approximately HK\$1,022.8 million for 2018 Interim (2017 Interim: approximately HK\$815.7 million). The Copper and Brass Products Segment sold 2,258 tonnes of copper and brass products during 2018 Interim, decreased by 39.5% as compared to 3,733 tonnes for 2017 Interim. Copper price recorded a rise during the first half year, in which the 3-month copper price as quoted by the London Metals Exchange recorded an increase of approximately 20.4% throughout 2018 Interim as compared to 2017 Interim. The average selling price of the Copper and Brass Products Segment for 2018 Interim recorded a year-on-year increase of 20.8% as compared to 2017 Interim. The contribution from increased selling price was partly offset by the decrease in sales volume. Therefore, the Copper and Brass Products Segment recorded a decrease in revenue of 27.0% as compared to 2017 Interim to approximately HK\$119.0 million for 2018 Interim (2017 Interim: approximately HK\$163.1 million).

As further disclosed in the 2018 Interim Report, cost of sales of Steel Cord Segment significantly increased by 30.8% to approximately HK\$909.0 million for 2018 Interim (2017 Interim: approximately HK\$695.1 million), which was higher than the revenue growth of 25.4%. Certain non-raw material costs that constitute part of cost of sales could not decrease in direct proportion to the unexpected decrease in sales volume and turnover in latter half of first quarter and

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early part of second quarter in 2018. Cost of major raw materials, wire rod, increased for 2018 Interim, and was partly offset by lower average unit cost of production (excluding raw materials) driven by the higher capacity utilisation of Shougang Century's two manufacturing plants. Hence, the average unit cost of production of steel cord only increased by approximately 5.7% as compared to same period last year. Accordingly, gross profit of the Steel Cord Segment decreased by approximately 5.6% over 2017 Interim to approximately HK\$113.8 million for 2018 Interim (2017 Interim: approximately HK\$120.6 million). Gross profit margin reduced from approximately 14.8% in 2017 Interim to approximately 11.1% for 2018 Interim. For the Copper and Brass Products Segment, in addition to segment revenue decreased by approximately 27.0% as compared to 2017 Interim, segment gross profit recorded a decrease of 48.1% as compared to 2017 Interim to approximately HK\$1.7 million for 2018 Interim (2017 Interim: approximately HK\$3.4 million). Segment gross profit margin dropped by 0.6 percentage point from approximately 2.1% of 2017 Interim to approximately 1.5% for 2018 Interim. Overall, gross profit of Shougang Century decreased by approximately 6.8% over 2017 Interim to approximately HK\$116.5 million for 2018 Interim (2017 Interim: approximately HK\$125.0 million), which was mainly due to the decrease of gross profit of Steel Cord Segment from lower sales volume in latter half of first quarter and early part of second quarter in 2018. Gross profit margin of Shougang Century also decreased by 2.6 percentage points to approximately 10.2% for 2018 Interim as compared to 2017 Interim.

Given the above reasons, despite Shougang Century recorded an increase in revenue in 2018 Interim as compared to 2017 Interim, it recorded net loss for 2018 Interim of approximately HK\$22.5 million, as compared to that of 2017 Interim of net profit of approximately HK\$24.4 million.

Industrial information

As disclosed in 2018 Interim Report, the PRC recorded a decline in the second-quarter GDP economic growth of 6.7%, slightly lower than 6.8% in the first quarter of 2018 and previous year at 6.9% amid escalating trade tensions between the PRC and the U.S.

The Sino-US trade debacle has weighed on sentiment, particularly the property market and fixed asset investment growth for the first half of 2018, while industrial output for June matched the slowest growth rate in over two years at 6.0%. The sentiment of industrial sectors was also affected during the first half year; these brought along the slowdown in demand for radial tyres from the automobile and transportation sectors and in return lowered the demand for steel cord in the latter half of first quarter and early part of second quarter of 2018.

As disclosed in the 2017 Annual report, according to the information from China Association of Automobile Manufacturers, the production of new vehicles amounted to 29 million units in 2017, represented an annual growth of 3.2% over that of the previous year, as compared to a 14.5% growth in 2015 to 2016. During 2017, the production volume of passenger cars increased by 1.6% over the previous year; whereas the production volume of commercial vehicles increased by 13.8% over the previous year. In addition, based on the information from the Tyre Branch of China Rubber Industry Association, the production of radial tyres amounted to approximately 613 million units in 2017, increased by 8.5% as compared to 565 million units produced in the previous year.

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The table below sets out the production of new vehicles during 2013 to 2017 and the ten months ended 31 October 2018 as extracted from the website of China Association of Automobile Manufacturers (<http://www.caam.org.cn>):

	Production for new vehicles (in million)
2013	22.0
2014	23.7
2015	24.5
2016	28.1
2017	29.0
Ten months ended 31 October 2018	22.8

According to the website of MarkLines (<https://www.marklines.com>, a marketing and information resource for firms in the global automotive industry), estimated new vehicle demand for 2018 (calculated as wholesale minus exports of finished vehicles then add imports of finished vehicles) is 29.9 million vehicles. Sales of passenger vehicles are expected to see a year-over-year increase of 3%, while the sales of commercial vehicles are expected to see a year-over-year increase of 1%.

In view of the above, we considered that the industry which Shougang Century is operating in is generally under a positive trend. Nevertheless, given the loss making result of Shougang Century for the year ended 31 December 2017 and the six months ended 30 June 2018 under a generally positive market condition, we consider there remains uncertainty on Shougang Century's future prospect and its financial performance.

3. Reasons for and benefits of the Proposed Restructuring

As disclosed in the Letter from the Board, the Proposed Restructuring is a strategic move of the Group to align with the business development strategy of the Group. As the Group's iron ore trading business has been encountering increasing difficulties, the Group has adjusted its business model according to market conditions, and started to use hedging tools such as iron ore future/swap to reduce the risks exposed to its iron ore trading business. The Group expects that the prospects of its iron ore trading business will remain challenging, and has decided to strictly control the risks of iron ore trading and gradually reduce the revenue from iron ore trading as well as the volume of iron ore transaction.

Since 2018, the Group has shifted its business focus to the management and operations of car parking assets and the management of private funds that are oriented towards urban redevelopment. The Group plans to devote resources in developing its business of management and operations of car parking assets, and adhere to the principle of "key cities, prime locations and quality parking spaces", while focusing on segment markets such as airports, hospitals, shopping malls, office buildings and roadside to source high-quality and high-return operational projects. The Group further expanded its business of management and operations of car parking assets by acquiring the entire equity interest in Urban Parking

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(Beijing) Limited (富城(北京)停車管理有限公司, “**Fucheng**”), which, together with its subsidiaries, is principally engaged in the provision of car parking management services in Beijing, Shanghai and Chongqing.

The Group commenced its private fund management business through the acquisition of Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd. (京冀協同發展示範區(唐山)基金管理有限公司, “**Jingji**”) in late 2017. The Group plans to continue focusing on the management of private funds that are oriented towards urban redevelopment, including but not limited to the renovation of old industry parks and car parking infrastructure. The Group expects that in the foreseeable future, the management fee income and investment returns from the provision of private fund management services will achieve sustainable and rapid growth.

Therefore, the business development of the Group and the existing business of Shougang Century and its subsidiaries (being the manufacturing of steel cords and processing and trading of copper and brass products) are not complementary from a strategic perspective. The Company’s management considers that the Proposed Restructuring can facilitate the Group with utilising its resources to optimise its principal business structure.

As disclosed in the Letter from the Board, at the Latest Practicable Date, the Company holds investments in two associates (as defined under the Hong Kong Financial Reporting Standards) whose shares are listed on the Stock Exchange, namely Shougang Century and Shougang Fushan Resources Group Limited (“**Shougang Resources**”). As Shougang Resources has regularly paid dividends to the Group in the recent years, the Company has no specific plans towards it as at the Latest Practicable Date.

As a result of the Proposed Restructuring, the Group is expected to recognise an unaudited loss of approximately HK\$232.7 million, being the difference between the consideration and the carrying value of the Shougang Century shares held by the Group as at 31 December 2017.

As disclosed in the Letter from the Board, the Group intends to use the proceeds of the Proposed Restructuring in the following manners:

- (i) approximately 60% will be used as general working capital of the Group. With the business expansion of the Group and the increase in the number of car parks acquired and funds set up, the Group’s employee headcount has also increased, which, coupled with the general trend of rising salaries in China, makes the Group’s salary expenses one of the major components of the Group’s operating expenses. Therefore, it is important that the Group has sufficient working capital to support its business expansion;
- (ii) approximately 20% will be used to finance the Group’s existing business expansion, in particular its business of management and operations of car parking assets, and its business of management of private funds that are oriented towards urban redevelopment. In relation to the car parking facility projects that are in the Group’s pipeline, the Group expects the liquidity demand to be in the range of approximately RMB650.0 million (equivalent to approximately HK\$730.0 million). In relation to its private fund management business, the Group has been actively looking for investment and acquisition opportunities to further supplement its operational capacity, although as at the Latest Practicable Date, the Group has not entered

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into any finalised agreements or memorandum of understanding in this regard. The Company will make announcement(s) if and when any investments and acquisitions are implemented as necessary in compliance with the relevant requirements of the Listing Rules; and

- (iii) approximately 20% will be used to fund other potential investments by the Group in the future. The Group plans to build up its war chest for future investments and acquisitions that are in line with its business development strategy to increase value for the Shareholders. As at the Latest Practicable Date, save as disclosed above, the Group has no finalised or definitive understandings, commitments or agreements for investment or acquisition, and has not engaged in any related negotiations.

As advised by the management of the Group, the Group is currently focusing on developing its car park business and private fund management business, and has acquired 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.), Jingji and Fucheng in this regard. The Group will require more working capital to implement its business strategies and support the continuous expansion and operation of the businesses. As disclosed in the interim report of the Company for the six months ended 30 June 2018 (the “**Company’s 2018 Interim Report**”), the unaudited administrative expenses of the Group for the six months ended 30 June 2018 amounted to approximately HK\$65.5 million, representing an increase of approximately HK\$45.8 million as compared that for the six months ended 30 June 2017 of approximately HK\$19.7 million. As advised by the management of the Group, such increase was mainly due to the increase in operating costs following its expansion to the management and operations of car parking assets and the management of private funds that are oriented towards urban development.

We have discussed with the management of the Group and reviewed the management schedule of the carrying value of the shares of Shougang Century held by the Group. We noted that the Group purchased shares of Shougang Century during 1993 till 2008 with an average price of approximately HK\$0.99 per share of Shougang Century, which represents a premium of approximately 441.0% over the closing price of the Shougang Century shares as at the date of the Sale and Purchase Agreement. For more detailed analysis with respect to the price of Shougang Century shares, please refer to the section headed “5. Basis of determination of the Consideration – Historical performance of stock price of Shougang Century shares” in this letter. Meanwhile, despite that the Group is expected to recognise an unaudited loss of approximately HK\$232.7 million as a result of the Proposed Restructuring, the Consideration for the Sale Share, which is equivalent to HK\$0.30 per Shougang Century share, still represents a premium of approximately 63.9% over the closing price of Shougang Century shares as at the date of the Sale and Purchase Agreement.

After discussion with the management of the Group in respect of the aforesaid reasons for the Proposed Restructuring, taking into account that (i) the business of Shougang Century is not complementary with that of the Group from a strategic perspective considering that the current business strategy of the Group is to focus on expanding its key businesses including management and operations of car parking assets and the management of private funds that are oriented towards urban development; (ii) the Proposed Restructuring, including the net proceeds from it, can facilitate the Group with utilising its resources for the significant increase in operating expenses and to expand its existing key businesses which is in line with the business strategies of the Group;

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and (iii) the Consideration represents a premium over the prevailing market price of Shougang Century shares, we concur with the view of the Directors that the Proposed Reorganisation is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Sale and Purchase Agreement

Sale and Purchase Agreement

Date: 21 November 2018

Parties: The Company as the seller and Shougang Holding as the purchaser

Consideration

The Consideration of HK\$205,996,553.70 was agreed after arms' length negotiations between the parties. The Consideration of HK\$205,996,553.70 reflects an indirect transfer of 686,655,179 shares of Shougang Century at a consideration of HK\$0.30 per share of Shougang Century, representing a premium of approximately 63.9% to the closing price of HK\$0.183 per share of Shougang Century as quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement and a premium of approximately 65.7% to the closing price of HK\$0.181 per share of Shougang Century as quoted on the Stock Exchange as at the Latest Practicable Date. The Consideration is to be settled by way of cash on completion of the Proposed Restructuring.

For detailed analysis with respect to the basis to determine the Consideration, please refer to the section headed "5. Basis of determination of the Consideration" in this letter.

Conditions

Completion of the Proposed Restructuring is conditional upon:

- (i) the approval from the Independent Shareholders of the Sale and Purchase Agreement and the transactions contemplated thereunder at the GM in accordance with the Listing Rules, and such approval remaining valid and effective;
- (ii) the approval from Shougang Group of the Sale and Purchase Agreement and the transactions contemplated thereunder which has been granted by Shougang Group prior to the date of the Sale and Purchase Agreement remaining valid and effective and not having been revoked by Shougang Group; and
- (iii) the waiver from the obligation to make a mandatory general offer for the shares of Shougang Century not already owned or agreed to be acquired by Shougang Holding under Rule 26.1 of the Takeovers Code as a result of the transactions contemplated under the Sale and Purchase Agreement which has been granted by the Executive to Shougang Holding prior to the date of the Sale and Purchase Agreement remaining valid and effective and not having been revoked by the Executive.

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None of the conditions can be waived. If any of the conditions is not satisfied on or before the Long Stop Date, the Company or Shougang Holding may (by notice in writing to the other party) terminate the Sale and Purchase Agreement, whereupon the Sale and Purchase Agreement (other than certain surviving provisions) shall terminate with immediate effect and neither party shall have any claim against the other in respect of the Sale and Purchase Agreement save for any rights accrued by the parties prior to termination.

Completion

Completion of the Proposed Restructuring will take place on the second business day following the date on which the conditions set out in the Sale and Purchase Agreement have been satisfied or on such other date as may be agreed between the Company and Shougang Holding.

Upon completion of the Proposed Restructuring, the Company will cease to have any shareholding interest in Shougang Century.

We have reviewed the terms of the Sale and Purchase Agreement and consider such terms are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

5. Basis of determination of the Consideration

Historical performance of stock price of Shougang Century shares

In assessing the fairness and reasonableness of the Consideration, we have assessed the daily closing price of the Shougang Century shares during the period commencing from 21 November 2008 (being ten years before the date of the Sale and Purchase Agreement) up to and including the Latest Practicable Date (the “**Review Period**”), to illustrate the historical trading performance of the Shougang Century shares. The historical closing price of the Shougang Century shares during the Review Period is illustrated as follows:



Source: Yahoo finance (<https://hk.finance.yahoo.com>)

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As set out in the chart above, during the Review Period, the stock price of Shougang Century shares was fluctuated but recorded a decreasing trend in general with the lowest closing price per Shougang Century share at HK\$0.133 on 12 October 2018 and the highest closing price per Shougang Century share at HK\$1.120 on 15 April 2010, with an average daily closing price per Share of approximately HK\$0.412.

It is noted that the Consideration, which equivalent to HK\$0.30 per Shougang Century share, (i) represents a premium of approximately 125.6% over the lowest daily closing price during the Review Period; and (ii) higher than the closing price of Shougang Century share since 18 April 2017.

The consideration of HK\$0.30 per Shougang Century share represents:

- (i) a premium of approximately 63.9% to the closing price of HK\$0.183 per Shougang Century share as at the date of the Sale and Purchase Agreement;
- (ii) a premium of approximately 77.5% to the average closing price of approximately HK\$0.169 per Shougang Century share as quoted on the Stock Exchange for the five consecutive trading days up to and including the date of the Sale and Purchase Agreement;
- (iii) a premium of approximately 94.8% to the average closing price of approximately HK\$0.154 per Shougang Century share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the date of the Sale and Purchase Agreement;
- (iv) a premium of approximately 49.3% to the average closing price of approximately HK\$0.201 per Shougang Century share as quoted on the Stock Exchange for the one year up to and including the date of the Sale and Purchase Agreement; and
- (v) a discount of approximately 57.9% to the unaudited consolidated net asset value per Shougang Century share attributable to equity holders of Shougang Century of approximately HK\$0.713 as at 30 June 2018.

Comparable analysis

In addition to above, given that Shougang Century is principally engaged in the manufacturing of steel cord and the processing and trading of copper and brass products and was loss making, we have independently searched for comparable companies listed on the Stock Exchange that are principally engaged in processing and trading of metal related products with market capitalisation below HK\$2,000 million (taken into account that the market capitalisation of Shougang Century is approximately HK\$576.9 million as implied by the Consideration), which is considered to be comparable to that of Shougang Century and positive net asset value in the respective latest published financial statements (the “**Comparable Companies**”), and compared the price to net asset value ratio (the “**P/B ratio**”) with that of the Consideration in order to evaluate the fairness and reasonableness of the Consideration. To the best of our knowledge and as far as we are aware of, we have identified 16 Comparable Companies, which we consider to be exhaustive and complete, and set out in the table below the pricing multiples of each of the Comparable Companies based on their market capitalisation as at the Latest Practicable Date and their latest published financial information.

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Stock Code	Company name	Principal activities	Market capitalisation (in HK\$ million)	Net asset value (in HK\$ million) (Note 1)	P/B ratio (times) (Notes 1,2)
24	Burwill Holdings Limited	The company operates through three segments, including steel trading, steel processing and mineral resources. Steel trading segment is engaged in the procurement and sales of steel products and raw materials, such as imported iron ore, cast iron, steel scraps and steel billets. Steel Processing segment is engaged in steel processing, as well as the provision of warehousing and logistics services. Mineral Resources segment is engaged in mining businesses.	763.3	992.0	0.77
235	China Strategic Holdings Ltd.	The company operates through three segments, including investment in securities, trading of metal minerals and electronic components, as well as money lending. The company's subsidiaries include china strategic management limited, china strategic metal and minerals limited, first pacific finance limited and rich crown investments limited, among others.	934.3	3,382.0	0.28
505	Huan Yue Interactive Holdings Limited	The company is a Hong Kong-based investment holding company principally engaged in copper products business. Its main business includes the manufacture and sales of high precision copper plates and strips, the trading of raw materials and the provision of processing services. It mainly operates its business in China. The Company is also involved in the provision of property services through its subsidiaries.	607.4	1,258.1	0.48
637	Lee Kee Holdings Ltd.	The company principally engaged in the trading of metal products. The main businesses of the Company include the trading of zinc, zinc alloy, nickel, nickel-related products, aluminum, aluminum alloy, stainless steel and other electroplating chemical products. The Company operates through two geographical segments, including Hong Kong and Mainland China. The Company is also engaged in the provision of technical consultancy services and management services through its subsidiaries.	331.5	1,110.0	0.30
661	China Daye Non-Ferrous Metals Mining Limited	The company engaged in the sales of metal products. It mainly sells copper cathodes, copper products, gold and gold products, silver and silver products, sulphuric acid, sulphuric concentrate and iron ores, among others. It also provides copper processing services. The Company operates through three geographical segments, including the People's Republic of China (PRC) segment, Hong Kong segment and Mongolia segment.	1,037.9	2,809.5	0.37

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Stock Code	Company name	Principal activities	Market capitalisation <i>(in HK\$ million)</i>	Net asset value <i>(in HK\$ million)</i> <i>(Note 1)</i>	P/B ratio <i>(times)</i> <i>(Notes 1,2)</i>
758	Macrolink Capital Holdings Limited	The company is a Hong Kong-based investment holding company principally engaged in the trading of mineral concentrates. The company operates through six segments. The property investment and development segment engaged in the leasing and sales of properties. The property management and agency services segment engaged in the provision of property management and agency services. The manufacture and sales of construction materials segment is engaged in the manufacture and sales of slag powder. The securities investments segment is engaged in the investment in listed securities. The trading of mineral concentrates segment is engaged in the trading of mineral concentrates. The coal mining segment is engaged in the exploration and development of coal mine, as well as the sales of coal.	940.9	261.0	3.6
769	China Rare Earth Holdings Limited	The company is a Hong Kong-based investment holding company engaged in the manufacture and sales of rare earth and refractory products. The Company mainly operates through two segments. Rare earth segment is engaged in the manufacture and sales of rare earth products. The rare earth products include metal oxides and fluorescent products, such as phosphor for lamps, yttrium oxide phosphor grade and yttrium europium oxide phosphor grade, among others. Refractory segment is engaged in the manufacture and sales of refractory products. The refractory products include high temperature ceramics products and magnesium grains. The company operates businesses in China, European countries, Japan and America, among others.	632.3	2,715.0	0.23
803	Prosperity International Holdings (H.K.) Limited	The company operates through four segments, including mining and trading of raw materials, real estate investment and development, building materials and granite products. Mining and trading of iron ore and raw materials segment is engaged in the purchasing of iron ore from South Africa, the production of iron ore through its mines, as well as the sales of iron ore and raw materials. Real estate investment and development segment is engaged in the investment and development of residential, commercial and office properties in China and Indonesia. Building materials segment is engaged in the trading of clinker, cement and other building materials. Granite products segment is engaged in the mining and processing of granite and the sales of granite products.	446.1	3,138.0	0.14

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Stock Code	Company name	Principal activities	Market capitalisation (in HK\$ million)	Net asset value (in HK\$ million) (Note 1)	P/B ratio (times) (Notes 1,2)
1080	Shengli Oil & Gas Pipe Holdings Limited	The company operates through two business segments. The pipes business segment is engaged in the production of submerged-arc helical welded pipes, submerged-arc longitudinal welded pipes and cold-formed section steel, which are mainly used for the oil and infrastructure industry. The trading of metal commodity business segment is mainly engaged in the trading of electrolytic copper, aluminum ingot and aluminum oxide. The company is also involved in the provision of equity investment, investment management and investment consultation business through its subsidiaries.	383.1	1,652.6	0.23
1104	APAC Resources Limited	The company is an investment holding company principally engaged in the commodity trading business and natural source investment business. The company operates through two business segments. The commodity business segment is mainly engaged in the sales of commodities on the spot market to steel mills and traders in China. The resource investment segment is engaged in the trading of and investment in listed and unlisted securities. The company is also involved in the money lending business, the investment and development in mineral resources and the provision of consultancy services in corporate management and metallurgy technology through its subsidiaries.	967.0	3,052.0	0.32
1116	Mayer Holdings Limited	The company operates through four business segments, including the mainland China steel segment, Vietnam steel segment, investment segment and the aircraft segment. The mainland China steel segment is engaged in the manufacture and trading of steel pipes, steel sheets and other products made of steel in China. The Vietnam steel segment is engaged in the manufacture and trading of steel pipes, steel sheets and other products made of steel in Vietnam. The investments segment is engaged in the investment in equity securities to generate dividend income and interest income and to gain the appreciation of investment values in the long term. The aircraft segment is engaged in the leasing of aircrafts to generate rental income and provision of consultancy services.	374.1	274.9	1.36
1152	Momentum Financial Holdings Limited	The company principally engaged in the trading of metal and equipment. The company is also engaged in the financial services business, including the finance leasing business, the leasing business, the purchasing of leased assets at domestic and overseas markets, the disposal of residual value and maintenance of leased assets, as well as the provision of consultation and guarantees services for lease transactions.	181.7	81.0	2.24

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Stock Code	Company name	Principal activities	Market capitalisation (in HK\$ million)	Net asset value (in HK\$ million) (Note 1)	P/B ratio (times) (Notes 1,2)
1164	CGN Mining Company Limited	The company engaged in the trading of natural uranium. The company operates through three business segments: property investment segment, natural uranium trading segment and other investments segment. The property investment segment is engaged in the leasing and selling of office premises. The natural uranium trading segment is engaged in trading of natural uranium. The company is also engaged in investment projects business and the provision of management services through its subsidiaries.	1,564.4	1,773.0	0.88
1203	Guangnan (Holdings) Limited	The company is an investment holding company principally engaged in the manufacturing and sales of tinplates. The company operates through three business segments. The tinplating segment is engaged in the production and sales of tinplates and related products, which are mainly used as packaging materials for food processing manufacturers. The fresh and live foodstuffs segment is engaged in the distribution, purchasing and sales of fresh and live foodstuffs. The property leasing segment is engaged in the leasing of office and industrial premises to generate rental income. The company is also involved in the operation of pig farming and the distribution of live pigs through its subsidiaries.	816.8	2,638.0	0.31
2302	CNNC International Limited	The company engaged in the exploration and trading of mineral properties. The company operates its business through two segments. The trading of mineral property segment is engaged in the trading of uranium. The exploration and trading of mineral properties segment is engaged in the exploration and trading of uranium.	1,355.0	552.0	2.45
3313	ArtGo Holdings Limited	The company is an investment holding company principally engaged in mining, processing, distribution and sales of marble stones. The products include one-side-polished slabs, cut-to-size slabs and marble blocks. Through its subsidiaries, the company is also engaged in mining planting projects and sale of decoration materials.	699.5	2,379.4	0.29
					3.60
					0.14
					0.34
					0.89
103	Shougang Century (as implied by the consideration and the net asset value as at 30 June 2018) <small>(Note 3)</small>		576.9	1,370.8	0.42

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

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Notes:

- 1. The translation of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.15 for illustration purpose only.*
- 2. The P/B ratios of the companies are calculated based on their respective market capitalisations as at the Latest Practicable Date and net asset value from their latest published financial results or reports.*
- 3. The implied P/B ratio of Shougang Century is derived using the consideration of HK\$0.30 per Shougang Century share divided by the net asset value per share of Shougang Century as at 30 June 2018.*

As shown by the table above, the P/B ratios of the Comparable Companies ranged from approximately 0.14 times to 3.60 times, with an average of 0.89 times and a median of 0.34 times. It is noted that the implied P/B ratio of Shougang Century of approximately 0.42 times falls within the range of the P/B ratios and slightly higher than the median P/B ratio of the Comparable Companies, indicating that it is priced within an acceptable range of the Comparable Companies with similar business in the open market.

Having considered the above, in particular, (i) the Consideration representing a premium to the closing price of the Shougang Century shares as at the date of the Sale and Purchase Agreement and for the one year up to and including the date of the Sale and Purchase Agreement; and (ii) the implied P/B ratio of Shougang Century falls within the range of the P/B ratios and slightly higher than the median P/B ratio of the Comparable Companies, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

6. Financial effects of the Proposed Restructuring

As at the Latest Practicable Date, Fair Union is recognised as a wholly-owned subsidiary of the Company, and Shougang Century was recognised as an associate (as defined under the Hong Kong Financial Reporting Standards) of the Company. As such, the portion of net asset value of Shougang Century held by the Group were recorded on the consolidated statement of financial position of the Company as “interests in associates”; the portion of profit or loss of Shougang Century was recognised as “share of results of associates” in the consolidated statement of profit or loss and other comprehensive income. Upon Completion, Shougang Century will cease to be an associate of the Company and as such, the net assets and financial results of Shougang Century and its subsidiaries will cease to be recognised in the consolidated financial statements of the Company.

We have obtained from the management of the Group and reviewed the consolidated management account of Fair Union as at 30 June 2018 and noted that other than the amount due to the Company which will be capitalised prior to the completion of the Proposed Restructuring, the interest in Shougang Century Shares generally represents all assets and liabilities of Fair Union in all material respects.

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Earnings

As disclosed in the Letter from the Board, as a result of the Proposed Restructuring, the Group is expected to recognise an unaudited loss of approximately HK\$232.7 million, being the difference between the consideration and the carrying value of the Sale Share held by the Group as at 31 December 2017. As advised by the management of the Group, the Group has recognised share of loss of Shougang Century of approximately HK\$24 million and HK\$8 million for the year ended 31 December 2017 and six months ended 30 June 2018 respectively. The Group would no longer be affected by any adverse financial results of Shougang Century following Completion.

Net asset value

As advised by the management of the Group, upon Completion, both the consolidated total assets and net assets of the Group are expected to record a decrease due to the loss recognised from the Proposed Reorganisation of approximately HK\$232.7 million and the interests in Shougang Century will be derecognised which will result in a decrease in net asset value of the Group.

Net working capital and gearing

As advised by the management of the Group, upon Completion, net working capital of the Group are expected to record an increase due to the increase in bank balance and cash from the net proceeds from the Proposed Restructuring. As disclosed in the Company's 2018 Interim Report, the Group has a gearing ratio of approximately 0.96% as at 30 June 2018. As advised by the management of the Group, upon Completion, the Group's gearing ratio (defined as total debt divided by total equity) is expected to slightly increase due to the expected decrease in total equity of the Group as discussed above.

In view of the possible financial effects of the Proposed Restructuring to the Group as mentioned above, we are of the opinion that upon completion of the Proposed Restructuring, the Group would no longer be affected by any adverse financial results of Shougang Century and the Proposed Restructuring will enhance the working capital of the Group.

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RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Proposed Restructuring is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the GM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 13 years of experience in the auditing and investment banking industry.

* *for identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in Shares

Name of Director	Capacity in which interests were held	Number of Shares	Total interests as to % of the total number of Shares in issue as at the Latest Practicable Date
Liang Hengyi	Beneficial owner	3,880,000	0.016
Liu Jingwei	Beneficial owner	1,380,000	0.006
	Interest of controlled corporation	300,000	0.001
Wang Xin	Beneficial owner	200,000	0.001
	Interest of spouse	1,000,000	0.004

(ii) Long positions in shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity in which interests were held	Number of shares of the associated corporation held	Total interests as to % of the total number of shares of the associated corporation in issue as at the Latest Practicable Date
Li Shaofeng	Shougang Century	Beneficial owner	1,652,000	0.0859

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

(b) Substantial Shareholders

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

Name of Shareholder	Capacity in which interests were held	Number of Shares/ underlying Shares	Interests as to % of the total number of Shares in issue (approximately)	Notes
Shougang Group	Interests of controlled corporation	12,633,903,865	52.934	1
Cheng Yu Tung Family (Holdings II) Limited	Interests of controlled corporation	2,677,425,528	11.218	2
Cheng Yu Tung Family (Holdings) Limited	Interest of controlled corporation	2,677,425,528	11.218	2
Rocket Parade Limited	Beneficial owner	2,500,000,000	10.475	2
ORIX Corporation	Interest of controlled corporation	1,503,741,731	6.300	3
ORIX Asia Capital Limited	Beneficial owner	1,503,741,731	6.300	3

Notes:

- Shougang Group is interested in all the Shares held by its direct and indirect subsidiaries, namely, Shougang Holding (holding 360,601,160 Shares), China Gate Investment Limited (holding 2,757,829,774 Shares), Grand Invest International Limited (holding 768,340,765 Shares), Wide Success Holdings Limited (holding 4,106,748,921 Shares), Prime Success Investments Limited (holding 48,574,000 Shares), Lyre Terrace Management Limited (holding 230,000 Shares) and Jingxi Holdings (holding 4,591,579,245 Shares).
- Rocket Parade Limited is wholly-owned by NWS FM Limited which is a wholly-owned subsidiary of NWS FM Holdings Limited. NWS FM Holdings Limited is wholly-owned by NWS Service Management Limited (incorporated in the British Virgin Islands) which is a wholly-owned subsidiary of NWS Service Management Limited (incorporated in the Cayman Islands) (“**NWS Service**”). NWS Service is wholly-owned by NWS Holdings Limited which is held as to 61.09% by New World Development Company Limited, which is in turn held as to 44.44% by Chow Tai Fook Enterprises Limited (“**Chow Tai Fook Enterprises**”). Chow Tai Fook Enterprises is wholly-owned by Chow Tai Fook (Holding) Limited, which is held as to 81.03% by Chow Tai Fook Capital Limited, which is in turn held as to 48.98% by Cheng Yu Tung Family (Holdings) Limited and as to 46.65% by Cheng Yu Tung Family (Holdings II) Limited respectively.
- ORIX Corporation is interested in the Shares held by its wholly-owned subsidiary, ORIX Asia Capital Limited.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Zhao Tianyang	Shougang Holding*	Trading of iron ore and steel products	Director
	Shougang Fund*	Fund management	General Manager
Xu Liang	Shougang Holding*	Trading of iron ore and steel products	Director
Ho Gilbert Chi Hang	Urban Parking Limited*	Car park management	Director

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

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

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by Lego Corporate Finance Limited is given as of the date of this circular for incorporation herein.

7. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, (i) each of Mr. Zhao Tianyang and Mr. Xu Liang was a director of Shougang Holding; and (ii) Mr. Ho Gilbert Chi Hang was a director of Rocket Parade. Both Shougang Holding and Rocket Parade had interests in the Shares which fell to be disclosed under Divisions 2 and 3 of Part XV of the SFO, details of which are set out in paragraph 2(b) above of this Appendix. Save as disclosed in this paragraph, none of the Directors or proposed Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (d) The share registrar of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date of the GM:

- (a) the Sale and Purchase Agreement;
- (b) the letter from the Board, the text of which is set out on pages 4 to 18 of this circular;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 19 of this circular;
- (d) the letter from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 40 of this circular;
- (e) the letter of consent from Lego Corporate Finance Limited referred to in this appendix; and
- (f) this circular.

NOTICE OF GM



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

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the “GM”) of Shougang Concord International Enterprises Company Limited (the “**Company**”) will be held at 9:30 a.m. on Wednesday, 27 March 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. THE SALE AND PURCHASE AGREEMENT

“THAT:

- (a) the sale and purchase agreement (the “**Sale and Purchase Agreement**”) dated 21 November 2018 entered into between the Company and Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”) (a copy of the Sale and Purchase Agreement has been produced to the meeting and marked “A” and initialled by the Chairman of the meeting for identification purpose) in relation to the proposed restructuring by way of transferring the entire issued share capital of Fair Union Holdings Limited held by the Company to Shougang Holding and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 2 January 2019

NOTICE OF GM

Notes:

1. Any member of the Company entitled to attend and vote at the GM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the GM (i.e., at or before 9:30 a.m. on Monday, 25 March 2019 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the GM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the GM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.
6. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the GM will be Thursday, 21 March 2019. In order to qualify for the entitlement to attend and vote at the above GM, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 21 March 2019 for registration.