THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shougang Concord International Enterprises Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

首 長 國 際 企 業 有 限 公 司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND (2) CONTINUING CONNECTED TRANSACTIONS AND (3) RE-ELECTION OF DIRECTOR AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

大 有 融 資 有 限 公 司

MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 25 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 26 to 27 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advices to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions is set out on pages 28 to 58 of this circular.

A notice convening an Extraordinary General Meeting to be held at 11:00 a.m. on Friday, 23 December 2016, at The Lounge, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong is set out on pages 142 to 143 of this circular. A form of proxy for the Extraordinary General Meeting for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the Extraordinary General Meeting 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 Extraordinary General Meeting 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 Extraordinary General Meeting or any adjourned meeting thereof (as the case may be) should you so wish.

18 November 2016

CONTENTS

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

"Agreement"	the agreement dated 3 October 2016 between the Company and the Purchaser in respect of the Disposal;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Central Pro Investments"	Central Pro Investments Limited, a company incorporated in Samoa, wholly-owned by the Disposed Company and being one of the holding companies of the Qinhuangdao Business;
"Cheer Source"	Cheer Source Limited, a company incorporated in Samoa, wholly-owned by the Disposed Company and being one of the holding companies of the Qinhuangdao Business;
"Company"	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange;
"Completion"	completion of the Disposal;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Continuing Connected Transactions"	the purchase of iron ore, steel and related products by the Group from Shougang Corporation and/or its associates contemplated under the Master Agreement;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"Disposal"	the sale of the Sale Share by the Company to the Purchaser as contemplated under the Agreement;
"Disposed Company"	Ultimate Century Investments Limited, a company incorporated in the British Virgin Islands, the holding company of the Qinhuangdao Business;
"Disposed Group"	the Disposed Company and fourteen wholly-owned subsidiaries in the Group, five non-wholly owned subsidiaries in the Group and investments in three other PRC companies that are involved in the Qinhuangdao Business;

"Extraordinary General Meeting"	the extraordinary general meeting of the Company to be convened at 11:00 a.m. on Friday, 23 December 2016, at The Lounge, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong for the Independent Shareholders to consider and if thought fit, approve the Agreement, the Master Agreement, the annual caps of the Continuing Connected Transactions and the re-election of Director;
"Firstlevel Holdings"	Firstlevel Holdings Limited, a company registered in Samoa, wholly-owned by the Disposed Company and being one of the holding companies of the Qinhuangdao Business;
"Group"	the Company and its subsidiaries from time to time;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions;
"Independent Shareholders"	Shareholders other than Shougang Holding and its associates;
"Latest Practicable Date"	15 November 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Master Agreement"	the master agreement entered into between the Company and Shougang Corporation dated 3 October 2016 in respect of the Continuing Connected Transactions;
"Messis" or "Independent Financial Adviser"	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions;
"Mount Gibson"	Mount Gibson Iron Limited, an Australian mining company;

"PRC" or "China"	the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
"Purchaser"	Shougang Holding Bonds Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of Shougang Holding;
"Qinhuangdao Business"	the business carried on by the Group in Qinhuangdao City, Hebei Province, the PRC;
"Remaining Group"	the Company and its subsidiaries upon Completion;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale Share"	the entire issued share capital of the Disposed Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholders"	shareholders of the Company;
"Shares"	ordinary shares of the Company;
"Shougang Century"	Shougang Concord Century Holdings Limited, a company listed on the main board of the Stock Exchange which is owned as to approximately 35.71% by the Company as at the Latest Practicable Date;
"Shougang Corporation"	Shougang Corporation, a state-owned enterprise in the PRC and the holding company of Shougang Holding;
"Shougang Holding"	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Corporation and the controlling shareholder of the Company;
"Shougang Resources"	Shougang Fushan Resources Group Limited, a company listed on the main board of the Stock Exchange which is owned as to approximately 27.61% by the Company as at the Latest Practicable Date;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Trading Business"	the business of trading in iron ore, steel and related products carried out by the Group;
"USD"	United States dollars, the lawful currency of the United States of America; and
"%"	per cent.

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)

Directors:
Mr. Zhang Bingcheng *(Chairman)*
Mr. Li Shaofeng *(Managing Director)*
Mr. Ding Rucai *(Deputy Managing Director)*
Mr. Shu Hong *(Deputy Managing Director)*
Mr. Ip Tak Chuen, Edmond *(Non-executive Director)*
Mr. Leung Shun Sang, Tony *(Non-executive Director)*
Ms. Kan Lai Kuen, Alice *(Independent Non-executive Director)*
Mr. Wong Kun Kim *(Independent Non-executive Director)*
Mr. Leung Kai Cheung *(Independent Non-executive Director)*

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

18 November 2016

To the Shareholders

Dear Sir/Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
AND
(2) CONTINUING CONNECTED TRANSACTIONS
AND
(3) RE-ELECTION OF DIRECTOR
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 3 October 2016, the Company entered into the Agreement with the Purchaser in respect of the Disposal. The Disposal constitutes a very substantial disposal for the Company. As the Purchaser is a wholly-owned subsidiary of Shougang Holding, the controlling shareholder of the Company, the Disposal also constitutes a connected transaction for the Company and is subject to the approval by the Independent Shareholders at a general meeting of the Company.

Upon Completion, the Group will focus on the Trading Business and will purchase part of the Group's requirements of iron ore, steel and other related products from Shougang Corporation and/or its associates. As Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company, the entering into of such transactions between the Group and Shougang Corporation and/or its associates constitute continuing connected transactions for the Company under the Listing Rules.

On 3 October 2016, the Company and Shougang Corporation entered into the Master Agreement in relation to the Continuing Connected Transactions. As the applicable ratios of the annual caps of the Continuing Connected Transactions are expected to be more than 5%, the Master Agreement will be subject to the reporting, announcement and Independent Shareholder's approval requirements under the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions. Messis has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions.

On 1 August 2016, the Board announced that Mr. Zhang Bingcheng was appointed as a non-executive Director and the chairman of the Board as well as the chairman of the nomination committee of the Company with effect from 1 August 2016.

In accordance with the articles of association of the Company, Mr. Zhang Bingcheng would hold office until the next following general meeting of the Company, at which time he would be eligible for re-election. As such, an ordinary resolution will be proposed at the Extraordinary General Meeting to re-elect Mr. Zhang Bingcheng as a Director.

The purpose of this circular is:

(i) to provide the Shareholders with details of the Disposal and the Continuing Connected Transactions;

(ii) to set out the opinions of the Independent Financial Adviser on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions;

(iii) to set out the recommendations of the Independent Board Committee on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions;

(iv) to provide the Shareholders with information on the re-election of Director; and

(v) to give the Shareholders notice of the Extraordinary General Meeting to consider and, if thought fit, to approve the Agreement, the Master Agreement, the annual caps of the Continuing Connected Transactions and the re-election of Director.

THE DISPOSAL

Reference is made to the announcements of the Company dated 28 June 2016 and 3 October 2016 in respect of the Disposal. On 3 October 2016, the Company and the Purchaser entered into the Agreement in respect of the Disposal.

The Agreement

Date

3 October 2016

Parties

(1) the Company; and

(2) the Purchaser.

The Purchaser is a wholly-owned subsidiary of Shougang Holding, the controlling shareholder of the Company, and is a connected person of the Company. The Purchaser is an investment holding company.

Subject matter

The Company will sell the Sale Share, representing the entire issued share capital of the Disposed Company, to the Purchaser. The Disposed Company holds the Group's entire interests in the Qinhuangdao Business. Under the terms of the Agreement, the Purchaser has undertaken to assume all the obligations and liabilities of the Disposed Group in respect of the Qinhuangdao Business.

Upon Completion, all the companies in the Disposed Group will cease to be subsidiaries of the Company and the Company will no longer have any interest in the Disposed Group as well as the Qinhuangdao Business.

Consideration

The consideration payable by the Purchaser for the Sale Share is HK$1.00. Under the terms of the Agreement, the Purchaser will also assume all the obligations and liabilities of the Disposed Group in respect of the Qinhuangdao Business. As at 30 June 2016, the total liabilities of the Qinhuangdao Business amounted to approximately HK$19.05 billion.

The consideration was determined after arm's length negotiations between the parties taking into consideration the net liability position of the Qinhuangdao Business.

Conditions

Completion of the Disposal is conditional upon:

(a) the Company being able to maintain a sufficient level of operation or assets to warrant the continued listing of the Shares on the Stock Exchange in accordance with the requirements of Rule 13.24 of the Listing Rules;

(b) approval of the transactions contemplated under the Agreement by the Independent Shareholders in compliance with the Listing Rules; and

(c) the obtaining of all other consents, approvals and authorisations, including any approvals or consents that may be required from the PRC authorities, in relation to the transactions contemplated under the Agreement, if any.

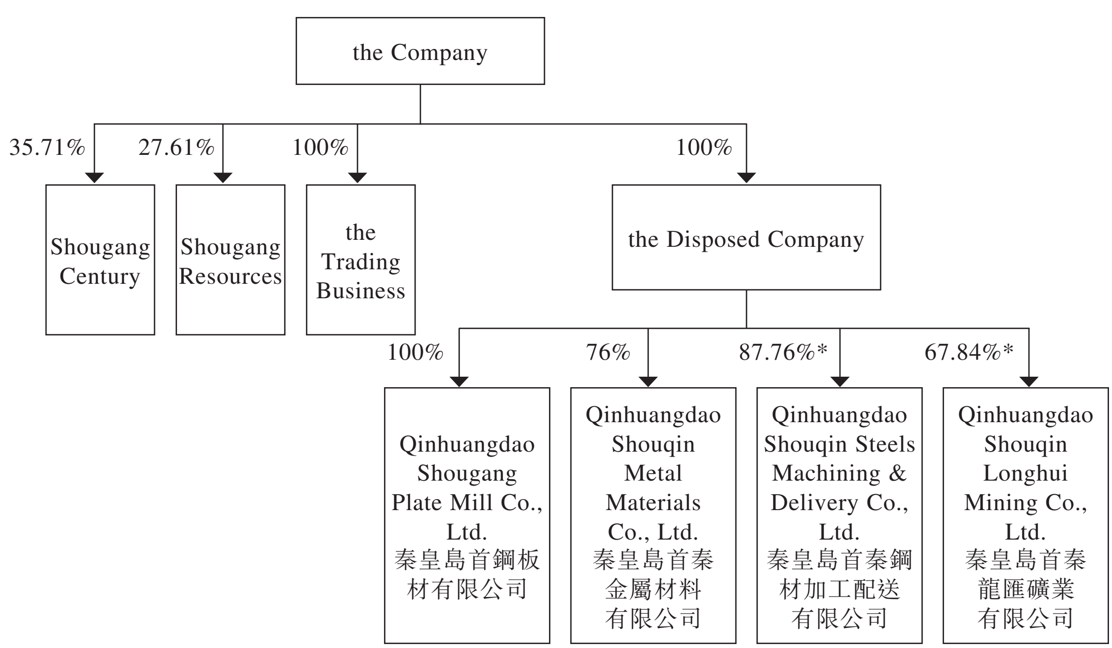
In accordance with the Agreement, if the conditions are not satisfied or waived before 31 December 2016 or such later date as the parties may otherwise agree, the Agreement will forthwith become null and void and cease to have any effect whatsoever save for any antecedent breach. The Agreement is silent on which of the conditions is waivable, no party to the Agreement intends to waive any of the above conditions.

Condition (a) is a continuing obligation of the Company under the Listing Rules. As at the Latest Practicable Date, condition (b) has not been fulfilled.

INFORMATION ON THE QINHUANGDAO BUSINESS

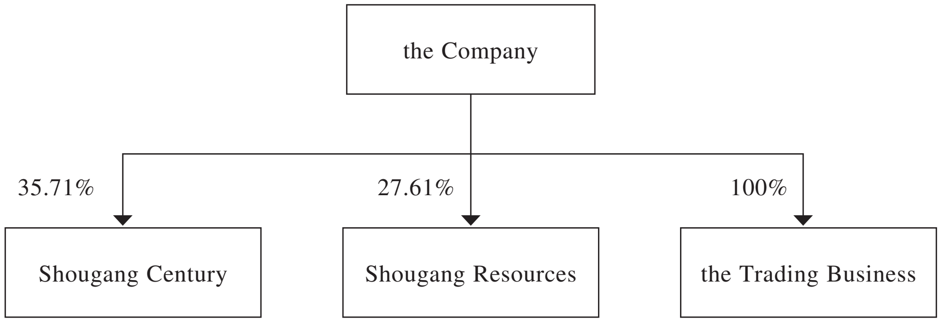
The Disposed Company is a company incorporated in the British Virgin Islands for the purpose of holding the Qinhuangdao Business. The simplified structure of the Group before and after the Disposal is set out below:

Before the Disposal

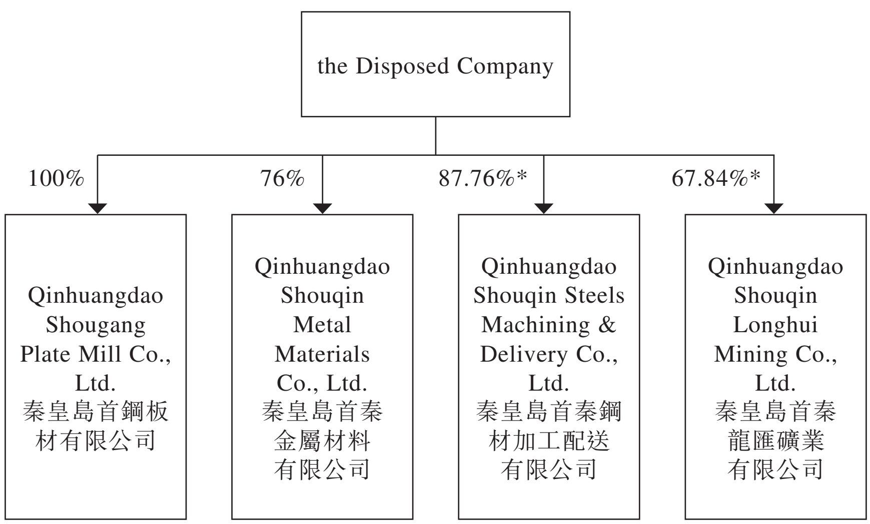


* *Attributable interest*

After the Disposal



The Disposed Group comprises the Disposed Company which holds fourteen wholly-owned subsidiaries in the Group, five non-wholly owned subsidiaries in the Group and investments in three other PRC companies. The Disposed Group carries on the Qinhuangdao Business, which comprises mainly two heavy plate mills, a deep processing centre on steel products and a mining company in Qinhuangdao City, Hebei Province, the PRC. A simplified structure of the Qinhuangdao Business is set out below:



* *Attributable interest*

The financial results of the Disposed Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are summarised below:

	For the year ended 31 December			For the six months ended 30 June
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	10,835,789	10,915,217	6,856,574	2,946,686
(Loss) before tax	(2,359,947)	(1,735,273)	(2,497,542)	(715,936)
(Loss) attributable to the Group	(1,819,827)	(1,335,532)	(1,953,199)	(565,485)

The combined unaudited net liabilities of the Disposed Group attributable to the Group as at 30 June 2016 were approximately HK$4.46 billion (excluding the intra-group balance of approximately HK$2,069 million due by the Disposed Group to the Company which had been waived in full on 30 September 2016).

The assets of the Disposed Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 are as follows:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Property, plant and equipment	11,435	10,492	9,237	8,650
Prepaid lease rentals	332	318	300	292
Inventories	3,120	2,408	1,532	1,499
Trade and bills receivables	1,019	1,612	1,921	1,569
Prepayment, deposits and other receivables	589	697	396	289
Bank balances and cash (including restricted and pledged bank deposits)	1,346	1,342	985	743
Other assets	440	427	486	299
Total assets	18,281	17,296	14,857	13,341

Further details on the financial information of the Disposed Group are set out in Appendix I to this circular.

It is expected that the Group will not realise a gain or loss in the statement of profit or loss and other comprehensive income as a result of the Disposal. As the Purchaser is a subsidiary of the controlling shareholder of the Company and the consideration was negotiated with premium over the fair value of the assets and liabilities to be disposed, the substantial gain from the Disposal in the estimated amount of HK$4.46 billion will be directly recognised in the equity as deemed shareholder's contribution. The final amount of the gain is subject to Completion and finalisation of the audit on the Disposal.

ABOUT THE DISPOSED COMPANY

The Disposed Company is a wholly-owned subsidiary of the Company which was incorporated in the British Virgin Islands on 25 August 2016. On 30 September 2016, the Company disposed its 100% equity interests in each of Central Pro Investments, Firstlevel Holdings and Cheer Source to the Disposed Company at the consideration of HK$1. Upon such disposals, the Disposed Company became the holding company of the Group's entire interests in the Qinhuangdao Business. The disposals were accompanied with assignments of the loans to the Disposed Company in the amounts of HK$1,089,351,474.79, HK$844,299,536.79 and HK$147,307,064.87 due by Central Pro Investments, Firstlevel Holdings and Cheer Source to the Company, respectively. Subsequent to such assignments, the Company had waived the total amount of HK$2,080,958,076.45 due by the Disposed Company to the Company. As a result, no amount was due by the Disposed Company to the Company as at the Latest Practicable Date.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, all the companies in the Disposed Group will cease to be subsidiaries of the Company and the Company will no longer have any interest in the Disposed Group as well as the Qinhuangdao Business.

Subject to any adjustments that may arise after the audit of the financial statements of the Group and assuming the Disposal has been completed on 30 June 2016, the expected gain to be derived from the Disposal will amount to approximately HK$4,456 million. It is expected that the Group will not realise a gain or loss in the statement of profit or loss and other comprehensive income as a result of the Disposal. As the Purchaser is the subsidiary of the controlling shareholder of the Company and the consideration was negotiated with premium over the fair value of the assets and liabilities to be disposed, the substantial gain from the Disposal will be directly recognized in the equity as deemed shareholder's contribution and will increase the net assets of the Group. The calculation of the gain is based on the consideration of HK$1, the disposal of the unaudited adjusted net liabilities of the Disposed Group attributable to the Group of approximately HK$4,458 million as at 30 June 2016 and the estimated expenses on Disposal of approximately HK$2 million. The unaudited adjusted net liabilities of the Disposed Group as at 30 June 2016 was approximately HK$4,458 million which was derived from the unaudited net liabilities of the Disposed Group attributable to the Group of approximately HK$6,527 million but excluding the loan due by the Disposed Company to the Company of approximately HK$2,069 million because of the waiver of such loan.

According to the pro-forma account, assuming the Disposal has been completed on 30 June 2016, the Group's total assets as at 30 June 2016 would decrease from approximately HK$19,421 million to approximately HK$6,109 million. The Group's total liabilities would decrease from approximately HK$20,190 million to approximately HK$1,173 million. The net assets of the Group as at 30 June 2016 would increase from approximately HK$479 million to approximately HK$4,935 million. The cash and bank balance would decrease from approximately HK$1,241 million to approximately HK$498 million. The bank loans balance would decrease from approximately HK$6,143 million to approximately HK$821 million.

Furthermore, according to the pro-forma account, assuming the Disposal has been completed on 1 January 2015, the Group's revenue for the year ended 31 December 2015 would decrease from approximately HK$7,273 million to approximately HK$501 million. The loss attributable to the shareholders of the Group for the year ended 31 December 2015 would decrease from approximately HK$3,349 million to approximately HK$1,396 million.

Reconciliation statement of properties value

The Company has engaged Greater China Appraisal Limited, an independent valuer, to value the real property interests held by the Disposed Group in the PRC as at 31 August 2016. Greater China Appraisal Limited opined that some properties held by the Disposed Group have no commercial value as at 31 August 2016 since it was not transferrable as at the valuation date. In case all the properties were transferable assuming proper title certification had been obtained and the properties can be freely transfer in the market without payment of any onerous fees as at the valuation date, the capital value of the properties was in the order of approximately HK$4,078 million.

The following shows a reconciliation of the value of properties as disclosed in Appendix IV to this circular to the net book value as reflected in the interim report of the Company as at 30 June 2016:

	HK$ Million
Carrying amount of the properties as at 30 June 2016	3,755
Exchange realignment	(25)
Addition	7
Depreciation	(25)
Carrying amount of the properties as at 31 August 2016	3,712
Changes with valuation	366
Valuation as at 31 August 2016	4,078

REASONS FOR THE DISPOSAL

The Qinhuangdao Business has been incurring substantial loss since 2009 principally as a result of the excessive production capacity of steel and slow down in the economy in the PRC. In the accounts of the Group, the net liabilities of the Qinhuangdao Business attributable to the Group is approximately HK$4.46 billion as at 30 June 2016. The financial performance of the Group has been materially adversely affected by the Qinhuangdao Business. The management of the Company is of the view that it is unlikely that the performance of the Qinhuangdao Business can improve in the near future given that the excessive steel production capacity cannot be resolved in the short term. As such, the Group intends to streamline its existing businesses and to steer its focus towards the Trading Business to take advantage of its solid position in the Trading Business. It is expected that the Disposal can significantly improve the financial performance of the Group and allows the Group to direct its resources to the Trading Business.

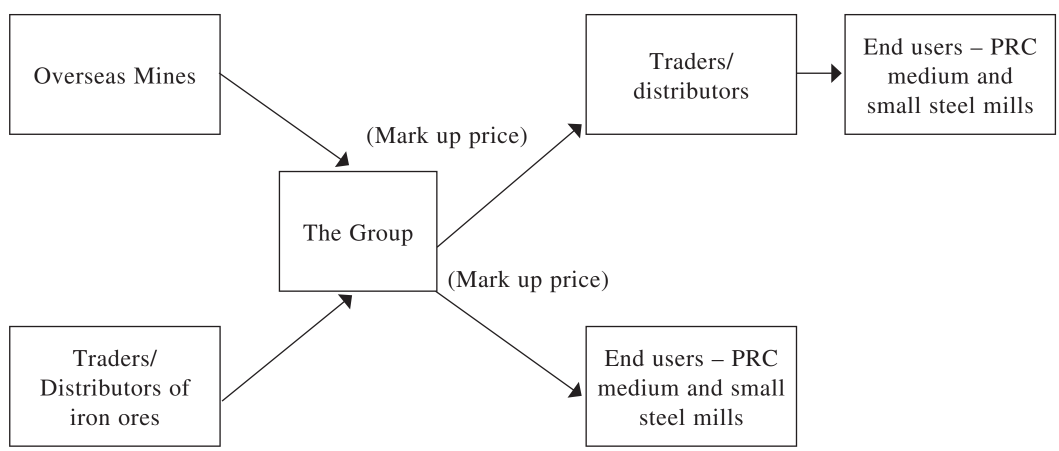
Although the Board expects the financial performance of the Group will be improved substantially after the disposal of the Qinhuangdao Business, the Board considers that the disadvantage of the Disposal will be the significant decrease in the scale of the operations, in terms of total assets and revenue, of the Group. This is further illustrated in Appendix II – PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP of this circular and explained in the section headed "FINANCIAL EFFECTS OF THE DISPOSAL" of this letter.

INFORMATION ABOUT THE REMAINING GROUP

Upon Completion, the Group will primarily be involved in the Trading Business. At the same time, the Group will also hold substantial interests in two Hong Kong listed companies, namely Shougang Resources and Shougang Century.

The Trading Business

The Trading Business is trading of iron ore, steel and related products. The following chart summarises the business model of the Trading Business:



The financial results of the Trading Business for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are summarized below:

	For the year ended 31 December			For the six months ended 30 June
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4,426,947	1,902,317	412,305	476,201
Profits (before unallocated corporate income and expenses)	325,904	86,407	48,039	29,687

Upon Completion, the Group will focus on developing the Trading Business and will secure its supply of iron ore from either overseas iron ore mines or other distributors/traders in the market and sell the iron ore to its customers, which include medium and small steel mills or their procurement agents, and other distributors and traders to reach various steel mills in China. Since most of the purchases and sales are conducted on a back to back basis, for a transaction, the Group will determine the selling price by adding an average margin of approximately 2%, on top of the purchase price of the iron ore, which would include expenditures and finance costs incurred by the Group for the transaction together with a profit margin thereon. The profit of the Trading Business is the difference in the buying price and the selling price of the iron ore.

The Group has a long history and extensive experience in the trading of iron ores. The trading volume depends on, amongst others, the ability of the Group in securing sufficient supplies of iron ores. Other than purchasing from third party suppliers, the Group intends to procure iron ores from Shougang Corporation, the ultimate and immediate holding company of the controlling shareholder of the Company, for its Trading Business. Shougang Corporation has indicated its intention to supply the Group with approximately 2,040,000 tonnes and 2,040,000 tonnes of iron ore in 2017 and 2018 respectively to satisfy part of the Group's requirement of iron ores. In this connection, the Group will strengthen its Trading Business on iron ore after the Disposal and will focus on the development of its existing customers and new markets with an aim to achieving a trading volume of about 4.0-5.5 million tonnes of iron ore in 2017 and 5.0-6.5 million tonnes of iron ore in 2018.

Suppliers and customers

To ensure a stable supply of iron ore, the Group has signed binding supply agreements with two independent suppliers for the committed supply by the suppliers of about 4,080,000 tonnes of iron ore in 2017 and 2018 (the "**Supply Agreements**"). Under the Supply Agreements, the Group has the option not to purchase the iron ore. In addition, the Group has entered into a memorandum of understanding (the "**MOU**") with another independent supplier under which the supplier will supply approximately 2.0 to 3.0 million tonnes of iron ore to the Group in 2017 and 2018.

In respect of sales, the Group has signed strategic cooperation agreements (the "**Co-operation Agreements**") with three key independent customers for the sale of up to 3.0 million tonnes of iron ore to such customers for each year of 2017 and 2018.

The following is a summary of the above mentioned agreements:

i. ***The MOU***

Scope of Products to be supplied:	Iron ore fine, lump, concentrate and pellet (the grading of the iron ore was not specified in the MOU. However, it is the intention of the Group to purchase main stream iron ore from the supplier, i.e. Fe 62%).
Sources:	Australia, Brazil, India and other iron ore resources
Estimated Quantity:	approximately 2 to 3 million tonnes from 2017 to 2018, actual conditions and terms of supply will be negotiated and agreed by the parties
Pricing mechanism:	the price of each iron ore shipment will be negotiated by the parties in accordance with actual market conditions.

ii. ***The Supply Agreements***

For each of the two Supply Agreements:

Scope of Products to be supplied:	Hematite ore, which consists of lump and fines.
Sources:	Australia and Brazil
Specifications:	Iron content (Fe) above 58% Fe for fines and above 60% Fe for lump

Delivery period and quantity:

Total Tonnage –

Quantity of each Shipment – 170,000 wet metric tonnes +/- 10%

Number of Shipments – 12 shipments in every two calendar months in 2017 and 2018

Pricing mechanism:

Fines Price = Platts IODEX 62% Fe + (Actual Fe – 62) x 1% Fe Differential – Discount/Premium

Lump Price = Platts IODEX 62% Fe + (Actual Fe – 62) x 1% Fe Differential + Lump Premium – Discount/Premium *iii. The Co-operation Agreements*

For each of the three Co-operation Agreements:

Scope of Products to be supplied:	Mainstream Australia/Brazil iron ore (fine or lump) with Fe above 60% or/and Brazil iron ore lump with Fe 55%.
Sources:	Australia and Brazil
Estimated Quantity:	approximately 0.8 to 1.0 million tonnes in each of the year of 2017 and 2018
Pricing mechanism:	the price of each iron ore shipment will be negotiated by the parties based on the market price

Although it had not been customary for the Group to enter into long-term binding sales contracts with its customers, in 2016, the Company has taken active steps to secure demand for iron ore in 2017 and 2018 through entering into of the Co-operation Agreements. Through its more than twenty years of extensive experience in trading business, the Company has an established customers' base. The Company will continue to increase sales to its existing customers but will also broaden its customers' base by devoting more resources in developing its network of customers.

Prospect and market overview of the Trading Business

The Trading Business focuses on trading of imported iron ore into the PRC. Iron ore is a key ingredient for the production of steel, which is one of the most important materials that is used in every aspects of our daily life, including infrastructure development, real estate, shipbuilding, railways, industrial machinery, vehicle and electrical appliances. The most important material to produce steel is iron ore. For each tonne of steel production, it requires consumption of approximately 1.6 tonnes of iron ore. With China now accounting for about 50% of the world's steel production, China is the most important steel producer and iron ore consumer in the world.

The following table summarises the world's and China's crude steel production for the past five years:

	2011	2012	2013	2014	2015
	Million tonnes	*Million tonnes*	*Million tonnes*	*Million tonnes*	*Million tonnes*
World crude steel production	1,538	1,560	1,650	1,670	1,621
Yearly change	+7.3%	+1.4%	+5.8%	+1.2%	–2.9%
China crude steel production	702	731	822	823	804
Yearly change	+9.9%	+4.1%	+12.4%	+0.1%	–2.4%
% of the World	45.6%	46.9%	49.8%	49.3%	49.6%

Source: World Steel Association

As the characteristic of local iron ore in the PRC is low in Fe content, the PRC imports a significant amount of iron ore from overseas countries like Australia and Brazil each year.

A summary on the volume of iron ore imported into the PRC in the past five years is set out below:

	2011	2012	2013	2014	2015
	Million tonnes	*Million tonnes*	*Million tonnes*	*Million tonnes*	*Million tonnes*
Import of iron ore	606	744	820	932	953
Yearly change	–2.1%	+22.8%	+10.2%	+13.7%	+2.2%

Source: General Administration of Customs of the People's Republic of China

While progress in the Chinese economy decelerates, demand for steel products and in turn iron ore have decreased in recent years. However, demand for imported iron ore did not shrink accordingly. Instead, imports of iron ore into China increased by 2.2% over the previous year to a total of 953 million tonnes in 2015. This is due to the fact that the imported iron ore is of higher quality than the iron ore produced in China which will result in much lower exploration and processing cost in steel manufacturing. This implies that the imported iron ore is hardly substitutable.

The management believes that China will continue to remain the largest steel production and iron ore consuming economy in the world. Given the population increase and economic growth, growth in demand for more infrastructure, real estate, shipbuilding, railways, industrial machinery, vehicles and electrical appliances is expected. Besides, demand for construction steel remains strong as a number of major construction and infrastructure projects are being pushed forward. Further, the global strategy of "One Belt, One Road" advocated by China will also represent an important growth engine for China's demand for steel products and thus iron ore. The management believes that in the future, China's reliance on iron ore imports is expected to grow rather than shrink. For these reasons, the Company is of the view that the Trading Business can be a sustainable and viable business of the Group going forward. The Group will make the best use of its competitive advantages and act as an outstanding player in the international trading of iron ore.

On the other hand, given the current tough market environment, many smaller iron ore traders would likely exit the market, which would result in less competition in the market and will benefit the Trading Business of the Group over time.

Interests in Shougang Resources and Shougang Century

The Group holds approximately 27.61% interest in Shougang Resources, a company listed in Hong Kong which is engaged in hard coking coal production and sale in the PRC. The share of results of Shougang Resources by the Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are summarised below:

	For the year ended 31 December			**For the six months ended 30 June**
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of profits/(losses) of Shougang Resources	282,503	(142,796)	(140,346)	(97,334)

The carrying amount of the Group's investment in Shougang Resources is approximately HK$4.46 billion as at 30 June 2016.

The Group holds approximately 35.71% interest in Shougang Century, a company listed in Hong Kong which is engaged in the manufacture and sale of steel cord for radial tyres and sawing wires, processing and trading of copper and brass products. The share of results of Shougang Century by the Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are summarised below:

	For the year ended 31 December			**For the six months ended 30 June**
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of (losses) of Shougang Century	(5,934)	(98,479)	(134,621)	(16,670)

The carrying amount of the Group's investment in Shougang Century is approximately HK$0.43 billion as at 30 June 2016.

Based on the financial position of the Group as of 30 June 2016, the Group had gross assets of HK$6.11 billion and net assets of HK$4.94 billion after the Disposal. Assuming the Disposal has been completed on 30 June 2016, after the Disposal, approximately 91.8% of the Group's total assets on a pro-forma basis would be non-cash assets, including investments in Shougang Resources and Shougang Century. Thus, the Directors do not consider that the Company will consist wholly or substantially of cash or short-dated securities.

The Disposal constitutes a very substantial disposal for the Company. As the Purchaser is a wholly-owned subsidiary of Shougang Holding, the controlling shareholder of the Company, the Disposal also constitutes a connected transaction for the Company and is subject to the approval by the Independent Shareholders at a general meeting of the Company.

The Directors (excluding the independent non-executive Directors who will provide their opinions after taking advice from the Independent Financial Adviser) consider that the Disposal is in the interest of the Group under the current difficult market environment of the Qinhuangdao Business, and the Disposal have been concluded after arm's length negotiations, and is on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Upon Completion, the Group will focus on the Trading Business which will primarily involve the trading of iron ore, steel and related products. The Company entered into long-term offtake agreements with Mount Gibson, an Australian mining company in 2008 and the Group has historically sourced the majority of its requirements of iron ore from Mount Gibson. However, owing to the collapse of the sea wall of the Koolan Island mine and the subsequent flooding in late 2014, Mount Gibson has suspended its mining activities at the Koolan Island mine and it is currently unclear when Mount Gibson will resume production at the Koolan Island mine. To ensure that the Group will have a stable supply of iron ore and steel products for its Trading Business, on 3 October 2016, the Company and Shougang Corporation entered into the Master Agreement.

Shougang Corporation is the holding company of Shougang Holding, the controlling shareholder of the Company. Accordingly, the entering into of the Master Agreement constitutes continuing connected transactions for the Company under the Listing Rules.

The Master Agreement

Date

3 October 2016

Parties

(1) The Company; and

(2) Shougang Corporation.

Subject

Pursuant to the Master Agreement, Shougang Corporation and/or its associates will provide iron ore, steel and related products to the Group.

Conditions

The obligations of the parties to the Master Agreement are conditional upon approval of the Master Agreement and the annual caps of the Continuing Connected Transactions by the Independent Shareholders in compliance with the Listing Rules.

If the condition precedent under the Master Agreement is not satisfied on or before 31 December 2016 or such other date as the parties may agree in writing, the Master Agreement will terminate and no party will be entitled to any rights or benefits or be under any obligations under or in respect of the Master Agreement.

Term

Subject to the satisfaction of the condition precedent under the Master Agreement, the Master Agreement has a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

Annual Caps

The cap amounts of the Continuing Connected Transactions for each of the three financial years ending 31 December 2019 will be as follows:

	2017	**2018**	**2019**
	HK$' million	*HK$' million*	*HK$' million*
Cap amount for the Continuing Connected Transactions	1,100	1,600	2,700

In determining the annual caps of the Continuing Connected Transactions, the Company has taken into consideration the anticipated amount of the iron ore (which is estimated to be approximately, 2,040,000 tonnes, 2,040,000 tonnes and 2,450,000 tonnes for 2017, 2018 and 2019 respectively), steel and related products that the Group will purchase from Shougang Corporation and/or its associates for its Trading Business during the term of the Master Agreement.

The cap amount of iron ore from Shougang Corporation for the years ending 31 December 2017, 2018 and 2019 are determined by the highest price of the Platts Daily Price Index for 1 year, 2 years and 3 years preceded 30 June 2016, respectively. The variation between the highest price and lowest price during the three years ended 30 June 2016 is as high as 270.1%. Given the significant fluctuations of the Platts Daily Price Index over the past three years, it is justifiable to adopt the highest price in considering the respective cap amounts so as to avoid the Trading Business being limited by the significant increase in market price of iron ore.

Set out below a table showing highest and lowest price of the Platts Daily Price Index:

Period	Highest price	Lowest price	Variations
	USD/dmt	*USD/dmt*	*%*
1 July 2013 – 30 June 2014	142.5	89.0	60.1
1 July 2014 – 30 June 2015	98.25	47.5	106.8
1 July 2015 – 30 June 2016	70.5	38.5	83.1

Note: dmt stands for dry metric tonnes.

There was no purchase of iron ore, steel and related products from Shougang Corporation for trading purposes for the three years ended 31 December 2015. For the six months ended 30 June 2016, there were purchases of 325,705 tonnes of iron ore from Shougang Corporation for trading purposes.

Shougang Corporation has indicated its intention to supply the Group with approximately 2,040,000 tonnes and 2,040,000 tonnes of iron ore in 2017 and 2018 respectively to satisfy part of the Group's requirement of iron ores. The supply to the Group is expected to further increase to 2,450,000 tonnes of iron ore in 2019. The Company will continuously monitor the supply of iron ore by Shougang Corporation to ensure that there will not be reliance on Shougang Corporation. The Group will ensure that the tonnages supplied by Shougang Corporation will not exceed 50%, 40% and 40% of the total tonnages to be purchased for the year of 2017, 2018 and 2019 respectively.

The cap amount of iron ore from Shougang Corporation for the years ending 31 December 2017, 2018 and 2019 are determined by the highest price of the Platts Daily Price Index for 1 year, 2 years and 3 years preceded 30 June 2016, respectively. The variations between highest and lowest price as stated in the Platts Daily Price Index ranged from 60.1% to 106.8% for each of the period covered. The variation between the highest price and lowest price during the three years ended 30 June 2016 is as high as 270.1%. The large variations indicates that the market price of iron ore have been fluctuating vigorously over the past few periods and it is difficult to anticipate the iron ore price trend and the extent of movements in the long run. However, the Board noted the obvious upward trend of iron ore price since end of 2015. Given the Master Agreement has a term of three years, it is reasonable to adopt the highest price of the Platts Daily Price Index on SBB Steel Markets Daily for 1 year, 2 years and 3 years preceded 30 June 2016 as a reference in determining the proposed caps amounts of the Continuing Connected Transactions for the financial year 2017, 2018, and 2019 respectively so as to avoid the Trading Business being limited by the significant increase in market price of iron ore.

Price

The basis of determining the prices for the Continuing Connected Transactions will be in accordance with:

(1) comparable market price based on the Platts Iron Ore Index (the "**Index Price**") which will be agreed between the parties on normal commercial terms usually within 3% of the Index Price; or

(2) in the unlikely event that no comparable market price can be taken as a reference, a price reasonably agreed between the parties on normal commercial terms and such price should be no less favourable to the Company than that available from independent third parties.

The Board considers the pricing basis is fair and reasonable as it is in line with the prevailing market practice.

The Platts Iron Ore Index (also known as IODEX) is a benchmark assessment of the spot price of physical iron ore. The assessment is based on a standard specification of iron ore fines with 62% iron, 2% alumina and 4.5% silica, among other gangue elements. IODEX is a primary physical market pricing reference for the determination of the price of seaborne iron ore fines delivered into the PRC.

In determining the prices for the Continuing Connected Transactions, the Group will obtain information of the transaction prices of similar products in the market by making reference to the Platts Iron Ore Index and enquiry with industry players and conducting researches on industry websites to determine the reference prices, which will then be compared against the prices quoted by Shougang Corporation and/or its associates to ensure that prices for the Continuing Connected Transactions will be no less favourable to the Company than that available from independent suppliers. The Platts Iron Ore Index is published on a daily basis by SBB Steel Markets Daily and the prices of the Continuing Connected Transactions are highly transparent in the open market. In the unlikely event that no comparable market price can be taken, experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the price by reference to the comparable price and/or historical transaction price of the most similar items to ensure that the price would be fair and reasonable to the Group and no less favourable to the Company than that available from independent third parties.

To ensure that the actual prices for the Continuing Connected Transactions will be no less favourable to the Group than that available from independent third parties, the Company will conduct regular checks to review and assess whether the Continuing Connected Transactions have been entered into in accordance with the terms of the Master Agreement. In addition, the auditors of the Company will be engaged to review the Continuing Connected Transactions to assess whether the Continuing Connected Transactions have been carried out in accordance with the pricing policies of the Company.

Given the above, the Directors are of the view that the purchase price of the Continuing Connected Transactions will be fair and reasonable and no less favourable to the Company than that available from independent third parties.

Payment terms

The terms of payment for the Continuing Connected Transactions will be on normal commercial terms which will be no less favourable to the Company than those available from independent third parties.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group has in the past purchased iron ore and coke (which are essential raw materials for steel production), steel production equipments and their spare parts and components, furnaces, boilers, and services including inspection and maintenance services, labour services, sampling charges, warehousing services and other related services, and the Group has sold steel slabs, steel plates and pellets produced by the Group, together with wastes and scrap materials to Shougang Corporation and/or its associates. Those transactions were primarily for the Qinhuangdao Business. The term of the existing master agreement between the Company and Shougang Corporation will expire on 31 December 2016.

With the expiry of the term of the existing master agreement on 31 December 2016 and that the Group would need to secure a stable source of supply of iron ore, steel and related products to support the Trading Business, the Company and Shougang Corporation entered into the Master Agreement to govern the terms of the Continuing Connected Transactions going forward.

RE-ELECTION OF DIRECTOR

On 1 August 2016, the Board announced that Mr. Zhang Bingcheng was appointed as a non-executive Director and the chairman of the Board as well as the chairman of the nomination committee of the Company with effect from 1 August 2016.

In accordance with the articles of association of the Company, Mr. Zhang Bingcheng would hold office until the next following general meeting of the Company, at which time he would be eligible for re-election. As such, an ordinary resolution will be proposed at the Extraordinary General Meeting to re-elect Mr. Zhang Bingcheng as a Director.

Details of Mr. Zhang Bingcheng who is proposed to be re-elected as a Director at the Extraordinary General Meeting are set out as follows:

Mr. Zhang Bingcheng, aged 53, holds a bachelor degree and a master degree in engineering. Mr. Zhang was appointed as a non-executive Director and the chairman of the Board as well as the chairman of the nomination committee of the Company in August 2016. He joined Shougang Corporation, the holding company of Shougang Holding, in 1989 and worked in various companies under Shougang Corporation. Mr. Zhang is the chairman of certain subsidiaries of Shougang Holding. Mr. Zhang does not hold any directorships in other Hong Kong or overseas listed public companies in the last three years and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Zhang has extensive experience in company operation and management.

An engagement letter was entered into with Mr. Zhang for a term commencing on 1 August 2016 and ending on 31 December 2016. Under the engagement letter, Mr. Zhang is entitled to a director's fee as may be determined by the Board from time to time. Such director's fee was determined by the Board with reference to Mr. Zhang's experience and duties as well as the then prevailing market conditions. In order to strengthen the working capital of the Company, Mr. Zhang does not receive any director's fee from the Company until as may be otherwise determined by the Board.

As at the Latest Practicable Date and within the meaning of Part XV of the SFO, Mr. Zhang did not have any interests in the Shares.

In relation to the proposed re-election of Mr. Zhang as a Director, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under rules 13.51(2)(h) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

GENERAL

The Group is principally engaged in the manufacture and sale of steel products, commodity trading and mineral exploration.

The Purchaser is an investment holding company and is a wholly-owned subsidiary of Shougang Holding. As at the Latest Practicable Date, Shougang Holding and its associates are interested in approximately 47.78% of the total number of Shares of the Company in issue and is the controlling shareholder of the Company. The Disposal constitutes a very substantial disposal and connected transaction for the Company and is subject to the approval by the Independent Shareholders at a general meeting of the Company.

Shougang Corporation is principally engaged in the manufacture and sale of steel products. Shougang Corporation is the holding company of Shougang Holding which is the controlling shareholder of the Company. Accordingly, the transactions between the Group and Shougang Corporation and/or its associates under the Master Agreement constitute continuing connected transactions for the Company under the Listing Rules. As the applicable ratios of the annual caps of the Continuing Connected Transactions are expected to be more than 5%, the Master Agreement will be subject to the reporting, announcement and Independent Shareholder's approval requirements under the Listing Rules.

Mr. Li Shaofeng and Mr. Ding Rucai, the Directors, are also directors of Shougang Holding. Each of Mr. Li Shaofeng and Mr. Ding Rucai has abstained from voting for the Board resolutions to approve the Agreement and the Master Agreement. Mr. Shu Hong has also abstained from voting on the Board resolutions to approve the Agreement and the Master Agreement voluntarily.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions. Messis Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions.

In addition, the proposed re-election of Mr. Zhang Bingcheng as a Director is also subject to the approval by the Shareholders at the Extraordinary General Meeting.

An Extraordinary General Meeting will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Agreement, the Master Agreement, the annual caps of the Continuing Connected Transactions and the re-election of Director.

EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held at 11:00 a.m. on Friday, 23 December 2016, at The Lounge, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong is set out on pages 142 to 143 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 Extraordinary General Meeting is enclosed herewith. Whether or not you are able to attend the Extraordinary General Meeting 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 Extraordinary General Meeting 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 Extraordinary General Meeting 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 Extraordinary General Meeting shall demand voting on all resolutions set out in the notice of Extraordinary General Meeting be taken by way of poll.

Shougang Holding and its associates, holding approximately 47.78% of the total number of Shares in issue, will abstain from voting for the resolutions to be proposed at the Extraordinary General Meeting to approve the Agreement and the Master Agreement and the annual caps of the Continuing Connected Transactions.

Shareholders with a material interest in the Agreement, the Master Agreement or the re-election of Mr. Zhang Bingcheng as a Director should abstain from voting at the relevant resolutions to be proposed at the Extraordinary General Meeting.

Except as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no shareholders or their associates of the Company have any material interest in the Agreement and the Master Agreement and accordingly, no shareholder is required to abstain from voting in favour of the resolutions approving the Agreement, the Master Agreement and the annual caps of the Continuing Connected Transactions and the re-election of Mr. Zhang Bingcheng as a Director.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 26 to 27 of this circular which contains its recommendations to the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions. Your attention is also drawn to the letter of advice from Messis which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions. The letter from Messis is set out on pages 28 to 58 of this circular.

The Directors consider that the Agreement, the Master Agreement and the annual caps of the Continuing Connected Transactions are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the Extraordinary General Meeting.

In addition, the Directors recommend all Shareholders to vote in favor of the resolution for re-election of Mr. Zhang Bingcheng as a Director to be proposed at the Extraordinary General Meeting.

Your attention is also drawn to the general information set out in the appendix of this circular.

By Order of the Board
Shougang Concord International Enterprises Company Limited
Li Shaofeng
Managing Director

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions.

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)

18 November 2016

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND (2) CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 18 November 2016 (the "Circular"), in which this letter forms a part. Unless the context requires otherwise, capitalized 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 Disposal and the terms and the annual caps of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Messis, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Disposal and the terms and the annual caps of the Continuing Connected Transactions as set out on pages 28 to 58 of the Circular and the letter from the Board set out on pages 4 to 25 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Messis as stated in its letter of advice, we consider that each of the Agreement and the Master Agreement was entered into in the ordinary and usual course of business of the Company, the terms of which (including the annual cap amounts of the Continuing Connected Transactions) are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Agreement and the Master Agreement and the annual caps of the Continuing Connected Transactions to be proposed at the Extraordinary General Meeting.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Shougang Concord International Enterprises Company Limited
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung
Independent Non-executive Directors

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, which sets out its advices to the Independent Board Committee and the Independent Shareholders regarding (1) the Disposal; and (2) the Continuing Connected Transactions and the proposed annual caps.

大有融資有限公司
MESSIS CAPITAL LIMITED

18 November 2016

To: The Independent Board Committee and the Independent Shareholders of Shougang Concord International Enterprises Company Limited

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND (2) CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with (1) the terms of the Disposal; and (2) the terms and the annual caps of the Continuing Connected Transactions, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 18 November 2016 (the "**Circular**"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 3 October 2016, the Company entered into the Agreement with the Purchaser pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share. The consideration payable by the Purchaser for the Sale Share is HK$1.00. Under the terms of the Agreement, the Purchaser has undertaken to assume all the obligations and liabilities of the Disposed Group in respect of the Qinhuangdao Business. The Sale Share represents the entire issued share capital of the Disposed Company, which holds the Group's entire interests in the Qinhuangdao Business. Upon Completion, all the companies in the Disposed Group will cease to be subsidiaries of the Company and the Company will no longer have any interest in the Disposed Group as well as the Qinhuangdao Business.

The Disposal constitutes a very substantial disposal for the Company. As the Purchaser is a wholly-owned subsidiary of Shougang Holding, the controlling shareholder of the Company, the Disposal also constitutes a connected transaction for the Company and is subject to the approval by the Independent Shareholders at a general meeting of the Company.

Upon Completion, the Group will focus on the Trading Business and will purchase part of the Group's requirements of iron ore, steel and other related products from Shougang Corporation and/or its associates. As Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company, the entering into of such transactions between the Group and Shougang Corporation and/or its associates constitute continuing connected transactions for the Company under the Listing Rules.

On 3 October 2016, the Company and Shougang Corporation entered into the Master Agreement in relation to the Continuing Connected Transactions. As the applicable ratios of the annual caps of the Continuing Connected Transactions are expected to be more than 5%, the Master Agreement will be subject to the reporting, announcement and Independent Shareholder's approval requirements under the Listing Rules.

Mr. Li Shaofeng and Mr. Ding Rucai, the Directors, are also directors of Shougang Holding. Each of Mr. Li Shaofeng and Mr. Ding Rucai has abstained from voting for the Board resolutions to approve the Agreement and the Master Agreement. Mr. Shu Hong has also abstained from voting on the Board resolutions to approve the Agreement and the Master Agreement voluntarily.

An Independent Board Committee comprising all the independent non-executive Directors, namely, Ms. Kan Lai Kuen, Alice, Mr. Wong Kun Kim and Mr. Leung Kai Cheung, has been formed to advise the Independent Shareholders in relation to (1) the terms of the Disposal; and (2) the terms and the annual caps of the Continuing Connected Transactions. We, Messis Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser, no arrangement exists whereby we will receive any fees or benefits from the Company. In the last two years, we were appointed as an independent financial adviser of BeijingWest Industries International Limited (stock code: 2339), a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules, for four occasions as detailed in its circular dated 27 November 2014, 19 January 2015 and 1 June 2016, and its announcement dated 10 November 2016 respectively. We were also appointed to act as the independent financial adviser of Shougang Concord Grand (Group) Limited (stock code: 730), a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules, for two occasions as detailed in its circular dated 28 October 2014 and 26 May 2015 respectively. Notwithstanding the above, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules, in particular we did not serve as a financial adviser to (i) the Group, (ii) the Purchaser or its subsidiaries; (iii) Shougang Corporation or its subsidiaries, or (iv) any core connected person of the Company within 2 years prior to 6 October 2016, being the date of making our independence declaration to the Stock Exchange pursuant to Rule 13.85(1) of the Listing Rules.

BASIS OF OUR ADVICE AND RECOMMENDATIONS

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Directors and the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. Should there be any material changes to our opinion after the despatch of the Circular, Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular; the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties to the Disposal and the Continuing Connected Transactions.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of (1) the terms of the Disposal; and (2) the terms and the annual caps of the Continuing Connected Transactions. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In arriving at our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

(I) The Disposal

1. Background information

1.1 Background information of the Group

The Group is principally engaged in the manufacture and sale of steel products, commodity trading and mineral exploration. The Group is operating four business segments as follows:

Steel manufacturing	–	manufacture and sale of steel products;
Commodity trading	–	trading of steel products, iron ore, coal and coke;
Mineral exploration and processing	–	mining, processing and sale of iron ore; and
Others	–	management services business.

Set out below shows the financial performance of each business segment of the Group for the three years ended 31 December 2015 and the six months ended 30 June 2016 as extracted from the Company's annual report for the year ended 31 December 2013 (the "**2013 Annual Report**"), annual report for the year ended 31 December 2014 (the "**2014 Annual Report**"), annual report for the year ended 31 December 2015 (the "**2015 Annual Report**"), and interim report for the six months ended 30 June 2016 (the "**2016 Interim Report**"), respectively:

	For the year ended 31 December			**For the six months ended 30 June**
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Revenue *(Note)*				
Steel manufacturing	10,613,925	10,073,100	6,844,690	2,946,686
Commodity trading	4,426,947	1,902,317	412,305	476,201
Mineral exploration and processing	221,864	776,300	11,884	–
Others	3,625	4,470	3,816	1,800
Total	15,266,361	12,756,187	7,272,695	3,424,687

Note: Excludes inter-segment sales

Segment profit/(loss)				
Steel manufacturing	(1,294,475)	(867,040)	(1,637,801)	(398,521)
Commodity trading	163,126	(57,323)	(174,744)	29,525
Mineral exploration and processing	(310,716)	(140,803)	(227,677)	(47,086)
Others	1,587	(5,976)	7,521	(6,538)
Total	(1,440,478)	(1,071,142)	(2,032,701)	(422,620)

According to the 2013 Annual Report, 2014 Annual Report and 2015 Annual Report, revenue of the Group was approximately HK$15.3 billion, HK$12.8 billion and HK$7.3 billion for the years ended 31 December 2013, 2014 and 2015, respectively, representing a year-to-year decrease of approximately 16.3% and 43.0%. For the six months ended 30 June 2016, revenue of the Group amounted to approximately HK$3.4 billion, representing a drop of approximately 18.7% as compared to the corresponding period in 2015. Steel manufacturing business was the largest business segment of the Group, which accounted for approximately 69.5%, 79.0%, 94.1% and 86.0% of its total revenue for the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively. The decrease in revenue was mainly due to the drop in overall average selling price ("**ASP**") in the steel manufacturing segment.

Commodity trading was the Group's second largest business segment for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016. Revenue from the commodity trading segment decreased from approximately HK$4.4 billion for the year ended 31 December 2013 to approximately HK$1.9 billion for the year ended 31 December 2014 as a result of significant drop in the quantity sold and ASP of iron ore sold. The revenue further dropped to approximately HK$0.4 billion for the year ended 31 December 2015 which was due to the occurrence of seawall slump and flooding of the Koolan Island mine, a key source of iron ores for the Group's commodity trading business, in late 2014. The Group recorded an increase in revenue from commodity trading for the six months ended 30 June 2016 as the Group had procured supply of iron ore from other suppliers in order to increase the trade volume.

The Group recorded a segment loss of approximately HK$1.4 billion, HK$1.1 billion, HK$2.0 billion and HK$422.6 million for the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively. The overall segment loss of the Group was mainly derived from the steel manufacturing segment which accounted for approximately 89.9%, 80.9%, 80.6% and 94.3% of the total segment loss for the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively. During the six months ended 30 June 2016, commodity trading recorded a segment profit of approximately HK$29.5 million and it was the only profit making segment amongst the four business key operations of the Group. The segment results of the commodity trading for the three years ended 31 December 2015 has taken into account of the fair value loss on iron ore offtake agreements with Mount Gibson in the amount of HK$160.2 million, HK$141.2 million and HK$219.9 million for the years ended 31 December 2013, 2014 and 2015, respectively. Such fair value loss was non-cash in nature and not derived from the ordinary course of the Trading Business.

Set out below is the summary of the consolidated financial position of the Group as at 31 December 2013, 2014 and 2015 and 30 June 2016, respectively:

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Current assets	8,164,946	7,166,922	5,728,780	5,120,863
Non-current assets	20,403,946	18,720,746	15,533,593	14,299,974
Current liabilities	21,054,536	20,684,825	19,776,269	19,340,445
Non-current liabilities	895,205	959,443	1,266,166	849,203
Net current liabilities	(12,889,590)	(13,517,903)	(14,047,489)	(14,219,582)
Equity attributable to owners of the Company	**6,801,786**	**4,825,802**	**1,336,312**	**479,477**

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group recorded net current liabilities of approximately HK$12.9 billion, HK$13.5 billion, HK$14.0 billion and HK$14.2 billion, respectively. The net current liabilities positions were mainly due to the substantial amount of trade payables to ultimate and immediate holding company of a shareholder of the Company, short term bank borrowings and loans from ultimate and immediate holding company of a shareholder of the Company, which the aggregate amount was approximately HK$14.4 billion, HK$14.7 billion, HK$14.1 billion and HK$13.9 billion, respectively.

The financial position of the Group was weakened over the past few years. The equity attributable to owners of the Company reduced from approximately HK$6.8 billion as at 31 December 2013 to approximately HK4.8 billion as at 31 December 2014. It was further decreased to approximately HK$1.3 billion as at 31 December 2015 and HK$0.5 billion as at 30 June 2016. The sharp decrease over the years was principally because substantial loss was incurred for the steel manufacturing business for each of the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. The Group recorded a net loss attributable to the Shareholders of the Company of approximately HK$1.4 billion, HK$1.6 billion and HK$3.3 billion for the year ended 31 December 2013, 2014 and 2015, respectively. For the six months ended 30 June 2016, the loss attributable to the Shareholders of the Company for the period amounted to approximately HK$0.9 billion.

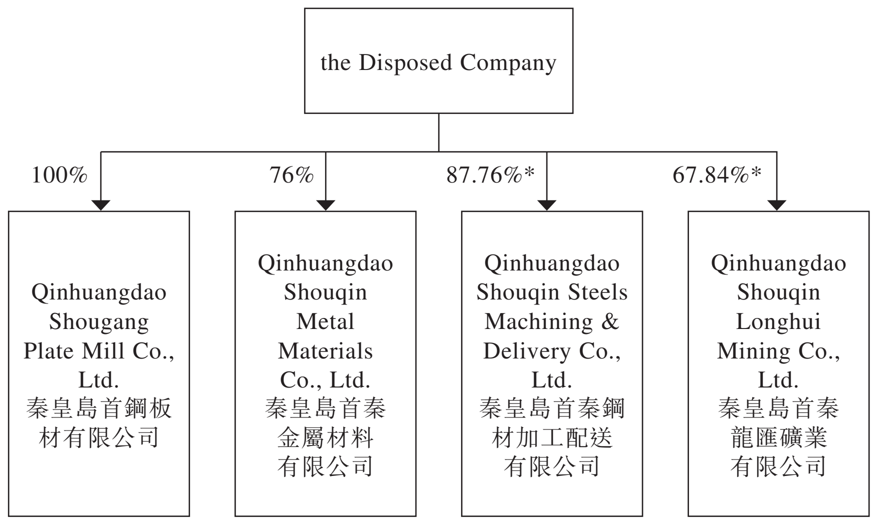
Having reviewed the historical financial information of the Group, we understand that (i) steel manufacturing was the largest business segment of the Group; (ii) it had suffered substantial segment losses for years; (iii) the losses incurred from the steel manufacturing segment directly affected the overall financial performance of the Group during the past few years; (iv) the financial results of the steel manufacturing segment were the principal factor which accounted for the material deterioration of the Group's financial positions over the past few years.

Moreover, based on the historical financial information of the Group, we also understand that (i) the Group has been engaging in commodity trading business for years; and (ii) the commodity trading segment outperformed other business segments of the Group with the evidence that it recorded segment profits for the three years ended 31 December 2015 and the six months ended 30 June 2016 if excluding the fair value loss on iron ore offtake agreements with Mount Gibson which was non-cash in nature and not derived from the ordinary course of the Trading Business.

1.2 Background information of the Disposed Group

The Disposed Group comprises the Disposed Company which holds fourteen wholly-owned subsidiaries in the Group, five non-wholly owned subsidiaries in the Group and investments in three other PRC companies. The Disposed Company is a wholly-owned subsidiary of the Company which was incorporated in the British Virgin Islands on 25 August 2016. On 30 September 2016, the Company disposed its 100% equity interests in each of Central Pro Investments, Firstlevel Holdings and Cheer Source to the Disposed Company at the consideration of HK$1. Upon such disposals, the Disposed Company became the holding company of the Group's entire interests in the Qinhuangdao Business. The disposals were accompanied with assignments of the loans to the Disposed Company in the amounts of HK$1,089,351,474.79, HK$844,299,536.79, HK$147,307,064.87 due by Central Pro Investments, Firstlevel Holdings and Cheer Source to the Company, respectively. Subsequent to such assignments, the Company had waived the total amount of HK$2,080,958,076.45 due by the Disposed Company to the Company. As a result, no amount was due by the Disposed Company to the Company as at the Latest Practicable Date.

The Disposed Group carries on the Qinhuangdao Business, which comprises mainly two heavy plate mills, a deep processing centre on steel products and a mining company in Qinhuangdao City, Hebei Province, the PRC. The Qinhuangdao Business was the principal source of the Group's revenue in the steel manufacturing segment during the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. The simplified structure of the Qinhuangdao Business is set out below:



* *attributable interest*

According to the 2015 Annual Report, the Group's principal business in the steel manufacturing segment included two heavy plate mills, which were operated through Qinhuangdao Shougang Plate Mill Co., Ltd. ("**Qinhuangdao Plate Mill**") and Qinhuangdao Shouqin Metal Materials Co., Ltd. ("**Shouqin**"). Shouqin was a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production and had formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Shouqin's annual production capacities of heavy plate reached 1.8 million tonnes in 2015. Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. was the downstream processing centre of the Disposed Group, mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. Qinhuangdao Shouqin Longhui Mining Co., Ltd held two magnetite iron ore mines in addition to concentrating and pelletizing facilities.

Set out below are the highlights of the unaudited combined financial information of the Disposed Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 as extracted from Appendix I to the Circular:

	For the year ended 31 December			For the six months ended 30 June
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	10,835,789	10,915,217	6,856,574	2,946,686
Gross loss	(938,900)	(493,044)	(1,197,762)	(222,891)
Loss for the year/period	(2,368,865)	(1,731,336)	(2,493,234)	(713,594)
Loss attributable to the owner of the Disposed Group	(1,819,827)	(1,335,532)	(1,953,199)	(565,485)

The Group's effort to operate the Qinhuangdao Business was demonstrated by the substantial revenue generated by the Disposed Group, which amounted to approximately HK$10.8 billion, HK$10.9 billion, HK$6.9 billion and HK$2.9 billion for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, respectively. Notwithstanding the above, for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, the Disposed Group incurred substantial loss largely due to the continuous decrease in ASP over the years as a result of the excessive production capacity of steel and slow down in the economy in the PRC.

The combined unaudited net liabilities of the Disposed Group attributable to the Group as at 30 June 2016 were approximately HK$4.46 billion (excluding the intra-group balance of approximately HK$2,069 million due by the Disposed Group to the Company which had been waived in full on 30 September 2016). Further details on the financial information of the Disposed Group are set out in Appendix I to this Circular.

Based on the above, we are given to understand that the Qinhuangdao Business, being the principal business operations of the Disposed Group, was the core component of the steel manufacturing segment of the Group which directly accounted for the poor financial performance of the Group during the past few years.

1.3 Background information of the Purchaser

The Purchaser, a company incorporated in the British Virgin Islands, is an investment holding company and a wholly-owned subsidiary of Shougang Holding. Shougang Holding, a company incorporated in Hong Kong, is engaged in investment holding, property investment and provision of management services.

As at the Latest Practicable Date, Shougang Holding and its associates are interested in approximately 47.78% of the total number of Shares of the Company in issue and is the controlling shareholder of the Company.

2. Reasons and benefits for the Disposal

As set out in the Letter from the Board, the Qinhuangdao Business has been incurring substantial loss since 2009 principally as a result of the excessive production capacity of steel and slow down in the economy in the PRC. In the accounts of the Group, the net liabilities of the Qinhuangdao Business attributable to the Group was approximately HK$4.46 billion as at 30 June 2016. The financial performance of the Group has been materially adversely affected by the Qinhuangdao Business. The management of the Company is of the view that it is unlikely that the performance of the Qinhuangdao Business can improve in the near future given that the excessive steel production capacity cannot be resolved in the short term. As such, the Group intends to streamline its existing businesses and to steer its focus towards the Trading Business to take advantage of its solid position in the Trading Business. It is expected that the Disposal can significantly improve the financial performance of the Group and allows the Group to direct its resources to the Trading Business.

Key operating data of the Qinhuangdao Business

In considering whether it is in the interests of the Group to dispose the Disposed Group, we have taken into account the key operating data of the Qinhuangdao Business over the past few years. Sourced from the 2013 Annual Report, 2014 Annual Report, 2015 Annual Report and 2016 Interim Report, we consider that the unsatisfactory performance of the Qinhuangdao Business in recent years can be illustrated by the sales volume of heavy plate and the ASP of Qinhuangdao Plate Mill and Shouqin over the past few years as set out below:

	For the year ended 31 December 2013	For the year ended 31 December 2014	*Year-on-year change*	For the year ended 31 December 2015	*Year-on-year change*	For the six months ended 30 June 2016	*Period-on-period change*
Qinhuangdao Plate Mill							
Quantities sold – heavy plate (tonnes)	614,000	532,000	*–13.4%*	431,000	*–19.0%*	171,000	*–32.9%*
ASP (RMB)	3,227	3,189	*–1.2%*	2,316	*–27.4%*	2,059	*–20.1%*
Shouqin							
Quantities sold – heavy plate (tonnes)	1,663,000	1,655,000	*–0.5%*	1,620,000	*–2.1%*	828,000	*–3.8%*
ASP (RMB)	3,572	3,373	*–5.6%*	2,523	*–25.2%*	2,239	*–20.0%*

It is noted that the overall sales volume of the heavy plate had been dropped since 2013, in particular during the year ended 31 December 2015 and the six months ended 30 June 2016. The sales volume of heavy plate of Qinhuangdao Plate Mill decreased by approximately 19.0% from 532,000 tonnes in 2014 to 431,000 tonnes in 2015. For the six months ended 30 June 2016, the sales volume of heavy plate of Qinhuangdao Plate Mill decreased by approximately 32.9% from 255,000 tonnes for the first half of 2015 to 171,000 tonnes in the first half of 2016.

In addition to the drop in sales volume, the significant movement in the ASP of heavy plate was the key factor which directly led to the decrease in revenue of the Disposed Group. For Shouqin, the ASP of heavy plates decreased sharply from RMB3,572 per tonne in 2013 to RMB3,373 per tonne in 2014 and further to RMB2,523 per tonne in 2015 and RMB2,239 per tonne for the six months ended 30 June 2016. The ASP of heavy plates sold by Qinhuangdao Plate Mill also showed a similar trend with the ASP dropped from RMB3,227 per tonne in 2013 to RMB2,059 per tonne for the six months ended 30 June 2016.

We have discussed with the management of the Company and we are given to understand that the decrease in ASP was in line with the steel price in the PRC market. The decrease in sales volume reflected the weak market demand along with the recent slow down of the economy in the PRC. Given the historical market trends in the steel market, the management of the Company is uncertain on when the market will be recovered to the extent that the financial performances of the Qinhuangdao Business will turnaround.

Recent publications in relation to the iron and steel industry

To understand the recent market conditions of the steel industry, we have located some recent publications of the PRC authorities in relation to the iron and steel industry in the PRC.

We note from the 《國務院關於鋼鐵行業化解過剩產能實現脱困發展的意見》 (Opinions on Resolving Excessive Capacity of Iron and Steel Industry for Development and Relief from Loss*) promulgated by the State Council on 1 February 2016 that the iron and steel industry has been facing severely weak demand as a result of the slow down of economic growth in recent years. The problems associated with the rapid growth in the iron and steel industry have revealed gradually in recent years, which excessive capacity of iron and steel industry has been the key issue. In addition, corporations in the iron and steel industry has been facing a hard time in steel production and operations, resulting in an increase in loss.

We also note from the《2015年鋼鐵行業運行情況和2016年展望》(Overview of the Iron and Steel Industry in 2015 and Prospect of the Iron and Steel Industry in 2016*) published on the website of the《中華人民共和國工業和信息化部》(Ministry of Industry and Information Technology of the People's Republic of China*) dated 6 February 2016 that the steel price in the PRC was persistently weak and had dropped for conservative 4 years from 2011 to 2015.《鋼材綜合價格指數》(Composite Steel Price Index*) also dropped by 31.1% from 81.91 at the beginning of 2015 to 56.37 at the year end. An overall loss of RMB 64.5 billion of the iron and steel industry in 2015 and persistently drop in steel capacity utilisation by approximately 70% in recent years were recorded. In 2015, some corporations in the iron and steel industry has undergone excessively cut-rate price competition or even dumping (selling the product at the price lower than the cost) in order to maintain their cash flow and to sustain their market shares, which have resulted in a malignant competition phenomenon.

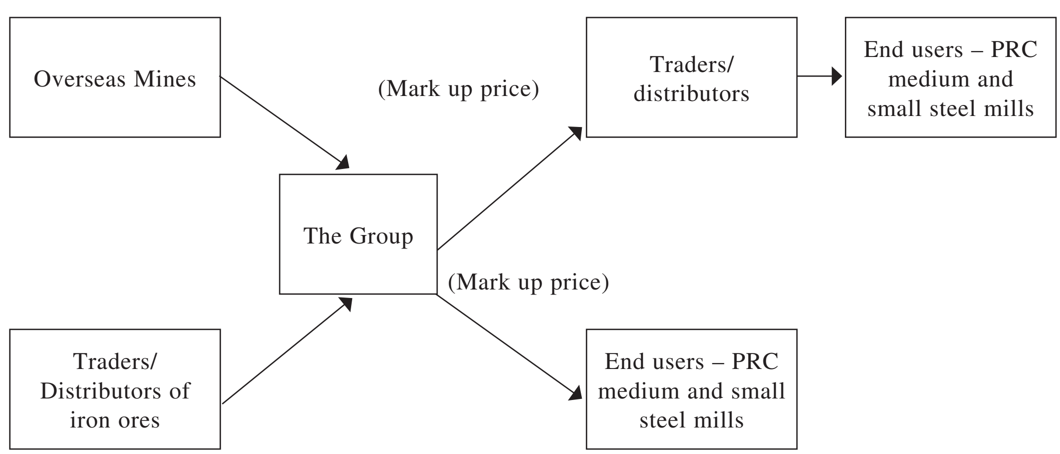
From these recently publications, we are given to understand that the iron and steel industry has been weakened with the slowing down of the PRC economy. The market prices of iron and steel were significantly dropped over the past years and it is not uncommon for market players in the industry suffering losses as a result. This also accounts for the poor financial performances of the Qinhuangdao Business over the past few years.

Future business focus of the Remaining Group

Upon Completion, the Group will primarily be involved in the Trading Business. At the same time, the Group will also hold substantial interests in two Hong Kong listed companies, namely Shougang Resources and Shougang Century.

The Trading Business

The Trading Business is trading of iron ore, steel and related products. The following chart summarises the business model of the Trading Business:



The financial results of the Trading Business for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are summarized below:

	For the year ended 31 December			For the six months ended 30 June
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4,426,947	1,902,317	412,305	476,201
Profits (before unallocated corporate income and expenses)	325,904	86,407	48,039	29,687

Upon Completion, the Group will focus on developing the Trading Business and will secure its supply of iron ore from either overseas iron ore mines or other distributors/traders in the market and sell the iron ore to its customers, which include medium and small steel mills or their procurement agents, and other distributors and traders to reach various steel mills in China. Since most of the purchases and sales are conducted on a back to back basis, for a transaction, the Group will determine the selling price by adding an average margin of approximately 2%, on top of the purchase price of the iron ore, which would include expenditures and finance costs incurred by the Group for the transaction together with a profit margin thereon. The profit of the Trading Business is the difference in the buying price and the selling price of the iron ore.

The Group has a long history and extensive experience in the trading of iron ores. The trading volume depends on, amongst others, the ability of the Group in securing sufficient supplies of iron ores. Other than purchasing from third party suppliers, the Group intends to procure iron ores from Shougang Corporation, the ultimate and immediate holding company of the controlling shareholder of the Company, for its Trading Business. Shougang Corporation has indicated its intention to supply the Group with approximately 2,040,000 tonnes and 2,040,000 tonnes of iron ore in 2017 and 2018 respectively to satisfy part of the Group's requirement of iron ores. In this connection, the Group will strengthen its Trading Business on iron ore after the Disposal and will focus on the development of its existing customers and new markets with an aim to achieving a trading volume of about 4.0-5.5 million tonnes of iron ore in 2017 and 5.0-6.5 million tonnes of iron ore in 2018.

Based on our review to the 2013 Annual Report, 2014 Annual Report, 2015 Annual Report and 2016 Interim Report, we understand that the Group has been conducted the iron ores trading business for years. During the two years ended 31 December 2013 and 2014, the sales volume of iron ores amounted to approximately 3.40 million tonnes and 2.46 million tonnes respectively. Sales volume for the year ended 31 December 2015 dropped to approximately 1.24 million tonnes at a result of the occurrence of seawall slump and flooding of the Koolan Island mine in late 2014. As the Group procured supply of iron ore from other suppliers, the sales volume for the six months ended 30 June 2016 amounted to approximately 1.39 million tonnes, represented a substantially increased by 172.5% and much more than the 0.51 million tonnes sold of the same period in 2015. Accordingly, we are of the view that (i) the Group is experienced in conducting commodity trading business; (ii) due to the nature of the Trading Business, the financial performance of the Trading Business will less likely be affected by fluctuations in iron ores prices; and (iii) with the additional supply of iron ores from Shougang Corporation, the Group will have the capacity to sell more iron ores to its customers.

Suppliers and customers

As set out in the Letter from the Board, to ensure a stable supply of iron ore, the Group has signed binding supply agreements with two independent suppliers for the committed supply by the suppliers of about 4,080,000 tonnes of iron ore in 2017 and 2018. The Group has the option not to purchase the iron one from these suppliers. In addition, the Group has entered into a memorandum of understanding with another independent supplier under which the supplier will supply approximately 2.0 to 3.0 million tonnes of iron ore to the Group in 2017 and 2018.

In respect of sales, the Group has signed strategic cooperation agreements with three key independent customers for the sale of up to 3.0 million tonnes of iron ore to such customers for each year of 2017 and 2018.

We have obtained and reviewed the relevant agreements with the Group's suppliers and customers and we are given to understand that (i) the Group has lined up with some suppliers for the anticipated increase in iron ores supplies and (ii) the Group is building up its customer base for iron ores orders in the coming years. Accordingly, we are of the view that the Group has been well-equipped to focus on the Trading Business.

Prospect and market overview of the Trading Business

As set out in the Letter from the Board, the Trading Business focuses on trading of imported iron ore into the PRC. Iron ore is a key ingredient for the production of steel, which is one of the most important materials that is used in every aspects of our daily life, including infrastructure development, real estate, shipbuilding, railways, industrial machinery, vehicle and electrical appliances. The most important material to produce steel is iron ore. For each tonne of steel production, it requires consumption of approximately 1.6 tonnes of iron ore. With China now accounting for about 50% of the world's steel production, China is the most important steel producer and iron ore consumer in the world.

The following table summarizes the world's and China's crude steel production for the past five years:

	2011 *million tonnes*	**2012** *million tonnes*	**2013** *million tonnes*	**2014** *million tonnes*	**2015** *million tonnes*
World crude steel production	1,538	1,560	1,650	1,670	1,621
Yearly change	+7.3%	+1.4%	+5.8%	+1.2%	–2.9%
China crude steel production	702	731	822	823	804
Yearly change	+9.9%	+4.1%	+12.4%	+0.1%	–2.4%
% of the World	45.6%	46.9%	49.8%	49.3%	49.6%

Source: World Steel Association

As the characteristic of local iron ore in the PRC is low in Fe content, the PRC imports a significant amount of iron ore from overseas countries like Australia and Brazil each year.

A summary on the volume of iron ore imported into the PRC in the past five years is set out below:

	2011 *million tonnes*	**2012** *million tonnes*	**2013** *million tonnes*	**2014** *million tonnes*	**2015** *million tonnes*
Import of iron ore	606	744	820	932	953
Yearly change	–2.1%	+22.8%	+10.2%	+13.7%	+2.2%

Source: General Administration of Customs of the People's Republic of China

While progress in the Chinese economy decelerates, demand for steel products and in turn iron ore have decreased in recent years. However, demand for imported iron ore did not shrink accordingly. Instead, imports of iron ore into China increased by 2.2% over the previous year to a total of 953 million tonnes in 2015. This is due to the fact that the imported iron ore is of higher quality than the iron ore produced in China which will result in much lower exploration and processing cost in steel manufacturing. This implies that the imported iron ore is hardly substitutable.

The management of the Company believes that China will continue to remain the largest steel production and iron ore consuming economy in the world. Given the population increase and economic growth, growth in demand for more infrastructure, real estate, shipbuilding, railways, industrial machinery, vehicles and electrical appliances is expected. Besides, demand for construction steel remains strong as a number of major construction and infrastructure projects are being pushed forward. Further, the global strategy of "One Belt, One Road" advocated by China will also represent an important growth engine for China's demand for steel products and thus iron ore. The management of the Company believes that in the future, China's reliance on iron ore imports is expected to grow rather than shrink. For these reasons, the Company is of the view that the Trading Business can be a sustainable and viable business of the Group going forward. The Group will make the best use of its competitive advantages and act as an outstanding player in the international trading of iron ore.

On the other hand, given the current tough market environment, many smaller iron ore traders would likely exit the market, which would result in less competition in the market and will benefit the Trading Business of the Group over time.

Based on the above, in particular that (i) the Group has been in the Trading Business for years with profitable track records; (ii) the Group has been equipped with addition suppliers and customers of iron ores for the Trading Business in near future; and (iii) the market demand of iron ores is relatively favourable according to market statistics, we are of the view that it is in the interests of the Shareholders and the Company as a whole to focus on the Trading Business.

Interests in Shougang Resources and Shougang Century

The Group holds approximately 27.61% interest in Shougang Resources, a company listed in Hong Kong which is engaged in hard coking coal production and sale in the PRC. The share of results of Shougang Resources by the Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are summarised below:

	For the year ended 31 December			For the six months ended 30 June
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of profits/ (losses) of Shougang Resources	282,503	(142,796)	(140,346)	(97,334)

The carrying amount of the Group's investment in Shougang Resources was approximately HK$4.46 billion as at 30 June 2016.

The Group holds approximately 35.71% interest in Shougang Century, a company listed in Hong Kong which is engaged in the manufacture and sale of steel cord for radial tyres and sawing wires, processing and trading of copper and brass products. The share of results of Shougang Century by the Group for the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are summarised below:

	For the year ended 31 December			For the six months ended 30 June
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of (losses) of Shougang Century	(5,934)	(98,479)	(134,621)	(16,670)

The carrying amount of the Group's investment in Shougang Century was approximately HK$0.43 billion as at 30 June 2016.

Having considered the above, in particular that (i) the overall financial position of the Group has been worsening which was mainly attributable from the Qinhuangdao Business; (ii) the continuous loss-making financial results of the Disposed Group as detailed in the section headed "1.2 Background information of the Disposed Group" in this letter; (iii) the excessive production capacity of iron and steel was still a concern in the overall steel industry in the PRC; (iv) the Remaining Group will focus on the Trading Business which was profit making and the market conditions are more stable and positive, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Agreement

Subject Matter:

The Company will sell the Sale Share, representing the entire issued share capital of the Disposed Company, to the Purchaser. The Disposed Company holds the Group's entire interests in the Qinhuangdao Business. Under the terms of the Agreement, the Purchaser has undertaken to assume all the obligations and liabilities of the Disposed Group in respect of the Qinhuangdao Business.

Upon Completion, all the companies in the Disposed Group will cease to be subsidiaries of the Company and the Company will no longer have any interest in the Disposed Group as well as the Qinhuangdao Business.

Consideration:

The consideration payable by the Purchaser for the Sale Share is HK$1.00. Under the terms of the Agreement, the Purchaser will also assume all the obligations and liabilities of the Disposed Group in respect of the Qinhuangdao Business. As at 30 June 2016, the total liabilities of the Qinhuangdao Business amounted to approximately HK$19.05 billion.

Conditions:

Completion of the Disposal is conditional upon:

(a) the Company being able to maintain a sufficient level of operation or assets to warrant the continued listing of the Shares on the Stock Exchange in accordance with the requirements of Rule 13.24 of the Listing Rules;

(b) approval of the transactions contemplated under the Agreement by the Independent Shareholders in compliance with the Listing Rules; and

(c) the obtaining of all other consents, approvals and authorisations, including any approvals or consents that may be required from the PRC authorities, in relation to the transactions contemplated under the Agreement, if any.

In accordance with the Agreement, if the conditions are not satisfied or waived before 31 December 2016 or such later date as the parties may otherwise agree, the Agreement will forthwith become null and void and cease to have any effect whatsoever save for any antecedent breach. The Agreement is silent on which of the conditions is waivable, no party to the Agreement intends to waive any of the above conditions.

Condition (a) is a continuing obligation of the Company under the Listing Rules. As at the Latest Practicable Date, condition (b) has not been fulfilled.

4. Evaluation of the consideration of the Disposal

As set out in the Letter from the Board, the consideration was determined after arm's length negotiations between the parties taking into consideration the net liability position of the Qinhuangdao Business.

In assessing the fairness and reasonableness of the consideration of the Disposal, we have taken into consideration the following factors:

Financial effects of the Disposal

The unaudited adjusted net liabilities of the Disposed Group as at 30 June 2016 were approximately HK$4,458 million which was derived from the unaudited net liabilities of the Disposed Group attributable to the Group of approximately HK$6,527 million but excluding the loan due by the Disposed Company to the Company of approximately HK$2,069 million because of the waiver of such loan.

Subject to any adjustments that may arise after the audit of the financial statements of the Group and assuming the Disposal has been completed on 30 June 2016, the expected gain to be derived from the Disposal will amount to approximately HK$4,456 million. It is expected that the Group will not realize a gain or loss in the statement of profit or loss and other comprehensive income as a result of the Disposal. As the Purchaser is the subsidiary of the controlling shareholder of the Company and the consideration was negotiated with premium over the fair value of the assets and liabilities to be disposed, the substantial gain from the Disposal will be directly recognized in the equity as deemed shareholder's contribution and will increase the net assets of the Group. The calculation of the gain is based on the consideration of HK$1, the disposal of the unaudited adjusted net liabilities of the Disposed Group attributable to the Group of approximately HK$4,458 million as at 30 June 2016 and the estimated expenses on Disposal of approximately HK$2 million.

The valuation of the real property interest held by the Disposed Group in the PRC

The Company has engaged Greater China Appraisal Limited (the "**Valuer**"), an independent valuer, to value the real property interests held by the Disposed Group in the PRC as at 31 August 2016 (the "**Valuation**"). The Valuer opined that some properties held by the Disposed Group had no commercial value as at 31 August 2016 since it was not transferrable as at the valuation date. In case all the properties were transferable assuming proper title certification had been obtained and the properties can be freely transfer in the market without payment of any onerous fees as at the valuation date, the capital value of the properties was in the order of approximately HK$4,078 million.

The following shows a reconciliation of the value of properties as disclosed in Appendix IV to this Circular to the net book value as reflected in the 2016 Interim Report:

	HK$ Million
Carrying amount of the properties as at 30 June 2016	3,755
Exchange realignment	(25)
Addition	7
Depreciation	(25)
Carrying amount of the properties as at 31 August 2016	3,712
Changes with valuation	366
Valuation as at 31 August 2016	4,078

We have considered and reviewed, among others, the valuation report (the "**Valuation Report**") prepared by the Valuer in assessing the fairness and reasonableness of the consideration of the Disposal. As part of our due diligence, we have interviewed the Valuer and are given to understand that it is an independent third party to the parties to the Company and their respective core connected persons. Moreover, we understand that Mr. Gary Man, the person in charge of the Valuation, is a Chartered Surveyor who has more than 28 years of valuation experience in countries such as the PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region and is therefore a competent person to conduct the Valuation. In addition, we have also reviewed the terms of the Valuer's engagement letter and noted that the scope of work is appropriate for arriving at the opinion of the market value of the said properties. Nothing has come to our attentions that there are any limitations on the relevant scope of work performed by the Valuer.

We have discussed with the Valuer regarding the methodology, the principal bases and assumptions adopted for the Valuation. In valuing the real property interests held by the Disposed Group in the PRC, the Valuer has adopted a number of methodologies due to the nature of buildings and structures constructed as set out below:

(i) *Cost method*

In valuing the real properties which have no readily identifiable market comparables, the Valuer has considered the cost method in valuing the real property interests on the basis of its depreciated replacement cost. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

We have discussed with the Valuer and we are given to understand that due to the special nature of buildings and structures constructed, there is no readily identifiable market comparables and hence these real properties are valued under the cost method. We understand from the Valuer that the total of the value of land elements and the cost of improvements elements form the market value of the real properties. The value of land elements is with reference to market data and the cost of improvements elements is calculated by obtaining the current costs for replacing such improvements with taken into account of depreciation of such replacement cost. The depreciation rate adopted has made reference to the remaining useful life of the improvements and all relevant forms of obsolescence and optimization. We have reviewed the calculations of relevant valuations and we understand that the Valuer has made reference to relevant benchmark land price published by the Land Resources Bureau of the PRC to estimate the market value of land elements. Moreover, we have reviewed two samples of valuation reports as published in circulars of companies listed on the Stock Exchange and we note that cost method had also been used in the absence of identifiable market comparables.

(ii) *Comparison method*

In valuing the real properties which have identifiable market comparables, the Valuer has adopted the comparison method where comparison based on prices realised or market prices of comparable real properties is made.

We have obtained from the Valuer samples of market comparables (three samples for each real property) and we are given to understand from the Valuer that those samples are of similar size, character and location as those real property valuated under the comparison method.

(iii) Investment method

In valuing real property interests which are held and leased out by the Group, the Valuer has considered the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalized at an appropriate capitalization rate with due allowance for the reversionary interests after expiry of the tenancies.

We have discussed with the Valuer and we are given to understand that the total of the rental receivable values during the existing tenancy period of the relevant real properties and the market values of the rental of the real properties after expiry of the existing tenancy are capitalized with an appropriate capitalization rate to form the market value of the real properties. We have reviewed the calculations of relevant valuations and we understand that the Valuer has compared with three samples of market comparables for each real property and we are given to understand from the Valuer that those samples are of similar size, character and location as those real properties valued under the investment method. Moreover, we have reviewed two samples of valuation reports as published in circulars of companies listed on the Stock Exchange and we note that investment method had also been adopted for real properties which were held and leased out.

We are also given to understand that in valuing the real property which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent, they have no commercial value.

We note that the Valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules. In valuing the real property interests, the Valuer has complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors. We are advised by the Valuer that the valuation approaches as adopted in the Valuation are common methodologies in establishing the valuation of the relevant real property interests. Based on the above, and after taking into account the results of our work done, we are of the view that it is fair and reasonable for the Valuer to adopt the relevant methodologies in the Valuation.

Details of the basis and assumptions of the Valuation are set out in Appendix IV to this Circular. We have discussed with the Valuer and we are given to understand that it is common for Valuer in adopting those key assumptions in the course of valuating real properties in the PRC. We have also reviewed a number of valuation reports as published in circulars of companies listed on the Stock Exchange and we note that the key assumptions are commonly used in valuating real properties. Accordingly, we have not found any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the Valuation.

Based on the above and having considered that (i) the Valuation was conducted by the Valuer who is an independent third party; (ii) the Valuer is professional qualified and is competent on conducting the Valuation; (iii) the Valuation was arrived under appropriate and recognised valuation approaches; and (iv) the principal basis and assumptions adopted in the Valuation are reasonable, we consider that the Valuation is a fair reference to assess the financial position of the Disposed Group.

According to the Valuation Report, the Valuation as at 31 August 2016 amounted to approximately HK$4,078 million and is not materially different from the carrying amount of the relevant properties of approximately HK$3,712 million as at 31 August 2016. Accordingly, the change in value of approximately HK$366 million would not give rise to any material positive impact over the financial position of the Disposed Group as there were already net liabilities of approximately HK$4.5 billion of the Disposed Group as at 30 June 2016.

Having considered that a substantial gain is expected to be derived from the Disposal given the latest net liabilities position of the Disposed Group, we are of the view that the consideration for the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

5. Possible financial effects of the Disposal

Effect on net assets value

As set out in "Appendix II – Pro Forma Financial Information of the Remaining Group" of the Circular, assuming the Disposal had been completed on 30 June 2016, the Group's total assets as at 30 June 2016 would decrease from approximately HK$19,421 million to approximately HK$8,175 million. The Group's total liabilities would decrease from approximately HK$20,190 million to approximately HK$1,171 million. The Group would improve from net liabilities of approximately HK$768.8 million to net assets of approximately HK$7,004 million. The cash and bank balance (excluding restricted and pledged bank deposits) would decrease from approximately HK$489 million to approximately HK$411 million. The bank loans balance would decrease from approximately HK$6,143 million to approximately HK$821 million. As a result of the decrease in total assets and total liabilities of the Group following the Completion, the net asset value attributable to the owners of the Company as at 30 June 2016 will be greatly improved from approximately HK$479.5 million to that of the Remaining Group of approximately HK$7.0 billion. Such improvement is principally due to the substantial gain on the Disposal in the estimated amount of HK$6.5 billion will be directly recognized in reserve as deemed shareholder's contribution. On 30 September 2016, the Company had waived the total amount of approximately HK$2.1 billion due by Disposed Group. The net gain on the Disposal recognized in reserve would be approximately HK$4.5 billion if such amount had been waived as at 30 June 2016.

Effect on earnings

As set out in "Appendix II – Pro Forma Financial Information of the Remaining Group" of the Circular, assuming the Disposal has been completed on 1 January 2015, the Group's revenue for the year ended 31 December 2015 would decrease from approximately HK$7,273 million to approximately HK$501 million. The Remaining Group would record a gross profit of approximately HK$62.8 million as compared to the gross loss of approximately HK$1.1 billion of the Group without the Disposal. The loss attributable to the shareholders of the Group for the year ended 31 December 2015 would sharply decrease from approximately HK$3,349 million to approximately HK$1,396 million.

Effect on liquidity position

According to the 2016 Interim Report, the Disposed Group recorded a high proportion of long term and short term borrowings in terms of total liabilities as at 30 June 2016. The gearing ratio (being the total liabilities divided by total equity attributable to owners of the Company) was approximately 42.1 times. As set out in "Appendix II – Pro Forma Financial Information of the Remaining Group" of the Circular, assuming the Disposal had been completed on 30 June 2016, it is expected that the gearing ratio of the Remaining Group will be greatly improved to approximately 16.7%.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position or results of the Group will be upon the Completion.

(II) CONTINUING CONNECTED TRANSACTIONS – THE MASTER AGREEMENT

1. Background of and reasons for entering into the Master Agreement

(i) Overview

Upon Completion, the Group will focus on the Trading Business which will primarily involve the trading of iron ore, steel and related products. The Company entered into long-term offtake agreements with Mount Gibson, in 2008 and the Group has historically sourced the majority of its requirements of iron ore from Mount Gibson. However, owing to the collapse of the sea wall of the Koolan Island mine and the subsequent flooding in late 2014, Mount Gibson suspended its mining activities at the Koolan Island mine and it is currently unclear when Mount Gibson will resume production at the Koolan Island mine. To ensure that the Group will have a stable supply of iron ore and steel products for its Trading Business, on 3 October 2016, the Company and Shougang Corporation entered into the Master Agreement.

As the applicable ratios of the annual caps of the Continuing Connected Transactions are expected to be more than 5%, the Master Agreement will be subject to the reporting, announcement and Independent Shareholder's approval requirements under the Listing Rules.

(ii) Background information of Shougang Corporation

According to the "Prospectus in relation to the third phrase raising of short term note in 2016" (2016年度第三期超短期融資券募集說明書) as published by Shougang Corporation in August 2016 (the "**2016 Prospectus**"), being the latest public information of Shougang Corporation available, Shougang Corporation is a state-owned enterprise wholly-owned by Beijing Holders of State-owned Capital Management Centre (北京國有資本經營管理中心) which is in turn wholly-owned by Beijing Municipal People's Government State-owned Assets Supervision and Administration Commission (北京市國有資產監督管理委員會).

Shougang Corporation is one of the largest steel production enterprises in the PRC. According to the 2016 Prospectus, it had 97 principal subsidiaries as at 31 March 2016 which were engaging in a wide range of businesses including steel and iron production, overseas business, property development, mining resources and other businesses. It had over 110,000 staff as at 31 March 2016.

As at 31 March 2016, total assets and net assets of Shougang Corporation amounted to approximately RMB441.6 billion and RMB105.1 billion, respectively. Shougang Corporation Group is a capital intensive company with total non-current assets of approximately RMB304.7 billion as at 31 March 2016, approximately 53.9% of which (i.e. approximately RMB164.3 billion) were the net book value of fixed assets. Steel and iron production was the largest business segment of Shougang Corporation which accounted for approximately 46.7% of its total revenue for the 3 months ended 31 March 2016.

(iii) Reasons for the Continuing Connected Transactions

The Group has in the past purchased iron ore and coke (which are essential raw materials for steel production), steel production equipments and their spare parts and components, furnaces, boilers, and services including inspection and maintenance services, labour services, sampling charges, warehousing services and other related services, and the Group has sold steel slabs, steel plates and pellets produced by the Group, together with wastes and scrap materials to Shougang Corporation and/or its associates. Those transactions were primarily for the Qinhuangdao Business. The term of the existing master agreement (the "**Existing Master Agreement**") between the Company and Shougang Corporation will expire on 31 December 2016.

Upon the Completion, the Group will no longer have any interest in the Qinhuangdao Business and will primarily be involved in the Trading Business. The Group mainly traded the iron ores provided under the offtake agreements with Mount Gibson. According to the official website of Mount Gibson (www.mtgibsoniron.com.au), we note that its operations at the mine located at Koolan Island was suspended in November 2014 following a seawall failure which resulted in the flooding of Main Pit. As a result, as set out in the 2015 Annual Report, the Group sold only approximately 1.24 million tonnes of iron ores inventory in 2015. The sales volume was much lower than the 2.46 million tonnes sold in 2014. We note that the operation of Koolan Island mine is still being reviewed to determine options to rebuild the seawall and resume large scale production.

Based on the above circumstances, the Group requires to secure a stable source of supply of iron ore, steel and related products to support the Trading Business. Therefore, the Company and Shougang Corporation entered into the Master Agreement to govern the terms of the Continuing Connected Transactions going forward.

Having considered that (i) commodity trading business is one of the key business segments of the Group; (ii) the Remaining Group will focus on the Trading Business upon the Completion; (iii) the Remaining Group requires to secure a stable source of supply of iron ore, steel and related products to support the Trading Business; (iv) Shougang Corporation, being one of the largest steel production enterprises in the PRC, has the capacity to supply the Group iron ore, steel and related products for the Trading Business, we are of the view that the transactions contemplated under the Master Agreement are in the ordinary and usual course of business of the Group and the entering into of the Master Agreement is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Master Agreement

(i) Subject

Pursuant to the Master Agreement, Shougang Corporation and/or its associates will provide iron ore, steel and related products to the Group.

(ii) Conditions

The obligations of the parties to the Master Agreement are conditional upon approval of the Master Agreement and the annual caps of the Continuing Connected Transactions by the Independent Shareholders in compliance with the Listing Rules.

If the condition precedent under the Master Agreement is not satisfied on or before 31 December 2016 (or such other date as the parties may agree in writing), the Master Agreement will terminate and no party will be entitled to any rights or benefits or be under any obligations under or in respect of the Master Agreement.

(iii) Term

Subject to the satisfaction of the conditions precedent to the Master Agreement, the Master Agreement has a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

(iv) Payment terms and Price

Pursuant to the Master Agreement, the terms of payment for the Continuing Connected Transactions will be on normal commercial terms which will be no less favourable to the Company than those available from independent third parties.

The basis of determining the prices for the Continuing Connected Transactions will be in accordance with:

(1) comparable market price based on the Platts Iron Ore Index which will be agreed between the parties on normal commercial terms usually within 3% of the Index Price; or

(2) in the unlikely event that no comparable market price can be taken as a reference, a price reasonably agreed between the parties on normal commercial terms and such price should be no less favourable to the Company than that available from independent third parties.

According to the Letter from the Board, the Platts Iron Ore Index (also known as IODEX) is a benchmark assessment of the spot price of physical iron ore. The assessment is based on a standard specification of iron ore fines with 62% iron, 2% alumina and 4.5% silica, among other gangue elements. IODEX is a primary physical market pricing reference for the determination of the price of seaborne iron ore fines delivered into the PRC.

As set out in the Letter from the Board, in determining the prices for the Continuing Connected Transactions, the Group will obtain information of the transaction prices of similar products in the market by making reference to the Platts Iron Ore Index and enquiry with industry players and conducting researches on industry websites to determine the reference prices, which will then be compared against the prices quoted by Shougang Corporation and/or its associates to ensure that prices for the Continuing Connected Transactions will be no less favourable to the Company than that available from independent suppliers. The Platts Iron Ore Index is published on a daily basis by SBB Steel Markets Daily and the prices of the Continuing Connected Transactions are highly transparent in the open market. In the unlikely event that no comparable market price can be taken, experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the price by reference to the comparable price and/or historical transaction price of the most similar items to ensure that the price would be fair and reasonable to the Group and no less favourable to the Company than that available from independent third parties.

As set out in the Letter from the Board, to ensure that the actual prices for the Continuing Connected Transactions will be no less favourable to the Group than that available from independent third parties, the Company will conduct regular checks to review and assess whether the Continuing Connected Transactions have been entered into in accordance with the terms of the Master Agreement. In addition, the auditors of the Company will be engaged to review the Continuing Connected Transactions to assess whether the Continuing Connected Transactions have been carried out in accordance with the pricing policies of the Company.

Given the above, the Directors are of the view that the purchase price of the Continuing Connected Transactions will be fair and reasonable and no less favourable to the Company than that available from independent third parties.

(v) Our view

In considering whether the Continuing Connected Transactions will be conducted in a fair and reasonable manner, we have compared the terms of the Master Agreement with those of the Existing Master Agreement. We note that the principal terms of the Master Agreement and the Existing Master Agreement are similar. In particular, the terms of the transactions contemplated under the Existing Master Agreement and the Master Agreement have to be determined with reference to prevailing market terms and no less favourable to the Group than those available from independent third parties. As stated in the 2013 Annual Report, 2014 Annual Report and 2015 Annual Report, the auditor of the Company had provided a letter to the Board confirming the matters stated in Rule 14A.38 or Rule 14A.56 of the Listing Rules in respect of the continuing connected transactions took place during the respective years/period, which include, among other things, that the continuing connected transactions (i) were in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company; and (ii) had been entered into in accordance with the relevant agreement governing the transactions. We have discussed with the auditor of the Company and understand that they have conducted an review on the transactions contemplated under the Existing Master Agreement provided by the management of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent non-executive Directors have also confirmed in 2013 Annual Report, 2014 Annual Report and 2015 Annual Report that the transactions contemplated under the Existing Master Agreement had been conducted on normal commercial terms, or if there was no available comparison, on terms that were no less favourable than terms available to or from independent third parties.

Based on the internal control policies of the Group in respect of the continuing connected transactions, the review of the historical continuing connected transactions by the auditor and the independent non-executive Directors as set out above together with the obligations of the Directors to comply with the Listing Rules to conduct the continuing connected transactions on normal commercial terms, there is no reason for us to doubt that the Continuing Connected Transactions under the Master Agreement will not be conducted on normal commercial terms.

On the basis that (i) the relevant terms, including the payment terms and price, of the Continuing Connected Transactions will be conducted on normal commercial terms; (ii) the prices for the Continuing Connected Transactions will be determined based on market index and therefore will be no less favourable than those available from independent suppliers or customers; and (iii) in light of the result of the review to the historical continuing connected transactions by the auditor of the Company and the independent non-executive Directors, we are of the view that the terms of the Master Agreement, including the pricing mechanism, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. The Annual Caps

The cap amounts of the Continuing Connected Transactions for each of the three financial years ending 31 December 2019 as follows:

	2017	**2018**	**2019**
	HK$' million	*HK$' million*	*HK$' million*
Cap amount of the Continuing Connected Transactions	1,100	1,600	2,700

As set out in the Letter from the Board, in determining the annual caps of the Continuing Connected Transactions, the Company has taken into consideration the anticipated amount of the iron ore, steel and related products that the Group will purchase from Shougang Corporation and/ or its associates for its Trading Business during the term of the Master Agreement.

We have discussed with the management of the Company on the grounds in determining the proposed cap amounts of the Continuing Connected Transactions. We are given to understand that the proposed cap amounts of the Continuing Connected Transactions are arrived with reference to (i) the intended trading volume of iron ore between Shougang Corporation and the Group for the three years ending 31 December 2019; and; (ii) the historical open market prices of iron ore.

As set out in the Letter from the Board, Shougang Corporation has indicated its intention to supply the Group with approximately 2,040,000 tonnes and 2,040,000 tonnes of iron ore in 2017 and 2018 respectively to satisfy part of the Group's requirement of iron ores. The supply to the Group is expected to further increase to 2,450,000 tonnes of iron ore in 2019. The Company will continuously monitor the supply of iron ore by Shougang Corporation to ensure that there will not be reliance on Shougang Corporation. The Group will ensure that the tonnages supplied by Shougang Corporation will not exceed 50%, 40% and 40% of the total tonnages to be purchased for the year of 2017, 2018 and 2019 respectively. The management of the Company is optimistic to the Trading Business given the factors as set out in the section headed "Information about the Remaining Group" of the Letter from the Board, including (i) the long history and extensive experience of the Group in the Trading Business, (ii) the indications from independent customers for the sales of iron ores for the year ending 31 December 2017 and 2018; and (iii) the positive market prospect of the Trading Business. It is an aim of the Group to achieving a trading volume of about 4.0-5.5 million tonnes of iron ore in 2017 and 5.0-6.5 million tonnes of iron ore in 2018.

As advised by the management of the Company, the cap amount of iron ore from Shougang Corporation for the years ending 31 December 2017, 2018 and 2019 are determined by the highest price of the Platts Daily Price Index for 1 year, 2 years and 3 years preceded 30 June 2016, respectively. As advised by the management of the Company, given the significant fluctuations of the Platts Daily Price Index over the past three years, it is justifiable to adopt the highest price in considering the respective cap amounts so as to avoid the Trading Business being limited by the significant increase in market price of iron ore.

Set out below a table showing the highest and lowest price of the Platts Daily Price Index:

Period	**Highest price** *USD/dmt*	**Lowest price** *USD/dmt*	**Variations** *%*
1 July 2013 – 30 June 2014	142.5	89.0	60.1
1 July 2014 – 30 June 2015	98.25	47.5	106.8
1 July 2015 – 30 June 2016	70.5	38.5	83.1

Note: dmt stands for dry metric tonnes.

Based on the above table, we note that the variations between the highest and lowest price as stated in the Platts Daily Price Index ranged from 60.1% to 106.8% for each of the period covered. The variation between the highest price and lowest price during the three years ended 30 June 2016 is as high as 270.1%. The large variations indicates that the market price of iron ore have been fluctuating vigorously over the past few periods. It also suggests that it is difficult to anticipate the iron ore price trend and the extent of movements in the long run.

We understand that the principal reason for the entering of the Master Agreement is to support the Trading Business. As advised by the management of the Company, due to the nature of the Trading Business, most of the purchases and sales in relation to the trading transactions are to be conducted on a back to back basis. The selling price will be determined by adding a margin on top of the purchase price of the iron ore. In this connection, the future transaction volume under the Trading Business would inevitably be limited by the proposed cap amounts of the Continuing Connected Transactions in the event that the market price of iron ores rises materially in future. As (i) the movement of the iron ore price was highly unpredictable as demonstrated by the movement of Platts Daily Price Index over the past few periods; (ii) the historical market prices of iron ores over the past few periods varied materially, and (iii) the term of the Master Agreement will last for three years, we are of the view that it is reasonable for the Company to adopt the highest price of the Platts Daily Price Index on SBB Steel Markets Daily for 1 year, 2 years and 3 years preceded 30 June 2016 as a reference in determining the proposed caps amounts of the Continuing Connected Transactions for the financial year 2017, 2018 and 2019 respectively such that (a) material fluctuations of the iron ore price in future, if any, have been accounted for; and (b) the Trading Business will not be materially affected by the iron price fluctuations during the term of the Master Agreement.

We are also advised that only iron ore is taken into account to formulate the relevant cap amounts as the Remaining Group will mainly focus on iron ore trading. It is a key ingredient for the production of steel, which is one of the most important materials that is used in every aspects of our daily life, including infrastructure development, real estate, shipbuilding, railways, industrial machinery, vehicle and electrical appliances.

Taking into account the above, in particular that (i) the volume of the Continuing Connected Transactions is line with the future plan of the Group on the Trading Business; and (ii) the expected purchase price is estimated with reference to the historical open market prices of iron ore, we are of the view that the basis on determining the proposed cap amounts of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that (i) the entering of the Agreement and the transactions contemplated under the Master Agreement are in the interests of the Company and the Shareholders as a whole; (ii) the Disposal and the transactions contemplated under the Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the transactions contemplated under the Master Agreement are in the ordinary and usual course of business of the Group; and (iv) the proposed cap amounts of the Continuing Connected Transactions are determined under fair and reasonable grounds. Accordingly, we advise the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting to approve the Agreement and the Master Agreement and the proposed annual caps thereof.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Messis Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 9 years of experience in corporate finance industry.

* *for identification purpose only*

Set out below are the financial information of the Disposed Group which comprises the consolidated statements of financial position of the Disposed Group as at 31 December 2013, 2014 and 2015 and 30 June 2016 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Disposed Group for each of the periods then ended and certain explanatory notes ("Financial Information"). The Financial Information has been reviewed by the independent auditors of the Company, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the Financial Information of the Disposed Group is not prepared, in all material respects, in accordance with accounting policies used in the preparation of the financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2015, and the basis of preparation set out in Note 2 to the Financial Information of the Disposed Group.

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF ULTIMATE CENTURY INVESTMENTS LIMITED

FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2015 AND THE SIX MONTHS ENDED 30 JUNE 2016

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	10,835,789	10,915,217	6,856,574	4,036,958	2,946,686
Cost of sales	(11,774,689)	(11,408,261)	(8,054,336)	(4,404,787)	(3,169,577)
Gross loss	(938,900)	(493,044)	(1,197,762)	(367,829)	(222,891)
Other income	50,732	76,837	51,227	27,564	18,361
Other gains and losses	(192,256)	(6,249)	(76,584)	(3,061)	(9,602)
Distribution and selling expenses	(89,820)	(113,321)	(122,811)	(55,558)	(37,989)
Administrative expenses	(404,542)	(429,076)	(495,021)	(232,726)	(182,681)
Finance costs	(790,385)	(775,652)	(657,029)	(364,153)	(280,883)
Share of results of associates	5,224	5,232	438	538	(251)
Loss before tax	(2,359,947)	(1,735,273)	(2,497,542)	(995,225)	(715,936)
Income tax (expense) credit	(8,918)	3,937	4,308	2,104	2,342
Loss for the year/period	(2,368,865)	(1,731,336)	(2,493,234)	(993,121)	(713,594)
Other comprehensive income (expense)					
Items that will not be reclassified to profit or loss:					
Exchange differences arising on translation to presentation currency	925	35,717	206,391	3,156	119,903
Fair value gain (loss) on investment in equity instruments designated as at fair value through other comprehensive income	7,710	(51,079)	(72,448)	1,567	(49,720)
Other comprehensive income (expense) for the year/period	8,635	(15,362)	133,943	4,723	70,183
Total comprehensive expense for the year/period	(2,360,230)	(1,746,698)	(2,359,291)	(988,398)	(643,411)
Loss for the year/period attributable to:					
Owner of Ultimate Century Investments Limited	(1,819,827)	(1,335,532)	(1,953,199)	(779,286)	(565,485)
Non-controlling interests	(549,038)	(395,804)	(540,035)	(213,835)	(148,109)
	(2,368,865)	(1,731,336)	(2,493,234)	(993,121)	(713,594)
Total comprehensive expense attributable to:					
Owner of Ultimate Century Investments Limited	(1,811,886)	(1,353,459)	(1,850,875)	(775,841)	(512,186)
Non-controlling interests	(548,344)	(393,239)	(508,416)	(212,557)	(131,225)
	(2,360,230)	(1,746,698)	(2,359,291)	(988,398)	(643,411)

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION OF ULTIMATE CENTURY INVESTMENTS LIMITED

AT 31 DECEMBER 2013, 2014, 2015 AND 30 JUNE 2016

	As at 31 December			As at 30 June
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investment properties	35,194	33,553	33,418	32,715
Property, plant and equipment	11,434,861	10,491,659	9,236,922	8,650,487
Prepaid lease rentals	323,877	310,705	292,754	284,521
Mining assets	–	–	–	–
Interest in an associate	38,400	38,999	33,559	32,605
Equity investments	189,190	133,901	55,409	4,525
Deposits for acquisition of property, plant and equipment	21,062	14,944	15,665	14,245
	12,042,584	11,023,761	9,667,727	9,019,098
CURRENT ASSETS				
Inventories	3,120,296	2,408,300	1,531,574	1,499,250
Trade and bills receivables	1,018,717	1,612,443	1,921,303	1,568,569
Trade receivables from related companies	98,261	136,021	126,205	130,344
Trade receivables from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	–	1,226	1,313	1,241
Prepayments, deposits and other receivables	589,476	696,575	396,293	288,757
Prepaid lease rentals	7,922	7,787	7,531	7,417
Amounts due from related companies	43,114	60,452	212,547	75,476
Amount due from an associate	6,731	5,288	7,372	7,303
Amount due from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	7,797	2,235	–	–
Restricted bank deposits	1,036,994	1,242,333	832,566	641,172
Pledged bank deposits	95,920	20,313	–	25,985
Bank balances and cash	213,253	79,568	152,224	76,323
	6,238,481	6,272,541	5,188,928	4,321,837

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES				
Trade and bills payables	3,716,566	4,093,061	3,446,681	2,864,438
Trade payables to related companies	531,415	366,118	644,464	682,985
Trade payables to ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	4,746,408	6,587,884	7,074,234	7,202,572
Trade payables to Shougang Concord International Enterprises Company Limited ("SCIECL") and its subsidiaries	–	–	–	28,654
Other payables, provision and accrued liabilities	1,244,411	1,055,413	1,151,779	1,293,406
Tax payable	37	270	135	35
Amounts due to related companies	391,184	256,638	263,378	223,900
Amount due to ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	225,607	1,692	2,137	1,628
Bank borrowings – due within one year	7,430,905	6,554,319	5,685,346	5,321,789
Loans from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited – due within one year	893,337	873,453	1,013,135	991,818
	19,179,870	19,788,848	19,281,289	18,611,225
NET CURRENT LIABILITIES	(12,941,389)	(13,516,307)	(14,092,361)	(14,289,388)
TOTAL ASSET LESS CURRENT LIABILITIES	(898,805)	(2,492,546)	(4,424,634)	(5,270,290)
NON-CURRENT LIABILITIES				
Loans from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited – due after one year	–	–	417,910	409,117
Amounts due to SCIECL and its subsidiaries	1,975,922	1,994,434	2,043,877	2,068,581
Bank borrowings – due after one year	108,710	250,094	214,925	–
Deferred tax liabilities	39,131	34,299	29,318	26,776
	2,123,763	2,278,827	2,706,030	2,504,474
NET LIABILITIES	(3,022,568)	(4,771,373)	(7,130,664)	(7,774,764)
CAPITAL AND RESERVES				
Share capital	–	–	–	–
Reserves	(2,809,956)	(4,163,415)	(6,014,290)	(6,526,476)
EQUITY ATTRIBUTABLE TO OWNER OF ULTIMATE CENTURY INVESTMENTS LIMITED	(2,809,956)	(4,163,415)	(6,014,290)	(6,526,476)
NON-CONTROLLING INTERESTS	(212,612)	(607,958)	(1,116,374)	(1,248,288)
TOTAL EQUITY	(3,022,568)	(4,771,373)	(7,130,664)	(7,774,764)

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY OF ULTIMATE CENTURY INVESTMENTS LIMITED

FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2015 AND THE SIX MONTHS ENDED 30 JUNE 2016

	Attributable to owner of Ultimate Century Investments Limited										
	Share capital HK$'000	Capital contribution reserve HK$'000 (Note)	Revaluation reserve HK$'000	Exchange reserve HK$'000	Enterprise expansion fund and statutory reserve fund HK$'000	Security investment reserve HK$'000	Non-distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	–	579,123	26,225	772,895	713,688	22,589	51,979	(3,415,826)	(1,249,327)	340,042	(909,285)
Loss for the year	–	–	–	–	–	–	–	(1,819,827)	(1,819,827)	(549,038)	(2,368,865)
Exchange differences arising on translation	–	–	–	2,081	–	–	–	–	2,081	(1,156)	925
Fair value gain on investment in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	5,860	–	–	5,860	1,850	7,710
Total comprehensive income (expense) for the year	–	–	–	2,081	–	5,860	–	(1,819,827)	(1,811,886)	(548,344)	(2,360,230)
Capital contribution	–	251,257	–	–	–	–	–	–	251,257	–	251,257
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,310)	(4,310)
At 31 December 2013	–	830,380	26,225	774,976	713,688	28,449	51,979	(5,235,653)	(2,809,956)	(212,612)	(3,022,568)
Loss for the year	–	–	–	–	–	–	–	(1,335,532)	(1,335,532)	(395,804)	(1,731,336)
Exchange differences arising on translation	–	–	–	20,893	–	–	–	–	20,893	14,824	35,717
Fair value loss on investment in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	(38,820)	–	–	(38,820)	(12,259)	(51,079)
Total comprehensive income (expense) for the year	–	–	–	20,893	–	(38,820)	–	(1,335,532)	(1,353,459)	(393,239)	(1,746,698)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,107)	(2,107)

	Attributable to owner of Ultimate Century Investments Limited										
	Share capital	Capital contribution reserve	Revaluation reserve	Exchange reserve	Enterprise expansion fund and statutory reserve fund	Security investment reserve	Non-distributable reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014	–	830,380	26,225	795,869	713,688	(10,371)	51,979	(6,571,185)	(4,163,415)	(607,958)	(4,771,373)
Loss for the year	–	–	–	–	–	–	–	(1,953,199)	(1,953,199)	(540,035)	(2,493,234)
Exchange differences arising on translation	–	–	–	157,383	–	–	–	–	157,383	49,008	206,391
Fair value loss on investment in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	(55,059)	–	–	(55,059)	(17,389)	(72,448)
Total comprehensive income (expense) for the year	–	–	–	157,383	–	(55,059)	–	(1,953,199)	(1,850,875)	(508,416)	(2,359,291)
At 31 December 2015	–	830,380	26,225	953,252	713,688	(65,430)	51,979	(8,524,384)	(6,014,290)	(1,116,374)	(7,130,664)
At 1 January 2016	–	830,380	26,225	953,252	713,688	(65,430)	51,979	(8,524,384)	(6,014,290)	(1,116,374)	(7,130,664)
Loss for the period	–	–	–	–	–	–	–	(565,485)	(565,485)	(148,109)	(713,594)
Exchange differences arising on translation	–	–	–	91,087	–	–	–	–	91,087	28,816	119,903
Fair value loss on investment in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	(37,788)	–	–	(37,788)	(11,932)	(49,720)
Total comprehensive income (expense) for the period	–	–	–	91,087	–	(37,788)	–	(565,485)	(512,186)	(131,225)	(643,411)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(689)	(689)
At 30 June 2016	–	830,380	26,225	1,044,339	713,688	(103,218)	51,979	(9,089,869)	(6,526,476)	(1,248,288)	(7,774,764)

	Attributable to owner of Ultimate Century Investments Limited										
	Share capital *HK$'000*	**Capital contribution reserve** *HK$'000* *(Note)*	**Revaluation reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Enterprise expansion fund and statutory reserve fund** *HK$'000*	**Security investment reserve** *HK$'000*	**Non-distributable reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2015	–	830,380	26,225	795,869	713,688	(10,371)	51,979	(6,571,185)	(4,163,415)	(607,958)	(4,771,373)
Loss for the period	–	–	–	–	–	–	–	(779,286)	(779,286)	(213,835)	(993,121)
Exchange differences arising on translation	–	–	–	2,254	–	–	–	–	2,254	902	3,156
Fair value gain on investment in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	1,191	–	–	1,191	376	1,567
Total comprehensive income (expense) for the period	–	–	–	2,254	–	1,191	–	(779,286)	(775,841)	(212,557)	(988,398)
At 30 June 2015	–	830,380	26,225	798,123	713,688	(9,180)	51,979	(7,350,471)	(4,939,256)	(820,515)	(5,759,771)

Note: Balance of the capital contribution reserve of HK$579,123,000 as at 1 January 2013 represented difference between the fair value at grant date of loan and principal amount of loan in relation to the unsecured and non-interest bearing loan (the "Loan") granted by SCIECL, the immediate holding company of Ultimate Century Investments Limited, credited directly to equity as deemed contribution to the Ultimate Century Group in prior years. During the year ended 31 December 2013, HK$251,257,000 was recognised as deemed contribution based on the renewal of the Loan for a period of 5 years.

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS OF ULTIMATE CENTURY INVESTMENTS LIMITED

FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2015 AND THE SIX MONTHS ENDED 30 JUNE 2016

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Loss before tax	(2,359,947)	(1,735,273)	(2,497,542)	(995,225)	(715,936)
Adjustment for:					
Interest income	(30,405)	(42,990)	(30,342)	(21,097)	(10,807)
Interest expenses	790,385	775,652	657,029	364,153	280,883
Share of results of associates	(5,224)	(5,232)	(438)	(538)	251
(Gain) loss from changes in fair value of investment properties	(645)	862	(107)	–	–
(Gain) loss on disposal of property, plant and equipment	(69)	180	86	74	(22)
Depreciation of property, plant and equipment	914,428	917,611	917,254	469,779	431,814
Amortisation of prepaid lease rentals	8,534	7,828	7,715	3,851	3,754
Impairment loss on mining assets	130,958	–	–	–	–
Allowance for inventories	180,078	203,973	396,519	238,660	287,508
Allowance for bad and doubtful debts	61,419	5,744	72,235	2,427	7,692
Operating cash flows before movements in working capital	(310,488)	128,355	(477,591)	62,084	285,137
(Increase) decrease in inventories	(45,659)	438,571	371,512	170,023	(287,409)
Decrease (increase) in trade and bills receivables	149,082	(632,021)	(222,771)	(753,828)	215,994
Decrease (increase) in prepayments, deposits and other receivables	45,562	(124,922)	197,591	(3,911)	98,445
Decrease (increase) in trade receivables and amounts due from related companies	12,293	(58,264)	(151,145)	(48,899)	125,803
(Increase) decrease in trade receivables from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	–	(1,226)	(142)	(151)	45
Increase (decrease) in trade and bills payables	553,208	327,399	(621,493)	(6,338)	(413,799)
Increase (decrease) in other payables, provision and accrued liabilities	134,005	(13,003)	201,750	52,979	170,329
Increase in trade payables to ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	1,359,248	1,952,145	783,765	197,683	277,227
Increase (decrease) in trade payables to related companies	107,695	(156,590)	306,453	466,231	57,623
Cash generated from operations	2,004,946	1,860,444	387,929	135,873	529,395
Interest paid	(768,677)	(743,773)	(607,638)	(339,458)	(257,138)
Income tax paid	(195)	(277)	(301)	(443)	(134)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	1,236,074	1,116,394	(220,010)	(204,028)	272,123

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES					
Placement of restricted bank deposits	(419,665)	(228,421)	–	–	–
Withdrawal of restricted bank deposits	–	–	353,695	182,474	173,877
Withdrawal of pledged bank deposits	229,373	74,692	19,396	20,278	–
Placement of pledged bank deposits	(146,095)	(1,220)	–	–	(25,985)
Purchase of property, plant and equipment	(364,788)	(309,185)	(94,886)	(39,518)	(18,015)
Deposits paid for acquisition of property, plant and equipment	(21,774)	(14,475)	(16,339)	(15,127)	(14,575)
Dividend received from an associate	–	–	4,106	–	–
Interest received	30,405	42,990	30,342	21,097	10,807
Proceeds from disposal of property, plant and equipment	1,174	564	1,509	660	124
Purchase of investment properties	–	–	(1,275)	–	–
Amount advanced to ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	(2,429)	–	–	–	–
Repayment by ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	–	5,388	2,134	2,235	–
Amount advanced to an associate	(3,737)	–	(2,323)	(375)	(86)
Repayment by an associate	–	1,293	–	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(697,536)	(428,374)	296,359	171,724	126,147
FINANCING ACTIVITIES					
New borrowings raised	8,939,892	8,653,107	6,298,448	4,116,228	3,069,795
Advance on discounted bills	160,646	262,771	33,041	16,385	1,771
Advance from related companies	169,483	133,304	13,009	1,363	69,197
Repayment to related companies	(82,601)	(267,850)	(6,269)	(3,109)	(108,675)
Advance from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	583,900	25,394	829	411	1,118
Repayment of bank borrowings	(9,894,539)	(9,337,867)	(6,935,844)	(3,923,126)	(3,530,018)
Dividends paid to non-controlling shareholders of a subsidiary	(4,310)	(2,107)	–	–	(689)
Settlement of loans from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	(755,164)	(249,309)	(384)	(190)	(1,627)
Advance from SCIECL and its subsidiaries	35,038	–	52	10	28,663
Repayment to SCIECL and its subsidiaries	–	(35,184)	–	–	–
Loans from ultimate and immediate holding company of Shougang Holding (Hong Kong) Limited	–	–	597,015	–	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(847,655)	(817,741)	(103)	207,972	(470,465)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(309,117)	(129,721)	76,246	175,668	(72,195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	507,950	213,253	79,568	79,568	152,224
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	14,420	(3,964)	(3,590)	(139)	(3,706)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	213,253	79,568	152,224	255,097	76,323

NOTES TO THE UNAUDITED COMBINED FINANCIAL INFORMATION OF ULTIMATE CENTURY INVESTMENTS LIMITED

FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2015 AND THE SIX MONTHS ENDED 30 JUNE 2016

1. GENERAL

Ultimate Century Investments Limited, a wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited ("SCIECL") was incorporated in the British Virgin Islands on 25 August 2016. On 30 September 2016, SCIECL transferred the entire equity interest of its direct wholly-owned subsidiaries, namely Firstlevel Holdings Limited, Central Pro Investments Limited and Cheer Source Limited to Ultimate Century Investments Limited ("Ultimate Century") (Ultimate Century Investments Limited and its subsidiaries are collectively referred to as the "Disposed Group") (the "Transfer"). On 3 October 2016, SCIECL and Shougang Holding Bonds Limited ("Purchaser"), a wholly-owned subsidiary of major shareholder of SCIECL, entered into a sales and purchase agreement pursuant to which SCIECL has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire equity interest in Ultimate Century Investments Limited (the "Disposal"). SCIECL and its subsidiaries, excluding the Disposed Group, immediately after the Disposal hereinafter is referred to as the "Remaining Group".

2. BASIS OF PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION

All the inter-company balances, transactions and the related cash flows among the Disposed Group have been eliminated.

The unaudited combined financial information of the Disposed Group has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by SCIECL in connection with the Disposal.

The entire equity interest of Firstlevel Holdings Limited, Central Pro Investments Limited and Cheer Source Limited has been transferred to Ultimate Century at cash consideration of HK$1 for each of them in aggregate of HK$3.

Upon the Transfer, Firstlevel Holdings Limited, Central Pro Investments Limited and Cheer Source Limited become direct wholly-owned subsidiaries of Ultimate Century. Pursuant to the Transfer, Ultimate Century has become the holding company of the companies now comprising the Disposed Group on 30 September 2016. Ultimate Century and its subsidiaries have been under the common control of SCIECL throughout each of the three years ended 31 December 2013, 2014 and 2015 and six months period ended 30 June 2016 or since their respective dates of incorporation, where there is a shorter period. Accordingly, the unaudited combined financial information of the Disposed Group has been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The amounts included in the unaudited combined financial information for each of the three years ended 31 December 2015 and the six months ended 30 June 2016 have been prepared using the same accounting policies, except for the adoption of merger accounting for business combination involving entities under common control (as set out below), as those adopted by SCIECL in the preparation of the consolidated financial statements or condensed consolidated financial statements of SCIECL for the respective years and periods, which conform with Hong Kong Financial Reporting Standards.

The unaudited combined financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 "Presentation of Financial Statements" nor an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. It should be read in connection with the Group's relevant published annual financial statements and interim financial statements.

Merger accounting for business combination involving entities under common control

The unaudited combined financial information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The Disposed Group had net current liabilities and net liabilities of approximately HK$14,289,388,000 and HK$7,774,764,000 as at 30 June 2016, respectively and incurred loss of approximately HK$713,594,000 during the six months ended 30 June 2016. Taking into account the financial resources of the Disposed Group, including the Disposed Group's ability to renew or refinance the banking facilities upon maturity, financial support from SCIECL before the Disposal and financial support from the Purchaser after the Disposal, the directors of SCIECL are of the opinion that the Disposed Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these unaudited combined financial information has been prepared on a going concern basis.

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, prepared for the purpose of incorporation in this Circular in respect of the unaudited proforma financial information of the Remaining Group.

Deloitte. 德勤

TO THE DIRECTORS OF SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shougang Concord International Enterprises Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of financial position as at 30 June 2016, the pro forma statement of profit or loss and other comprehensive income for the year ended 31 December 2015, the pro forma statement of cash flows for the year ended 31 December 2015 and related notes as set out on pages 74 to 81 of the circular issued by the Company dated 18 November 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 74 to 81 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the very substantial disposal in relation to the proposed disposal of 100% equity interest in Ultimate Century Investments Limited, to Shougang Holding Bonds Limited (the "Very Substantial Disposal") on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Very Substantial Disposal had taken place at 30 June 2016 and 1 January 2015 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the six months ended 30 June 2016 and year ended 31 December 2015 as appropriate, on which a review conclusion and an auditor's report have been published, respectively.

DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2016 or 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 November 2016

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INTRODUCTION

Ultimate Century Investments Limited, a wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited ("SCIECL") was incorporated in the British Virgin Islands on 25 August 2016. On 30 September 2016, SCIECL transferred the entire equity interest of its direct wholly-owned subsidiaries, namely Firstlevel Holdings Limited, Central Pro Investments Limited and Cheer Source Limited to Ultimate Century Investments Limited ("Ultimate Century") (Ultimate Century Investments Limited and its subsidiaries are collectively referred to as the "Disposed Group"). On 3 October 2016, SCIECL and Shougang Holding Bonds Limited ("Purchaser"), a wholly-owned subsidiary of major shareholder of SCIECL, entered into a sales and purchase agreement pursuant to which SCIECL has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire equity interest in Ultimate Century Investments Limited (the "Disposal"). SCIECL and its subsidiaries, excluding the Disposed Group, immediately after the Disposal hereinafter is referred to as the "Remaining Group".

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (collectively referred to as the "Unaudited Pro Forma Financial Information") of the Remaining Group, which have been prepared to illustrate the effect of the Disposal.

The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 June 2016 or at any future date had the Disposal been completed as of 30 June 2016, or the results and cash flows of the Group for the year ended 31 December 2015 or for any future period had the Disposal been completed as at 1 January 2015, or at any future dates.

A narrative description of the pro forma adjustments of the Disposal that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Unaudited consolidated statement of financial position of the Group as at 30 June 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
NON-CURRENT ASSETS					
Investment properties	38,115	(32,715)	–	–	5,400
Property, plant and equipment	8,652,778	(8,650,487)	–	–	2,291
Prepaid lease rentals	284,521	(284,521)	–	–	–
Interests in associates	4,925,003	(32,605)	–	–	4,892,398
Equity investments	5,335	(4,525)	–	–	810
Deferred tax assets	33,425	–	–	–	33,425
Other financial assets	301,585	–	–	–	301,585
Deposits for acquisition of property, plant and equipment	14,245	(14,245)	–	–	–
Pledged bank deposits	44,967	–	–	–	44,967
Amounts due from the Disposed Group to the Remaining Group	–	2,068,581	–	–	2,068,581
	14,299,974	(6,950,517)	–	–	7,349,457
CURRENT ASSETS					
Inventories	1,499,250	(1,499,250)	–	–	–
Trade and bills receivables	1,838,173	(1,568,569)	–	–	269,604
Trade receivables from related companies	130,344	(130,344)	–	–	–
Trade receivables from ultimate and immediate holding company of a shareholder	1,241	(1,241)	–	–	–
Trade receivable from Disposed Group	–	28,654	–	–	28,654
Prepayment, deposits and other receivables	365,043	(288,757)	–	–	76,286
Prepaid lease rentals	7,417	(7,417)	–	–	–
Amounts due from related companies	76,000	(75,476)	–	–	524
Amount due from an associate	7,303	(7,303)	–	–	–
Restricted bank deposits	641,172	(641,172)	–	–	–
Pledged bank deposits	65,825	(25,985)	–	–	39,840
Bank balances and cash	489,095	(76,323)	–	(2,031)	410,741
	5,120,863	(4,293,183)	–	(2,031)	825,649

	Unaudited consolidated statement of financial position of the Group as at 30 June 2016	Pro forma adjustments			Unaudited pro forma consolidated statement of financial position of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
CURRENT LIABILITIES					
Trade and bill payables	3,045,884	(2,864,438)	–	–	181,446
Trade payables to related companies	691,198	(682,985)	–	–	8,213
Trade payables to ultimate and immediate holding company of a shareholder	7,202,572	(7,202,572)	–	–	–
Other payables, provision and accrued liabilities	1,305,816	(1,293,406)	–	–	12,410
Tax payable	148,295	(35)	–	–	148,260
Amounts due to related companies	223,900	(223,900)	–	–	–
Amount due to ultimate and immediate holding company of a shareholder	1,628	(1,628)	–	–	–
Bank borrowings – due within one year	5,729,334	(5,321,789)	115,505	–	523,050
Loans from ultimate and immediate holding company of a shareholder – due within one year	991,818	(991,818)	–	–	–
	19,340,445	(18,582,571)	115,505	–	873,379
NET CURRENT LIABILITIES	(14,219,582)	14,289,388	(115,505)	(2,031)	(47,730)
TOTAL ASSETS LESS CURRENT LIABILITIES	80,392	7,338,871	(115,505)	(2,031)	7,301,727
NON-CURRENT LIABILITIES					
Loans from ultimate and immediate holding company of a shareholder – due after one year	409,117	(409,117)	–	–	–
Bank borrowings – due after one year	413,310	–	(115,505)	–	297,805
Deferred tax liabilities	26,776	(26,776)	–	–	–
	849,203	(435,893)	(115,505)	–	297,805
NET (LIABILITIES) ASSETS	(768,811)	7,774,764	–	(2,031)	7,003,922
CAPITAL AND RESERVES					
Share capital	5,345,183	–	–	–	5,345,183
Reserves	(4,865,706)	6,526,476	–	6,524,445 (7,774,764) 1,248,288	1,658,739
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	479,477	6,526,476	–	(2,031)	7,003,922
NON-CONTROLLING INTERESTS	(1,248,288)	1,248,288	–	–	–
TOTAL EQUITY	(768,811)	7,774,764	–	(2,031)	7,003,922

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2015	Pro forma adjustments				Unaudited consolidated statement of profit or loss and other comprehensive income of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 5)	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Revenue	7,272,695	(6,856,574)	–	–	85,006	501,127
Cost of sales	(8,407,637)	8,054,336	–	–	(85,006)	(438,307)
Gross (loss) profit	(1,134,942)	1,197,762	–	–	–	62,820
Other income	63,601	(51,227)	–	49,391	–	61,765
Other gains or losses	(74,179)	76,584	–	–	–	2,405
Change in fair value of derivative financial instruments	(219,863)	–	–	–	–	(219,863)
Distribution and selling expenses	(122,811)	122,811	–	–	–	–
Administrative expenses	(532,090)	495,021	–	–	–	(37,069)
Finance costs	(647,453)	657,029	(49,391)	–	–	(39,815)
Impairment loss on interest in associate	(951,681)	–	–	–	–	(951,681)
Share of results of associates	(274,529)	(438)	–	–	–	(274,967)
Loss before tax	(3,893,947)	2,497,542	(49,391)	49,391	–	(1,396,405)
Income tax credit	4,308	(4,308)	–	–	–	–
Loss for the year	(3,889,639)	2,493,234	(49,391)	49,391	–	(1,396,405)
Other comprehensive income (expense)						
Items that will not be reclassified to profit or loss:						
Exchange differences arising on translation to presentation currency	203,496	(206,391)	–	–	–	(2,895)
Fair value loss on investment in equity instruments designated as at fair value through other comprehensive income	(73,968)	72,448	–	–	–	(1,520)
Share of exchange differences of an associate arising on translation to presentation currency	(38,106)	–	–	–	–	(38,106)
Share of fair value losses on investment in equity instruments designated as at fair value through other comprehensive income of an associate	(35,737)	–	–	–	–	(35,737)
Item that may be subsequently reclassified to profit or loss:						
Share of exchange differences of an associate arising on translation of foreign operations	(165,127)	–	–	–	–	(165,127)

	Audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2015	Pro forma adjustments				Unaudited consolidated statement of profit or loss and other comprehensive income of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 5)	*(Note 6)*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Other comprehensive expense for the year	(109,442)	(133,943)	–	–	–	(243,385)
Total comprehensive expense for the year	(3,999,081)	2,359,291	(49,391)	49,391	–	(1,639,790)
Loss for the year attributable to:						
Owners of the Company	(3,349,310)	1,953,199	(49,391)	49,391	–	(1,396,111)
Non-controlling interests	(540,329)	540,035	–	–	–	(294)
	(3,889,639)	2,493,234	(49,391)	49,391	–	(1,396,405)
Total comprehensive expense attributable to:						
Owners of the Company	(3,489,490)	1,850,875	(49,391)	49,391	–	(1,638,615)
Non-controlling interests	(509,591)	508,416	–	–	–	(1,175)
	(3,999,081)	2,359,291	(49,391)	49,391	–	(1,639,790)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2015		Pro forma adjustments			Unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 10)	*(Note 11)*	*(Note 12)*	*(Note 13)*	*(Note 14)*	
OPERATING ACTIVITIES						
Loss before tax	(3,893,947)	2,497,542	(49,391)	49,391	–	(1,396,405)
Adjustment for:						
Interest income	(42,480)	30,342	–	(49,391)	–	(61,529)
Interest expenses	647,453	(657,029)	49,391	–	–	39,815
Share of results of associates	274,529	438	–	–	–	274,967
Gain from changes in fair value of investment properties	(107)	107	–	–	–	–
Loss on disposal of property, plant and equipment	86	(86)	–	–	–	–
Depreciation of property, plant and equipment	917,635	(917,254)	–	–	–	381
Amortisation of prepaid lease rentals	7,715	(7,715)	–	–	–	–
Change in fair value of derivative financial instruments	219,863	–	–	–	–	219,863
Allowance for inventories	396,519	(396,519)	–	–	–	–
Allowance for trade and other receivables and trade receivables from related companies, net	72,208	(72,235)	–	–	–	(27)
Impairment loss on interest in an associate	951,681	–	–	–	–	951,681
Operating cash flows before movements in working capital	(448,845)	477,591	–	–	–	28,746
Decrease in inventories	371,512	(371,512)	–	–	–	–
Increase in trade and bills receivables	(303,550)	222,771	–	–	–	(80,779)
Decrease in prepayments, deposits and other receivables	244,825	(197,591)	–	–	–	47,234
(Increase) decrease in trade receivables and amounts due from related companies	(151,128)	151,145	–	–	–	17
Increase in trade receivables from ultimate and immediate holding company of a shareholder	(142)	142	–	–	–	–
Decrease in trade and bills payables	(650,334)	621,493	–	–	–	(28,841)
Increase (decrease) in other payables, provision and accrued liabilities	197,140	(201,750)	–	–	(2,031)	(6,641)
Increase in trade payables to ultimate and immediate holding company of a shareholder	783,765	(783,765)	–	–	–	–
Increase in trade payables to related companies	306,453	(306,453)	–	–	–	–
Cash generated from operations	349,696	(387,929)	–	–	(2,031)	(40,264)
Interest paid	(645,550)	607,638	–	–	–	(37,912)
Income tax paid	(301)	301	–	–	–	–
NET CASH USED IN OPERATING ACTIVITIES	(296,155)	220,010	–	–	(2,031)	(78,176)

	Audited consolidated statement of cash flows of the Group for the year ended 31 December 2015	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Remaining Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 10)	(Note 11)	(Note 12)	(Note 13)	(Note 14)	
INVESTING ACTIVITIES						
Decrease in restricted bank deposits	353,695	(353,695)	–	–	–	–
Withdrawal of pledged bank deposits	229,001	(19,396)	–	–	–	209,605
Placement of pledged bank deposits	(384,785)	–	–	–	–	(384,785)
Purchase of property, plant and equipment	(94,932)	94,886	–	–	–	(46)
Purchase of investment properties	(1,275)	1,275	–	–	–	–
Deposits paid for acquisition of property, plant and equipment	(16,339)	16,339	–	–	–	–
Dividends received from associates	277,867	(4,106)	–	–	–	273,761
Interest received	42,480	(30,342)	–	–	–	12,138
Proceeds from disposal of property, plant and equipment	1,509	(1,509)	–	–	–	–
Decrease in amount due from ultimate and immediate holding company of a shareholder	2,134	(2,134)	–	–	–	–
Increase in amount due from an associate	(2,323)	2,323	–	–	–	–
Decrease in amount due from a non-controlling shareholder of a subsidiary	3,803	–	–	–	–	3,803
NET CASH FROM INVESTING ACTIVITIES	410,835	(296,359)	–	–	–	114,476
FINANCING ACTIVITIES						
New bank borrowings raised	6,704,364	(6,298,448)	–	–	–	405,916
Advance on discounted bills	33,041	(33,041)	–	–	–	–
Advance from related companies	13,009	(13,009)	–	–	–	–
Repayments to related companies	(6,269)	6,269	–	–	–	–
Advance from ultimate and immediate holding company of a shareholder	829	(829)	–	–	–	–
Repayment of bank borrowings	(7,770,713)	6,935,844	–	–	–	(834,869)
Dividends paid to a non-controlling shareholders of a subsidiary	(24,381)	–	–	–	–	(24,381)
Repayment to ultimate and immediate holding company of a shareholder	(384)	384	–	–	–	–
Decrease in amount due to the Remaining Group from the Disposed Group	–	(52)	–	–	–	(52)
New loans granted by ultimate and immediate holding company of a shareholder	597,015	(597,015)	–	–	–	–
NET CASH USED IN FINANCING ACTIVITIES	(453,489)	103	–	–	–	(453,386)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(338,809)	(76,246)	–	–	(2,031)	(417,086)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	872,250	(79,568)	–	–	–	792,682
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(13,967)	3,590	–	–	–	(10,377)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	519,474	(152,224)	–	–	(2,031)	365,219

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

AS AT 30 JUNE 2016 AND FOR THE YEAR ENDED 31 DECEMBER 2015

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2016, as set out in the issued interim consolidated financial statements of the Company for the period ended 30 June 2016 dated 25 August 2016.

2. The adjustment reflects the exclusion of the assets and liabilities of the Disposed Group as if the Disposal had taken place on 30 June 2016. The assets and liabilities of the Disposed Group as at 30 June 2016 have been extracted from the unaudited combined statement of financial position of the Disposed Group as at 30 June 2016 as set out in Appendix I to the Circular. The adjustment is not expected to have a continuing effect on the Group.

3. The adjustment reflects the reclassification of the bank loans from non-current liabilities to current liabilities as at 30 June 2016 for those bank loans that will be recalled by banks due to the breach of the loan covenants as a result of the Disposal without waivers granted by respective banks. The adjustment is expected to have a continuing effect on the Group during the year ending 31 December 2016.

4. The adjustment reflects the pro forma gain on the Disposal which will be recognised in reserve, assuming that the Disposal had been completed on 30 June 2016. The pro forma gain on the Disposal is calculated as follows:

	Total
	HK$'000
Net proceeds of HK$1	–
Net liabilities as at 30 June 2016	(7,774,764)
Add: Non-controlling interests derecognised on completion of the Disposal	1,248,288
Net liabilities disposed as at 30 June 2016	(6,526,476)
Less: Estimated transaction costs	2,031
Net gain on the Disposal to Purchaser recognised in reserve	6,524,445

5. The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2015, as set out in the issued annual report of the Company for the year ended 31 December 2015 dated 23 March 2016.

6. The adjustment reflects the exclusion of the results of the Disposed Group for the year ended 31 December 2015, which is extracted from the unaudited combined statement of profit or loss and other comprehensive income of the Disposed Group for the year ended 31 December 2015 as set out in Appendix I to the Circular, assuming the Disposal had been taken place on 1 January 2015. The adjustment is not expected to have a continuing effect on the Group.

7. The adjustment reflects the elimination of the imputed interest expense on balances between the Remaining Group and the Disposed Group for the year ended 31 December 2015, assuming the Disposal had been taken place on 1 January 2015. The adjustment is not expected to have a continuing effect on the Group.

8. The adjustment reflects the imputed interest income on balances between the Remaining Group and the Disposed Group for the year ended 31 December 2015, assuming the Disposal had been taken place on 1 January 2015. The adjustment is expected to have a continuing effect on the Group during the year ending 31 December 2016.

9. The adjustment reflects the sales transactions made by the Remaining Group to the Disposed Group for the year ended 31 December 2015, assuming the Disposal had been taken place on 1 January 2015. The adjustment is expected to have a continuing effect on the Group during the year ending 31 December 2016.

10. The amounts are extracted from the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015, as set out in the issued annual report of the Company for the year ended 31 December 2015 dated 23 March 2016.

11. The adjustment reflects the exclusion of the cash flows of the Disposed Group for the year ended 31 December 2015, which is extracted from the unaudited combined statement of cash flows of the Disposed Group for the year ended 31 December 2015 as set out in Appendix I to the Circular, assuming the Disposal had been taken place on 1 January 2015. The adjustment is not expected to have a continuing effect on the Group.

12. The adjustment reflects the elimination of the imputed interest expense on balances between the Remaining Group and the Disposed Group for the year ended 31 December 2015, assuming the Disposal had been taken place on 1 January 2015. The adjustment is not expected to have a continuing effect on the Group.

13. The adjustment reflects the imputed interest income on balances between the Remaining Group and the Disposed Group for the year ended 31 December 2015, assuming the Disposal had been taken place on 1 January 2015. The adjustment is expected to have a continuing effect on the Group during the year ending 31 December 2016.

14. The estimated direct costs and expenses to be incurred in connection with the Disposal is assumed to be approximately HK$2,031,000, and the actual costs of the Disposal is subject to change at completion of the Disposal. The adjustment is not expected to have a continuing effect on the Group.

15. No adjustment related to the future events has been considered in the Unaudited Pro Forma Financial Information, especially, the subsequent event that SCIECL had waived the entire amount of approximately HK$2,080,958,000 due by Ultimate Century on 30 September 2016. As at 30 June 2016, Ultimate Century had an amount due to SCIECL of approximately HK$2,068,581,000. Had the waiver been effective on 30 June 2016, the net liabilities of the Disposed Group as at 30 June 2016 would be approximately HK$5,706,183,000 and the net gain on the Disposal to Purchaser recognised in reserve would be approximately HK$4,455,864,000.

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015 AND THE SIX MONTHS ENDED 30 JUNE 2016

Financial information of the Group for the three years ended 31 December 2013, 2014 and 2015 are disclosed on pages 66 to 198 of the annual report of the Company for the year ended 31 December 2013, pages 69 to 200 of the annual report of the Company for the year ended 31 December 2014 and pages 70 to 190 of the annual report of the Company for the year ended 31 December 2015, all of which are published on the website of the Stock Exchange and the website of the Company. Quick links to the annual reports of the Company are set out below:

Annual report of the Company for the year ended 31 December 2013:
http://www.irasia.com/listco/hk/shougangintl/annual/ar123039-ew0697.pdf

Annual report of the Company for the year ended 31 December 2014:
http://www.irasia.com/listco/hk/shougangintl/annual/ar139641-ew0697_annualreport.pdf

Annual report of the Company for the year ended 31 December 2015:
http://www.irasia.com/listco/hk/shougangintl/annual/ar157839-e_annualreport.pdf

Financial information of the Group for the six months ended 30 June 2016 is disclosed on pages 4 to 37 of the interim report of the Company for the six months ended 30 June 2016. Quick link to the interim report of the Company is set out below:

Interim report of the Company for the six months ended 30 June 2016:
http://www.irasia.com/listco/hk/shougangintl/interim/ir164995-e_interimreport.pdf

II. INDEBTEDNESS

Borrowings

As at 30 September 2016, the Group had the borrowings amounting to approximately HK$7,971 million, details of which are as follows:

	Disposed Group *HK$ Million*	Remaining Group *HK$ Million*	Total *HK$ Million*
Bank borrowings:			
Bank borrowings, unsecured and unguaranteed	35	154	189
Bank borrowings, unsecured and guaranteed	4,717	–	4,717
Bank borrowings, secured and unguaranteed	454	634	1,088
Subtotal	5,206	788	5,994
Other borrowings:			
Amount due to ultimate and immediate holding company of a shareholder, unsecured and unguaranteed	164	–	164
Loans from ultimate and immediate holding company of a shareholder, unsecured and unguaranteed	1,532	–	1,532
Amounts due to related parties, unsecured and unguaranteed	281	–	281
Subtotal	1,977	–	1,977
Total borrowings	7,183	788	7,971

The bank borrowings of HK$4,717 million of the Disposed Group are guaranteed by Shougang Corporation, ultimate and immediate holding company of a shareholder.

Pledge of assets

As at 30 September 2016, included in the secured bank borrowings of the Disposed Group was HK$373 million in relation to the bill receivables of the Disposed Group discounted to banks with full resource as the Disposed Group has not transferred the significant risks and rewards in relation to these receivables, it continues to recognise the entire carrying amount of the receivables and has recognised the cash received from the banks as secured bank borrowings. Apart from the bill receivables, the following items were used to secure banking facilities granted to the Group:

(a) Pledged bank deposits of the Remaining Group amounting to approximately HK$33 million and the Disposed Group amounting to approximately HK$26 million.

(b) Pledge of 1,119,500,000 shares of the Remaining Group's listed associate, Shougang Resources, with the market value of approximately HK$1,959 million.

Contingent liabilities and guarantees

As at 30 September 2016, prepaid lease rentals and property, plant and equipment of carry amounts of approximately RMB16,511,000 (equivalent to approximately HK$19,210,000) and approximately RMB1,406,000 (equivalent to approximately HK$1,636,000), respectively of the Disposed Group have been sealed up by the courts in the PRC as at 30 September 2016 due to certain litigations in relation to the trade disputes of the Disposed Group. As the disputes are still under legal proceedings, and the final outcome remains uncertain, the Directors are of the opinion that the outcome will not have any significant impact on the financial position of the Group.

General

Save as aforesaid and apart from intra-group liabilities, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 September 2016.

III. WORKING CAPITAL

After taking into account of the effect of the Disposal, the financial resources available to the Remaining Group, including the internally generated funds, available financing facilities and financial support from the ultimate and immediate holding company of the major shareholder of the Company, Shougang Corporation, the Directors are of the opinion that the Remaining Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

IV. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Upon completion of the Disposal, the Remaining Group is principally engaged in the operation of trading of iron ore, steel and related products. Through the Group's significant investments in two listed associates in Hong Kong, Shougang Resources and Shougang Century, the Remaining Group also shares the results of these two listed associates according to the Remaining Group's attributable interest in these associates. The Remaining Group has 27.61% and 35.71% equity interest in Shougang Resources and Shougang Century respectively. Shougang Resources is one of the hard coking coal producers in the PRC and Shougang Century engages in manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products.

After the Disposal, the business segment of the Remaining Group will be (i) Trading business and (ii) others.

(i) Trading business

Upon Completion of the Disposal, the Remaining Group will primarily be involved in the Trading Business. The Trading Business is mainly trading of iron ore, steel and related products. The Remaining Group will focus on developing the Trading Business and will secure its supply of iron ore from either overseas iron ore mines or other distributors/traders in the market and sell the iron ore to its customers, which include medium and small steel mills or their procurement agents, and other distributors and traders to reach various steel mills in China. The Remaining Group has a long history and extensive experience in the trading of iron ores. The trading volume depends on the ability of the Remaining Group in securing sufficient supplies of iron ores. Other than purchasing from third party suppliers, the Remaining Group intends to procure iron ores from Shougang Corporation, the ultimate and immediate holding company of the controlling shareholder of the Company, for its Trading Business. Shougang Corporation has indicated its intention to supply the Group with its requirement of iron ores. In this connection, the Group will strengthen its Trading Business on iron ore after the Disposal and focus on the development of its existing customers and new markets with an aim to achieving a trading volume of about 4.0–5.5 million tonnes of iron ore in 2017 and 5.0-6.5 million tonnes of iron ore in 2018.

(ii) Others

The other segment consists of provision of company secretarial and administrative services.

For the six months ended 30 June 2016

Business review

The Remaining Group's revenue was derived from (i) Trading business and (ii) others.

(i) Trading business

This segment reported turnover of HK$476 million from external sales and HK$54 million from the Disposed Group during the period. The turnover was increased by 152.0% comparing to the same period last year. Following the occurrence of seawall slump and flooding of the Koolan Island mine in late 2014, the volume of iron ore supplied by Mount Gibson decreased significantly in last period. The Remaining Group has procured supply of iron ore from other suppliers during this period, as a result, the trade volume of iron ore trading has been increased significantly. It sold 1.39 million tonnes of iron ores during the current period, much more than the 0.51 million tonnes sold of last period. Selling price increased by 11.4% to USD49 (HK$382) per tonne. The resulting net profit of this segment during this period was HK$29 million, comparing to HK$17 million in last period.

(ii) Others

Others represented income from provision of company secretarial and administrative services. Income from provision of these services during the period was HK$2 million, same as the amount from the same period last year.

Share of results of associates and impairment loss on interest in an associate

In this period, the Group has recognized loss of HK$97 million and HK$17 million from Shougang Resources and Shougang Century respectively, whereas for the last period, the share of profit from Shougang Resources was HK$11 million and share of loss from Shougang Century was HK$69 million.

As the material for the refining of coke, which is the second largest raw materials for steel manufacturing, the selling price and sales volume of coal continued to decline. The operating profit of Shougang Resources was further reduced because of the decrease in sales volume. Shougang Resources made further impairment loss on its investment in coal mines related assets in the amount of HK$596 million during the period of which HK$409 million is attributable to the shareholders of Shougang Resources. The attributable amount of this impairment loss shared by the Remaining Group was HK$113 million. The Remaining Group was also required to make impairment loss on the goodwill in relation to the investment in Shougang Resources in the amount of HK$257 million during the period.

The share of loss in Shougang Century last period was higher because of the impairment loss of HK$93 million made by Shougang Century on its property, plant and equipment in last period. The attributable amount of this impairment loss shared by the Remaining Group was HK$33 million.

The carrying amounts of the Remaining Group's investment in Shougang Resources and Shougang Century as at 30 June 2016 were HK$4,463 million and HK$429 million respectively.

Change in fair value of derivative financial instruments

It represented the change in fair value of the iron ore offtake agreements entered into by the Remaining Group and Mount Gibson. The fair value was determined in accordance with the valuation performed by an independent professional valuer at each balance sheet date based on a financial model with assumption such as the forecasted iron ore price, marketing commission savings, annual production, average growth rate of vessel freight charge and the discount rate, etc. The fair value loss of the derivative financial instruments for the six months ended 30 June 2016 was HK$11 million. The carrying amounts of the fair value of these offtake agreements as at 30 June 2016 were HK$302 million.

Liquidity and financial resources

As at 30 June 2016, the Remaining Group's gearing ratio was 16.6%, based on the Remaining Group's bank borrowings of approximately HK$821 million and the shareholders' equity of approximately HK$4,935 million. As at 30 June 2016, the Remaining Group had cash and bank balances in an aggregate of approximately HK$498 million. Total bank borrowings of the Remaining Group amounted to HK$821 million which were in US dollars with interest rates ranging from approximately 2.16% to 3.96% per annum. The amount of bank borrowings repayable within one year or on demand was HK$408 million, repayable in the second year was HK$258 million and repayable in the third to fifth years inclusive was HK$155 million.

Charge on assets

As at 30 June 2016, pledged bank deposits amounting to HK$85 million and pledge of 1,119,500,000 shares of the Remaining Group's listed associate, Shougang Resources, with the market value of approximately HK$1,545 million were used to secure banking facilities granted to the Remaining Group.

Material acquisition or disposal, significant investments and future plans for material investment

The Remaining Group did not have any material acquisition or disposal, significant investments and future plans for material investment for the six months ended 30 June 2016.

Contingent liabilities

As at 30 June 2016, the Remaining Group was not liable to any material legal proceedings of which provision for contingent liabilities was required and had no material contingent liabilities.

Foreign exchange exposure

Transactions of the Remaining Group are predominantly denominated in USD. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the six months ended 30 June 2016, approximately 99.7% of the Remaining Group's turnover was denominated in USD.

Capital commitment

As at 30 June 2016, the Remaining Group had nil authorized but not contracted for capital expenditure commitments.

Employees and remuneration policies

The Remaining Group had a total of 42 employees as at 30 June 2016. The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and hospitalization scheme. All of the subsidiaries of the Remaining Group in Hong Kong provide pension schemes to the employees as part of their staff benefits.

For the year ended 31 December 2015

Business review

The Remaining Group's revenue was derived from (i) Trading business and (ii) others.

(i) Trading business

This segment reported turnover of HK$412 million from external sales and HK$85 million from the Disposed Group during the year. The turnover was significantly decreased by 75.1% comparing to last year. Following the occurrence of seawall slump and flooding of the Koolan Island mine in late 2014, the Remaining Group sold only approximately 1.24 million tonnes of iron ore inventory during the year. The sales volume was much lower than the 2.46 million tonnes sold of last year, thus caused significant drop in turnover. Selling price also decreased by 56.5% to USD40 (HK$315) per tonne. The resulting net profit of this segment was HK$48 million in this year, comparing to HK$86 million in last year.

(ii) Others

Others represented income from provision of company secretarial and administrative services. Income from provision of these services during the year was HK$4 million, same as the amount from last year.

Share of results of associates and impairment loss on interest in an associate

In this year, the Remaining Group has recognized loss of HK$139 million and HK$135 million from Shougang Resources and Shougang Century respectively, whereas for the last year, the share of loss from Shougang Resources and Shougang Century was HK$143 million and HK$99 million respectively.

Affected by the weak downstream steel industry, both selling price and sales volume of coking coal of Shougang Resources decreased, which also caused constant decline in its gross profit margin. As such, Shougang Resources needed to make further provision on its mine-related assets in the amount of HK$791 million during the year of which HK$516 million is attributable to the shareholders of Shougang Resources. The attributable amount of this impairment loss shared by the Remaining Group was HK$142 million. In addition, the Remaining Group has for the first time made an impairment loss of HK$952 million on its investment in the goodwill of Shougang Resources.

The carrying amounts of investment in Shougang Resources and Shougang Century as at 31 December 2015 were HK$4,863 million and HK$457 million respectively.

Change in fair value of derivative financial instruments

It represented the change in fair value of the iron ore offtake agreements entered into by the Remaining Group and Mount Gibson. The fair value was determined in accordance with the valuation performed by an independent professional valuer at each balance sheet date based on a financial model with assumption such as the forecasted iron ore price, marketing commission savings, annual production, average growth rate of vessel freight charge and the discount rate, etc. The fair value loss of the derivative financial instruments for the year ended 31 December 2015 was HK$220 million. The carrying amounts of the fair value of these offtake agreements as at 31 December 2015 were HK$313 million.

Liquidity and financial resources

As at 31 December 2015, the Remaining Group's gearing ratio was 17.1%, based on the Remaining Group's bank borrowings of approximately HK$905 million and the shareholders' equity of approximately HK$5,307 million. As at 31 December 2015, the Remaining Group had cash and bank balances in an aggregate of approximately HK$620 million. Total bank borrowings of the Remaining Group amounted to HK$905 million which were in US dollars with interest rates ranging from approximately 2.16% to 3.98% per annum. The amount of bank borrowings repayable within one year or on demand was HK$301 million, repayable in the second year was HK$450 million and repayable in the third to fifth years inclusive was HK$154 million.

Charge on assets

As at 31 December 2015, pledged bank deposits amounting to HK$276 million and pledge of 1,093,500,000 shares of the Remaining Group's listed associate, Shougang Resources, with the market value of approximately HK$1,094 million were used to secure banking facilities granted to the Remaining Group.

Material acquisition or disposal, significant investments and future plans for material investment

The Remaining Group did not have any material acquisition or disposal, significant investments and future plans for material investment for the year ended 31 December 2015.

Contingent liabilities

As at 31 December 2015, the Remaining Group was not liable to any material legal proceedings of which provision for contingent liabilities was required and had no material contingent liabilities.

Foreign exchange exposure

Transactions of the Remaining Group are predominantly denominated in USD. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2015, approximately 99.2% of the Remaining Group's turnover was denominated in USD.

Capital commitment

As at 31 December 2015, the Remaining Group had nil authorized but not contracted for capital expenditure commitments.

Employees and remuneration policies

The Remaining Group has a total of 41 employees as at 31 December 2015. The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and hospitalization scheme. All of the subsidiaries of the Remaining Group in Hong Kong provide pension schemes to the employees as part of their staff benefits. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and a welfare fund contribution as part of their staff benefits.

For the year ended 31 December 2014

Business review

The Remaining Group's revenue was derived from (i) Trading business and (ii) others.

(i) Trading business

This segment reported turnover of HK$1,902 million from external sales and HK$90 million from the Disposed Group during the year. The turnover was decreased by 55.0% comparing to last year as a result of significant drop in the quantities sold and average selling price of iron ore sales. Through long term offtake arrangements with Mount Gibson starting from mid of 2009, the Remaining Group sold approximately 2.46 million tonnes of iron ores, which was lower than the 3.69 million tonnes sold of last year. Selling price decreased by 30.8% to USD92 (HK$718) per tonne. The resulting net profit of this segment was HK$86 million in this year, comparing to HK$326 million in last year. Following the completion of mining activities in the mine of Tallering Peak, only the mine of Koolan Island could supply iron ore to the Remaining Group under the offtake agreements going forward. However, a slump in Koolan Island occurred in late 2014, which led to the flooding of the mine. Affected by this event, all non-essential activities on the Koolan Island have been suspended. Accordingly, the normal supply of iron ore by Mount Gibson to the Remaining Group in subsequent periods would be greatly affected.

(ii) Others

Others represented income from provision of company secretarial and administrative services. Income from provision of these services during the year was HK$4 million, same as the amount from last year.

Share of results of associates

In this year, the Remaining Group has recognized loss of HK$143 million and HK$99 million from Shougang Resources and Shougang Century respectively, whereas for the last year, the share of profit from Shougang Resources was HK$283 million and share of loss from Shougang Century was HK$6 million.

With the weak demand in coke market that is the second largest upstream raw material for steel industry, coking coal having sharp decline in sales prices and sales volumes. The operating profit of Shougang Resources significantly reduced and Shougang Resources was forced to make impairment loss on its goodwill in relation to its assets of coal mines in the amount of HK$824 million during the year. The attributable amount of this impairment loss shared by the Remaining Group was HK$227 million.

The share of loss in Shougang Century this year was greater because of the impairment loss of HK$147 million made by Shougang Century on its property, plant and equipment in this year. The attributable amount of this impairment loss shared by the Remaining Group was HK$53 million.

The carrying amounts of investment in Shougang Resources and Shougang Century as at 31 December 2014 were HK$6,430 million and HK$630 million respectively.

Change in fair value of derivative financial instruments

It represented the fair value loss of HK$141 million of the iron ore offtake agreements entered into by the Remaining Group and Mount Gibson and the fair value gain of HK$2 million on the interest rate swap contracts. The fair value of the offtake agreements was determined in accordance with the valuation performed by an independent professional valuer at each balance sheet date based on a financial model with assumption such as the forecasted iron ore price, marketing commission savings, annual production, average growth rate of vessel freight charge and the discount rate, etc. The fair value loss of the iron ore offtake agreements for the year ended 31 December 2014 was HK$141 million. The carrying amounts of the fair value of these offtake agreements as at 31 December 2014 were HK$533 million.

Liquidity and financial resources

As at 31 December 2014, the Remaining Group's gearing ratio was 19.1%, based on the Remaining Group's bank borrowings of approximately HK$1,333 million and the shareholders' equity of approximately HK$6,995 million. As at 31 December 2014, the Remaining Group had cash and bank balances in an aggregate of approximately HK$821 million. Total bank borrowings of the Remaining Group amounted to HK$1,333 million which were in US dollars and HK dollars with interest rates ranging from approximately 1.65% to 3.67% per annum. The amount of bank borrowings repayable within one year or on demand was HK$658 million, repayable in the second year was HK$294 million and repayable in the third to fifth years inclusive was HK$381 million.

Charge on assets

As at 31 December 2014, pledged bank deposits amounting to HK$101 million and pledge of 1,326,500,000 shares of the Remaining Group's listed associate, Shougang Resources, with the market value of approximately HK$2,242 million were used to secure banking facilities granted to the Remaining Group.

Material acquisition or disposal, significant investments and future plans for material investment

The Remaining Group did not have any material acquisition or disposal, significant investments and future plans for material investment for the year ended 31 December 2014.

Contingent liabilities

As at 31 December 2014, the Remaining Group was not liable to any material legal proceedings of which provision for contingent liabilities was required and had no material contingent liabilities.

Foreign exchange exposure

Transactions of the Remaining Group are predominantly denominated in USD. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2014, approximately 97.0% of the Remaining Group's turnover was denominated in USD.

Capital commitment

As at 31 December 2014, the Remaining Group had nil authorized but not contracted for capital expenditure commitments.

Employees and remuneration policies

The Remaining Group had a total of 44 employees as at 31 December 2014. The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and hospitalization scheme. All of the subsidiaries of the Remaining Group in Hong Kong provide pension schemes to the employees as part of their staff benefits. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and a welfare fund contribution as part of their staff benefits.

For the year ended 31 December 2013

Business review

The Remaining Group's revenue was derived from (i) Trading business and (ii) others.

(i) Trading business

This segment reported a turnover of HK$4,427 million from external sales during the year, increased by 2.0% comparing to last year. The Remaining Group sold approximately 3.69 million tonnes of iron ore during the year through long term offtake arrangements with Mount Gibson, which was greater than the 3.40 million tonnes sold from that of last year. Selling price increased by 8% to USD133 (HK$1,038) per tonne. After the negotiation between management and Mount Gibson during the year, the pricing method for the long-term offtake agreements was modified to be determined from the daily average price of the Platts iron ore price index one month prior to sales delivery to the daily average price of the Platts iron ore price index in the current month of sales delivery. This resulted in trading profits becoming more stable, greatly reducing the impact of price fluctuations between months that may bring a loss. The results attributable to the Group thus turned from loss to profit. The resulting net profit was HK$326 million in the year, comparing to a loss of HK$41 million in last year.

(ii) Others

Others represented income from provision of company secretarial and administrative services. Income from provision of these services during the year was HK$4 million, same as the amount from last year.

Share of results of associates

In this year, the Remaining Group has recognized profit of HK$283 million from Shougang Resources and loss of HK$6 million from Shougang Century, whereas for the last year, the share of profit from Shougang Resources was HK$469 million and share of loss from Shougang Century was HK$107 million.

The carrying amounts of investment in Shougang Resources and Shougang Century as at 31 December 2013 were HK$7,008 million and HK$731 million respectively.

Change in fair value of derivative financial instruments

It represented the fair value loss of HK$160 million of the iron ore offtake agreements entered into by the Remaining Group and Mount Gibson and the fair value gain of HK$2 million on the interest rate swap contracts. The fair value of the offtake agreements was determined in accordance with the valuation performed by an independent professional valuer at each balance sheet date based on a financial model with assumption such as the forecasted iron ore price, marketing commission savings, annual production, average growth rate of vessel freight charge and the discount rate, etc. The fair value loss of the iron ore offtake agreements for the year ended 31 December 2013 was HK$160 million. The carrying amounts of the fair value of these offtake agreements as at 31 December 2013 were HK$674 million.

Liquidity and financial resources

As at 31 December 2013, the Remaining Group's gearing ratio was 26.9%, based on the Remaining Group's bank borrowings of approximately HK$2,056 million and the shareholders' equity of approximately HK$7,634 million. As at 31 December 2013, the Remaining Group had cash and bank balances in an aggregate of approximately HK$1,265 million. Total bank borrowings of the Remaining Group amounted to HK$2,056 million which were in US dollars and HK dollars with interest rates ranging from approximately 1.73% to 3.78% per annum. The amount of bank borrowings repayable within one year or on demand was HK$1,309 million, repayable in the second year was HK$660 million and repayable in the third to fifth years inclusive was HK$87 million.

Charge on assets

As at 31 December 2013, pledged bank deposits amounting to HK$212 million and pledge of 1,390,500,000 shares of the Remaining Group's listed associate, Shougang Resources, with the market value of approximately HK$3,782 million were used to secure banking facilities granted to the Remaining Group.

Material acquisition or disposal, significant investments and future plans for material investment

The Remaining Group did not have any material acquisition or disposal, significant investments and future plans for material investment for the year ended 31 December 2013.

Contingent liabilities

As at 31 December 2013, the Remaining Group was not liable to any material legal proceedings of which provision for contingent liabilities was required and had no material contingent liabilities.

Foreign exchange exposure

Transactions of the Remaining Group are predominantly denominated in USD. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2013, approximately 99.9% of the Remaining Group's turnover was denominated in USD.

Capital commitment

As at 31 December 2013, the Remaining Group had nil authorized but not contracted for capital expenditure commitments.

Employees and remuneration policies

The Remaining Group had a total of 64 employees as at 31 December 2013. The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and hospitalization scheme. All of the subsidiaries of the Remaining Group in Hong Kong provide pension schemes to the employees as part of their staff benefits. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and a welfare fund contribution as part of their staff benefits.

V. CAPITAL STRUCTURE

The issued share capital of the Company was HK$5,345 million (represented by 8,957,896,227 ordinary shares).

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Greater China Appraisal Limited, an independent valuer, in connection with their valuation as at 31 August 2016 of the real property interests held by the Disposed Company and its subsidiaries.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

18 November 2016

The Directors
Shougang Concord International Enterprises Company Limited
7/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wan Chai
Hong Kong

Dear Sir,

Re: Valuation of Various Real Properties in the People's Republic of China (the "PRC")

In accordance with your instructions to value the real property interest held by Shougang Concord International Enterprises Company Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") in the PRC, details of which are set out in the enclosed valuation certificates (such real property interests are hereinafter referred to as "the Real Properties"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Real Properties as at 31 August 2016 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, title investigation of the Real Properties and the limiting conditions.

I. BASIS OF VALUATION

The valuation is our opinion of the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

II. VALUATION METHODOLOGY

For real property Nos. 2, 5 to 10 in Group I, due to the nature of buildings and structures constructed, there are no readily identifiable market comparables to them. We have applied the cost method in valuing the real property interests on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The reported market value only applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed. The depreciated replacement cost of the real property interest is subject to adequate potential profitability of the concerned business.

For other real properties in Group I and the real property Nos. 15, 18 and 19 in Group II, we have valued them by the comparison method where comparison based on prices realized or market prices of comparable real properties is made. Comparable real properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the real properties. Adjustments in the prices of the comparable real properties are then made to account for the identified differences between such real properties and the real properties in the relevant factors.

In valuing the leased land of real property Nos. 2, 7 to 9 in Group I, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent, they have no commercial value.

In valuing other real property interests in Group II, which are held and leased out by the Group, we have adopted the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalized at an appropriate capitalization rate with due allowance for the reversionary interests after expiry of the tenancies.

III. ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the real property interests on the open market in their existing states without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the real property interests.

For the real properties which are held under long term land use rights, we have assumed that the owners of the real properties have free and uninterrupted rights to use, transfer or lease the real properties for the whole of the unexpired term of the respective land use rights. In our valuation, we have assumed that these real properties can be freely disposed of, transferred and leased to third parties on the open market without any additional payment to the relevant government authorities.

All applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the valuation report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other specific assumptions in relation to the Real Properties, if any, have been stated out in the footnote of the valuation certificates.

IV. TITLESHIP INVESTIGATION

We have been provided with copies of title documents regarding the Real Properties. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any liabilities attached to the Real Properties.

In the course of our valuation, we have relied upon the legal opinion given by the Company's PRC legal advisor – Li & Partners (Shenzhen) in relation to the legal title of the Real Properties. All legal documents disclosed in this report, if any, are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the real property interests set out in this report.

V. LIMITING CONDITIONS

We have inspected the exterior and, where possible, the interior of the Real Properties. However, no structural survey has been made and we are therefore unable to report as to whether the Real Properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the land and the building areas in respect of the relevant Real Properties but have assumed that the areas shown on the relevant documents provided to us are correct. Based on our experience of valuation of similar real properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No soil investigations have been carried out to determine the suitability of the ground conditions or the services for any developments thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during the construction period.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us by it on such matters as, as relevant, planning approvals, statutory notices, easements, tenure, occupation, lettings, construction costs, rentals, site and floor areas and in the identification of the Real Properties.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Real Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the real property interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Since the Real Properties are located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the Real Properties depending upon the assumptions made. While we have exercised our professional judgments in arriving at the values, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

VI. OPINION OF VALUE

Our opinions of the market value of the Real Properties are set out in the attached summary of values and the valuation certificates.

VII. REMARKS

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In valuing the real property interests, we have complied with the requirements contained in the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Site inspection of the Real Properties was conducted in between July and September 2016 by Mr. Daniel W. H. Tang, who is a Chartered Surveyor and Fan Chuan Peng who is a cost engineer. The Real Properties were maintained in reasonable condition commensurate with their age and uses and equipped with normal building services.

Unless otherwise stated, all monetary amounts herein are denominated in the currency of Renminbi (referred to as "RMB").

We enclose herewith a summary of values and our valuation certificates.

This valuation report is issued subject to our General Service Conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Mr. Gary Man
Registered Professional Surveyor (G.P.)
FRICS, MHKIS, MCIREA
Director

Note: Mr. Gary Man is a Chartered Surveyor who has more than 28 years of valuation experience in countries such as The PRC, Hong Kong, Singapore, Vietnam, Philippines and the Asia Pacific region.

SUMMARY OF VALUES

Group I – Real property interests held and occupied by the Group in the PRC

No.	Real Property	Market Value in existing state as at 31 August 2016 *RMB*
1.	Block Nos. 27, 30, 33 and 37, Yu Shu Long Wan No. 1888 Dong Jing Road, Beidaihe District, Qinhuangdao City, Hebei Province, The PRC 066199	52,500,000
2.	A factory complex located at Du Zhuang Xiang, Funing County, Qinhuangdao City, Hebei Province, The PRC 066326	187,000,000
3.	51 residential units on various levels of Block 21 and 62 basement storages, Guang Shun Hou Xian Dai Cheng located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066001	No commercial value
4.	94 residential units on various levels of Block Nos. 3 and 21 and 89 basement storages, Guang Shun Hou Xian Dai Cheng Phase II located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066001	No commercial value
5.	A factory complex located at No. 409 Jian She Da Jei, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066003	121,765,000

No.	Real Property	Market Value in existing state as at 31 August 2016 *RMB*
6.	A factory complex located at No. 571 Qin Huang Dong Da Jei, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066001	44,883,000
7.	A factory complex located at Da Wu Lan Village, Da Wu Lan Xiang, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, The PRC 066512	204,396,000
8.	A factory complex located at Sun Zhang Zi Village, Da Wu Lan Xiang, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, The PRC 066512	48,908,000
9.	A factory complex located at Pao Shou Bao Zi Village, Tu Men Zi Xiang Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, The PRC 066504	52,792,000
10.	A factory complex located at No. 6 Chang Chun Dong Road, Qinhuangdao Development Zone East Zone Shanhaiguan District, Qinhuangdao City, Hebei Province, The PRC 066206	390,494,000

No.	Real Property	Market Value in existing state as at 31 August 2016 *RMB*
11.	A residential unit known as Unit 3 No. 12 on Level 6 of Block 20 and a basement storage located at Shanhaiguan District, Qinhuangdao City, Hebei Province, The PRC 066299	No commercial value
12.	3 residential units Nos. 201, 202 and 203 of Block 23 and 3 car parking spaces located at Jinhaiwan Senlin Yicheng, Hebei Da Jei West, Qinhuangdao Economic and Technological Development Zone Qinhuangdao City, Hebei Province, The PRC 600004	No commercial value
13.	6 residential units, 5 basement storage and 6 car parking spaces located at Jinhaiwan Senlin Yicheng, Hebei Da Jei West, Qinhuangdao Economic and Technological Development Zone Qinhuangdao City, Hebei Province, The PRC 600004	No commercial value
	Sub-total:	**1,102,738,000**

Group II – Real property interests held for investment by the Group in the PRC

No.	Real Property	Market Value in existing state as at 31 August 2016 *RMB*
14.	A commercial building located at No. 158 Jian Guo Road, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066002	14,600,000
15.	A residential unit known as Unit 5 No. 6 on Level 3 of Block 4 and a basement storage located at Dong Guang Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066002	No commercial value
16.	A residential unit known as Unit 1 No. 11 on Level 6 of Block 15 and a basement storage located at Hong Guang Bei Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066003	No commercial value
17.	A residential unit known as Unit 3 No. 8 on Level 4 of Block 14 and a basement storage located at Hong Guang Bei Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066003	No commercial value

No.	Real Property	Market Value in existing state as at 31 August 2016 *RMB*
18.	A residential unit No. 3004 of Block 7 and two car parking spaces, Shiji Haiyang Huayuan located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066004	630,000
19.	A residential unit No. 3203 of Block 7 and a car parking space, Shiji Haiyang Huayuan located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066004	560,000
20.	A residential unit known as Unit 2 No. 4 on Level 2 of Block 23 and a basement storage located at Xian Fu Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066004	No commercial value
21.	A composite building located at No. 27 Zhu Jiang Dao, Qinhuangdao Economic and Technological Development Zone Qinhuangdao City, Hebei Province, The PRC 066326	12,300,000
	Sub-total:	**28,090,000**
	Grand-total:	**1,130,828,000**

VALUATION CERTIFICATES

Group I – Real property interests held and occupied by the Group in the PRC

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
1.	Block Nos. 27, 30, 33 and 37, Yu Shu Long Wan No. 1888 Dong Jing Road, Beidaihe District, Qinhuangdao City, Hebei Province, The PRC 066199	The real property comprises 4 blocks of 3-storey houses with a basement, which were completed in 2011. The real property has a total gross floor area of approximately 2,559.89 square metres. The real property is held under 4 sets of State-owned Land Use Rights Certificate for a term expiring on 23 April 2073. The start date of the respective land use rights is not specified on the certificate issued on 6 July 2012.	Upon our site inspection, the real property is currently occupied by the Group for reception centre, which is consistent with the permitted uses under the respective land use rights certificates.	52,500,000

Notes:

(i) According to four sets of State-owned Land Use Right Certificate (Qin Ji Guo Yong (2012) Di Nos. Bei1-0209, Bei1-0210, Bei1-0211 and Bei1-0212), the land use rights of apportioned land are vested in Qinhuangdao Shouqin Metal Materials Co., Ltd., "Shouqin", a 76%-owned subsidiary of the Company, with total apportioned land area of approximately 708.08 square metres for a term expiring on 23 April 2073 for residential uses.

(ii) According to four sets of Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Bei Fang Zi Di Nos. 20005609-20005612), the building ownership of the real property is vested in Shouqin.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin has legally obtained the state-owned land use rights of the land as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure; and

(2) Shouqin is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
2.	A factory complex located at Du Zhuang Xiang, Funing County, Qinhuangdao City, Hebei Province, The PRC 066326	The real property comprises four parcels of land with a total land area of approximately 1,761,207.3 square metres and 138 buildings and various structures erected thereon. The buildings were completed in various stages between 2004 and 2015. The buildings are of 1 to 5 storeys and having a total gross floor area of approximately 456,715.06 square metres. The buildings include factory, warehouse, office building, dormitory and other ancillary buildings, and etc. The various land improvement and structures mainly include internal road, boundary wall, and etc. The land use rights of the land parcels have been granted for terms expiring on 23 April 2052 and 30 December 2056 for industrial uses. The start date of the respective land use rights is not specified on the State-owned Land Use Rights Certificate issued on 9 January 2004 and 25 January 2007. The remaining portion of the land is leased to Shouqin for a term commencing from 1 January 2016 and expiring on 31 December 2016.	Upon our site inspection, the real property is occupied by the Group for workshop and ancillary use purposes, which is consistent with the permitted uses under the land use rights certificate.	187,000,000

Notes:

(i) According to three sets of State-owned Land Use Rights Certificate, (Fu Tu Guo Yong (2004) Zi Di Er Hao, Fu Tu Guo Yong (2007) Di No. 19 and Fu Tu Guo Yong (2007) Di No. 20), the land use rights of the real property with a total land area of approximately 1,446,852.4 square metres were granted to Shouqin, a 76%-owned subsidiary of the Company for terms expiring on 23 April 2052 and 30 December 2056 for industrial uses.

(ii) According to two sets of Construction Land Use Planning Permit (Ji Fu Di Gui No. 2004-034 and Ji Fu Di Gui No. 2006-042) issued by the People's Government of Funing County, the proposed use of the land parcel with a total site area of approximately 753,519 square metres was approved.

(iii) In the course of our valuation, as the title of the two land parcels, with site areas of approximately 446,623.6 square metres and 306,896 square metres respectively, cannot be verified, we have not attributed any commercial value to them. However, for reference purpose, we are of the opinion that the reference value of these two land parcels and the relevant land improvements is RMB985,511,000 as at the valuation date, assuming that the two land parcels have obtained proper title certificate and can be freely transferred in the market without payment of any onerous fees.

(iv) In the course of our valuation, we have not attributed any commercial value for the land parcel leased to the Group with a land area of approximately 314,354.9 square metres. Moreover, as the buildings of the real property have not obtained any Building Ownership Certificate, we have not attributed any commercial value to the buildings. However, for reference purpose, we are of the opinion that the total depreciated replacement cost of these buildings is RMB856,047,000 as at the valuation date.

(v) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin has legally obtained the state-owned land use rights of the land with State-owned Land Use Rights Certificate (Fu Tu Guo Yong (2004) Di Er Hao) of the land parcels as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure;

(2) Regarding the State-owned Land Use Rights Certificate (Fu Tu Guo Yong (2007) Di No. 19 and Fu Tu Guo Yong (2007) Di No. 20), since the land resources management department could not find the relevant land registration information, and the real estate registration file is missing, the authenticity of the title certificate cannot be verified. Shouqin should obtain the relevant land use rights by the way of tender, auction or listing, and shall pay not less than the local lowest rate of industrial land transfer to the local treasury. In case Shouqin occupies the land without approval, Shouqin and the directly responsible personnel are required to bear the risk of relevant legal liability. If Shouqin have rectified the non-compliance in accordance to the requirements from the government department (if any), undergone the formalities of transferring the state-owned land and obtained the relevant state-owned land use rights certificate, Shouqin enjoys the corresponding rights and interests in the relevant state-owned land;

(3) Shouqin has obtained 2 sets of Construction Land Planning Permit and 17 sets of Construction Commencement Permit for portions of buildings as mentioned in Note (iii), Shouqin has the right to occupy, use and request judicial protection when the property rights of the buildings are violated. However, as Building Ownership certificate of the buildings has not been obtained and no registration of real estate has been done, the registration of transfer or mortgage of such buildings may not be handled; and

(4) For the buildings which fail to undergo titleship registration due to no application for the approval of construction work, Shouqin may be subject to order to correct, a penalty, demolition of the buildings within limited period, or confiscation of the buildings or illegal income and other risks. Therefore, Shouqin is recommended to actively cooperate with the relevant authorities to correct, to pay corresponding fine, if any, to obtain the relevant construction documents and Building Ownership Certificate.

(vi) According to an agreement entered into between the Company and Shougang Holding Bonds Limited (the "Purchaser") dated 3 October 2016, the Purchaser undertakes to assume and take up all obligation and liabilities (whether actual or potential) of Ultimate Century Investments Limited (the "Disposed Company") and/or its subsidiaries (together the "Disposed Group").

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
3.	51 residential units on various levels of Block 21 and 62 basement storages, Guang Shun Hou Xian Dai Cheng located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066001	The real property comprises 51 residential units and 62 basement storage of a 33-storey residential building completed in 2011. The residential units of the real property has a total gross floor area of approximately 4,691.34 square metres, and the basement storage has a total gross floor area of approximately 780.28 square metres. According to Sales and Purchase Agreement, the real property is held under land use rights for a term commencing from 29 March 2007 and expiring on 25 January 2076.	Upon our site inspection, the real property is occupied by the Group for staff quarter purpose. Since the relevant State-owned Land Use Rights Certificate has not been obtained, permitted uses under the respective State-owned Land Use Rights Certificate is not available. However, it is comply with the usage as specified in the Commodity Housing Sales and Purchase Agreement.	No commercial value

Notes:

(i) According to a Commodity Housing Sales and Purchase Agreement, dated 4 January 2011 and entered into between 秦皇島廣順房地產開發有限公司 (translated as "Qinhuangdao Guangshun Real Estate Development Company Limited") and Shouqin, a 76%-owned subsidiary of the Company, the residential units having a total gross floor area of approximately 4,691.34 square metres was contracted to be transferred to Shouqin at a consideration of RMB16,994,747.2 for commercial/residential uses.

(ii) In the course of our valuation, we have not attributed any commercial value to the real property, which have not obtained the State-owned Land Use Rights Certificate and Building Ownership Certificate. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB30,000,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin has not yet obtained the corresponding State-owned Land Use Rights Certificate, and no registration of the real property has completed. As Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant State-owned Land Use Rights Certificate will be obtained without legal impediment; and

(2) Since Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant Building Ownership Certificate will be obtained without legal impediment.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
4.	94 residential units on various levels of Block Nos. 3 and 21 and 89 basement storages, Guang Shun Hou Xian Dai Cheng Phase II located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066001	The real property comprises 94 residential units and 89 basement storage of a 33-storey and a 18-storey residential buildings, which were completed in 2011. The residential units of the real property has a total gross floor area of approximately 16,139.56 square metres, and the basement storage has a total gross floor area of approximately 934.17 square metres. According to Sales and Purchase Agreement, the real property is held under land use rights for a term commencing from 29 March 2007 and expiring on 25 January 2076.	Upon our site inspection, the real property is occupied by the Group for staff quarter purpose. Since the relevant State-owned Land Use Rights Certificate has not been obtained, permitted uses under the respective State-owned Land Use Rights Certificate is not available. However, it is comply with the usage as specified in the Commodity Housing Sales and Purchase Agreement.	No commercial value

Notes:

(i) According to 2 sets of Commodity Housing Sales and Purchase Agreement, both dated 24 June 2010 and entered into between 秦皇島廣順房地產開發有限公司 (translated as "Qinhuangdao Guangshun Real Estate Development Company Limited") and Shouqin, a 76%-owned subsidiary of the Company, the residential units having a total gross floor area of approximately 16,139.56 square metres and basement storage having a total gross floor area of approximately 934.17 square metres were contracted to be transferred to Shouqin at a total consideration of RMB51,754,077.4 for commercial/residential uses.

(ii) In the course of our valuation, we have not attributed any commercial value to the real property, which have not obtained the State-owned Land Use Rights Certificate and Building Ownership Certificate. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB103,000,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin has not yet obtained the corresponding State-owned Land Use Rights Certificate, and no registration of the real property has completed. As Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant State-owned Land Use Rights Certificate will be obtained without legal impediment; and

(2) Since Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant Building Ownership Certificate will be obtained without legal impediment.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
5.	A factory complex located at No. 409 Jian She Da Jei, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066003	The real property comprises two parcels of land with a total land area of approximately 226,391.86 square metres and 32 buildings and various structures erected thereon. The buildings were completed in various stages between 1993 and 2007. The buildings are of 1 to 6 storeys and having a total gross floor area of approximately 78,468.98 square metres. The buildings include factory, warehouse, office building, dormitory and other ancillary buildings, and etc. The various land improvement and structures mainly include internal road, pipelines, and etc. The land use rights of the land parcels have been granted for terms expiring on 26 July 2048 and 8 April 2055 for industrial uses. The start date of the respective land use rights is not specified on the State-owned Land Use Rights Certificate issued on 19 May 2005 and 21 November 2005.	Upon our site inspection, the real property is occupied by the Group for workshop and ancillary use purposes, which is consistent with the permitted uses under the land use rights certificate.	121,765,000

Notes:

(i) According to two sets of State-owned Land Use Rights Certificate, (Qin Ji Guo Yong (2005) Di No. 082 and Qin Ji Guo Yong (2005) Di No. 198), the land use rights of the real property with a total land area of approximately 226,391.86 square metres were granted to Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill"), a 100%-owned subsidiary of the Company, for terms expiring on 26 July 2048 and 8 April 2055 for industrial uses.

(ii) In the course of our valuation, we have not attributed any commercial value to the buildings as the buildings of the real property have not obtained any Building Ownership Certificate. However, for reference purpose, we are of the opinion that the total depreciated replacement cost of these buildings is RMB84,795,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Qinhuangdao Plate Mill has legally obtained the state-owned land use rights of the land parcels as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure;

(2) Qinhuangdao Plate Mill has obtained relevant Construction Commencement Permit for portions of buildings as mentioned in Note (ii), Qinhuangdao Plate Mill has the right to occupy, use and request judicial protection when the property rights of the buildings are violated. However, as Building Ownership certificate of the buildings has not been obtained and no registration of real estate has been done, the registration of transfer or mortgage of such buildings may not be handled;

(3) For the buildings which fail to undergo titleship registration due to no application for the approval of construction work, Qinhuangdao Plate Mill may be subject to order to correct or a penalty. Qinhuangdao Plate Mill will be entitled to the building ownership of the buildings after correcting in accordance to the requirements from the relevant authority, paying corresponding fine (if any), and applying for the construction documents; and

(4) Apart from the above, as per confirmed by the Group, the buildings are not subject to mortgage or seizure.

(iv) According to an agreement entered into between the Company and the Purchaser dated 3 October 2016, the Purchaser undertakes to assume and take up all obligation and liabilities (whether actual or potential) of the Disposed Group.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
6.	A factory complex located at No.571 Qin Huang Dong Da Jei, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066001	The real property comprises two parcels of land with a total land area of approximately 98,386.02 square metres and 3 buildings and various structures erected thereon. The buildings were completed in various stages between 2009 and 2010. The buildings are of 1 to 3 storeys and having a total gross floor area of approximately 285.19 square metres. The buildings include a office building and other ancillary buildings. The various land improvement and structures mainly include internal road, boundary wall, and etc. The land use rights of the land parcels have been granted for terms expiring on 8 April 2058 and 4 January 2060 for industrial storage and industrial uses. The start date of the respective land use rights is not specified on the State-owned Land Use Rights Certificate issued on 25 February 2010 and 4 January 2011.	Upon our site inspection, the real property is occupied by the Group for manufacturing and ancillary use purposes, which is consistent with the permitted uses under the land use rights certificate.	44,883,000

Notes:

(i) According to two sets of State-owned Land Use Rights Certificate, (Qin Ji Guo Yong (2010) Di No. 131 and Qin Ji Guo Yong (2011) Di No. 002), the land use rights of the real property with a total land area of approximately 98,386.02 square metres were granted to 秦皇島首鋼渤通物流有限責任公司 (translated as "Qinhuangdao Shougang Botong Logistic Co., Ltd.") "Shougang Botong", a 40.216%-owned subsidiary of the Company, for terms expiring on 8 April 2058 and 4 January 2060 for industrial storage and industrial uses.

(ii) In the course of our valuation, we have not attributed any commercial value to the buildings as the buildings of the real property have not obtained any Building Ownership Certificate. However, for reference purpose, we are of the opinion that the total depreciated replacement cost of these buildings is RMB348,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shougang Botong has legally obtained the state-owned land use rights of the land parcels as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure;

(2) Shougang Botong has obtained relevant Construction Commencement Permit for portions of buildings as mentioned in Note (ii), Shougang Botong has the right to occupy, use and request judicial protection when the property rights of the buildings are violated. However, as Building Ownership certificate of the buildings has not been obtained and no registration of real estate has been done, the registration of transfer or mortgage of such buildings may not be handled;

(3) For the buildings which fail to undergo titleship registration due to no application for the approval of construction work, Shougang Botong may be subject to order to correct or a penalty. Shougang Botong will be entitled to the building ownership of the building after correcting in accordance to the requirements from the relevant authority, paying corresponding fine (if any), and applying for the construction documents; and

(4) Apart from the above, as per confirmed by the Group, the buildings are not subject to mortgage or seizure.

(iv) According to an agreement entered into between the Company and the Purchaser dated 3 October 2016, the Purchaser undertakes to assume and take up all obligation and liabilities (whether actual or potential) of the Disposed Group.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
7.	A factory complex located at Da Wu Lan Village, Da Wu Lan Xiang, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, The PRC 066512	The real property comprises two parcels of land with a total land area of approximately 529,047 square metres and 46 buildings and various structures erected thereon. The buildings were completed in various stages between 2009 and 2012. The buildings are of 1 to 5 storeys and having a total gross floor area of approximately 78,871.02 square metres. The buildings include workshop, office building, warehouse and other ancillary buildings. The various land improvement and structures mainly include internal road, boundary wall, and etc. The land use rights of a land parcel with a land area of approximately 213,636.91 square metres have been granted for a term expiring on 2 December 2059 for industrial uses. The start date of the respective land use rights is not specified on the State-owned Land Use Rights Certificate issued on 3 March 2010. The remaining portion of the land is leased to Shouqiu Longhui for various terms of 30 years.	Upon our site inspection, the real property is occupied by the Group for workshop and ancillary use purposes, which is consistent with the permitted uses under the land use rights certificate.	204,396,000

Notes:

(i) According to a State-owned Land Use Rights Certificate, (Qing Guo Yong (2010) Di No. 48), the land use rights of the real property with a land area of approximately 213,636.91 square metres were granted to Qinhuangdao Shouqin Longhui Mining Co., Ltd., "Shouqin Longhui", a 67.84%-owned subsidiary of the Company, for terms expiring on 2 December 2059 for industrial uses.

(ii) According to three sets of Building Ownership Certificate (Qing Long Fang Quan Zheng Qing Fang Zi Di Nos. 00691 – 00693), the building ownership of the buildings erected on the leased land with a gross floor area of approximately 17,992.48 square metres is vested in Shouqin Longhui, a 67.84%-owned subsidiary of the Company, for staff quarter and ancillary uses.

(iii) In the course of our valuation, we have not attributed any commercial value to the land parcels leased to the Group with a land area of 312,963.09 square metres and buildings of the real property, which have not obtained the Building Ownership Certificate or those buildings erected on the leased land. However, for reference purpose, we are of the opinion that the total depreciated replacement cost of these buildings is RMB238,321,000 as at the valuation date.

(iv) According to a Construction Land Use Planning Permit, known as Di Zi Di No. 130321200902033, issued by the Qinglong Manchu Autonomous County Urban and Rural Planning Bureau, permission has been given for the planning of construction of the real property with a site area of approximately 213,626.91 square metres.

(v) According to a Construction Work Planning Permit, known as Jian Zi Di No. 130321200903012, issued by the Qinglong Manchu Autonomous County Urban and Rural Planning Bureau, the construction of the real property with a gross floor area of approximately 39,385.7 square metres has been approved.

(vi) According to a Construction Work Commencement Permit, known as No. Qing Shi Xu 2009-10, issued by the Qinglong Manchu Autonomous County Construction Bureau, permission has been given for the commencement of construction of the real property with a gross floor area of approximately 30,000 square metres.

(vii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin Longhui is the legal owner of the land, and has the right to occupy or use the state-owned land use rights of the land. In accordance to the State-owned Land Use Rights Certificate, Shouqin Longhui is subject to a mortgage at a consideration of RMB19,090,000 and the mortgage term from 10 September 2012 to 10 September 2015. As per confirmation by Shouqin Longhui, such debt has been paid off, the corresponding liability on the state-owned land use rights should be eliminated. The cancellation of land use rights mortgage register is in progress;

(2) The state-owned land use rights of the land were seized by the People's Court of Qinhuangdao Haigang District on 23 April 2015 for a period of 3 years. Prior to the lifting of the seizure of the state-owned land use rights, Shouqin Longhui could not transfer, mortgage or sale in respect of such state-owned land use rights;

(3) The building ownership of the buildings having a gross floor area of approximately of 13,270.16 square metres, with a Building Ownership Certificate (Qing Long Fang Quan Zheng Qing Fang Zi Di No. 00691) were seized. Shouqin Longhui could not transfer, mortgage, lease, hide, move, sell or damage the building ownership. Under the circumstances of obtaining permission from the People's Court and no significant impact on the value of the building, Shouqin Longhui has the right to occupy and use such buildings;

(4) Regarding the building ownership of the buildings having a total gross floor area of approximately 4,722.32 square metres, with Building Ownership Certificate (Qing Long Fang Quan Zheng Qing Fang Zi Di Nos. 00692 and 00693), Shouqin Longhui is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure; and

(5) Shouqin Longhui has obtained relevant Construction Permit for portions of buildings as mentioned in Note (iii), Shouqin Longhui has the right to occupy, use and request judicial protection when the property rights of the buildings are violated. However, as Building Ownership certificate of the buildings has not been obtained and no registration of real estate has been completed, the registration of transfer or mortgage of such buildings may not be handled.

(viii) According to an agreement entered into between the Company and the Purchaser dated 3 October 2016, the Purchaser undertakes to assume and take up all obligation and liabilities (whether actual or potential) of the Disposed Group.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
8.	A factory complex located at Sun Zhang Zi Village, Da Wu Lan Xiang, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, The PRC 066512	The real property comprises two parcels of land with a land area of approximately 539,747 square metres and 19 buildings and various structures erected thereon. The buildings were completed in about 2010. The buildings are of 1 to 3 storeys and having a total gross floor area of approximately 19,768 square metres. The buildings include workshop, office building, warehouse and other ancillary buildings. The various land improvement and structures mainly include internal road, boundary wall, landscape features and etc. The land use rights of the land parcel with a land area of approximately 67,802 square metres have been granted for a term expiring on 29 December 2059 for industrial uses. The start date of the respective land use rights is not specified on the State-owned Land Use Rights Certificate issued on 8 March 2010. The remaining portion of the land is leased to Shouqin Longhui for various terms.	Upon our site inspection, the real property is vacant.	48,908,000

Notes:

(i) According to a State-owned Land Use Rights Certificate, (Qing Guo Yong (2010) Di No. 49), the land use rights of the real property with a land area of approximately 67,802 square metres were granted to Shouqin Longhui, a 67.84%-owned subsidiary of the Company, for a term expiring on 2 December 2059 for industrial uses.

(ii) In the course of our valuation, as the buildings of the real property have not obtained any Building Ownership Certificate, we have not attributed any commercial value to the buildings. However, for reference purpose, we are of the opinion that the total depreciated replacement cost of these buildings is RMB33,616,000 as at the valuation date. And we have not attributed any commercial value to the leased land with a site area of approximately 471,945 square metres.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin Longhui is the legal owner of the land, and has the right to occupy or use the state-owned land use rights of the land. The original copy of the State-owned Land Use Rights Certificate has been lost, however; Shouqin Longhui can apply for re-submit the relevant State-owned Land Use Rights Certificate by referencing the real estate registration record, and relevant State-owned Land Use Rights Certificate will be obtained without legal impediment. Prior to completion of the re-submitting of the certificate, Shouqin Longhui is unable to undergo the registration of transfer or mortgage of the land use rights;

(2) The state-owned land use rights of the land were seized by the People's Court of Qinhuangdao Haigang District on 23 April 2015 for a period of 3 years. Prior to the lifting of the seizure of the state-owned land use rights, Shouqin Longhui could not transfer, mortgage or sale in respect of such state-owned land use rights;

(3) For the buildings which fail to undergo titleship registration due to no application for the approval of construction work, Shouqin Longhui may be subject to order to correct or a penalty. Shouqin Longhui will be entitled to the ownership of the buildings after taking remedial actions in accordance with the requirements of the relevant authority, paying corresponding fine (if any) and applying for the construction documents.

(iv) According to an agreement entered into between the Company and the Purchaser dated 3 October 2016, the Purchaser undertakes to assume and take up all obligation and liabilities (whether actual or potential) of the Disposed Group.

No.	Real Property	Description and Tenure	Particulars of Occupancy	**Market value in existing state as at 31 August 2016** *RMB*
9.	A factory complex located at Pao Shou Bao Zi Village, Tu Men Zi Xiang Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, The PRC 066504	The real property comprises two parcels of land with a land area of approximately 1,442,153 square metres and 17 buildings and various structures erected thereon. The buildings were completed in about 2009. The buildings are of 1 to 3 storeys and having a total gross floor area of approximately 19,336 square metres. The buildings include workshop, office building, warehouse and other ancillary buildings. The various land improvement and structures mainly include internal road, boundary wall, landscape features and etc. The land use rights of the land parcel with a land area of approximately 71,819 square metres have been granted for a term expiring on 29 December 2059 for industrial uses. The start date of the respective land use rights is not specified on the State-owned Land Use Rights Certificate issued on 3 March 2010. The remaining portion of the land is leased to Shouqin Longhui for various terms of 10 years.	Upon our site inspection, the real property is vacant.	52,792,000

Notes:

(i) According to a State-owned Land Use Rights Certificate, (Qing Guo Yong (2010) Di No. 50), the land use rights of the real property with a land area of approximately 71,819 square metres were granted to Shouqin Longhui, a 67.84%-owned subsidiary of the Company, for a term expiring on 29 December 2059 for industrial uses.

(ii) In the course of our valuation, as the buildings of the real property have not obtained any Building Ownership Certificate, we have not attributed any commercial value to the buildings. And we have not attributed any commercial value to the leased land with a site area of approximately 1,370,334 square metres. However, for reference purpose, we are of the opinion that the total depreciated replacement cost of these buildings is RMB31,555,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin Longhui is the legal owner of the land, and has the right to occupy or use the state-owned land use rights of the land. The original copy of the State-owned Land Use Rights Certificate has been lost, however; Shouqin Longhui can apply for re-submit the relevant State-owned Land Use Rights Certificate by referencing the real estate registration record, and relevant State-owned Land Use Rights Certificate will be obtained without legal impediment. Prior to completion of the re-submitting of the certificate, Shouqin Longhui is unable to undergo the registration of transfer or mortgage of the land use rights;

(2) The state-owned land use rights of the land were seized by the People's Court of Qinhuangdao Haigang District on 23 April 2015 for a period of 3 years. Prior to the lifting of the seizure of the state-owned land use rights, Shouqin Longhui could not undergo the registration of the transfer, mortgage or sale in respect of such state-owned land use rights; and

(3) Shouqin Longhui has obtained relevant Construction Permit for portions of buildings as mentioned in Note (ii), Shouqin Longhui has the right to occupy, use and request judicial protection when the property rights of the buildings are violated. However, as Building Ownership certificate of the buildings has not been obtained and no registration of real estate has been completed, the registration of transfer or mortgage of such buildings may not be handled.

(iv) According to an agreement entered into between the Company and the Purchaser dated 3 October 2016, the Purchaser undertakes to assume and take up all obligation and liabilities (whether actual or potential) of the Disposed Group.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
10.	A factory complex located at No. 6 Chang Chun Dong Road, Qinhuangdao Development Zone East Zone Shanhaiguan District, Qinhuangdao City, Hebei Province, The PRC 066206	The real property comprises a parcel of land with a land area of approximately 243,939.73 square metres and 3 buildings and various structures erected thereon. The buildings were completed in about 2011. The buildings are of 1 to 4 storeys and having a total gross floor area of approximately 71,784.37 square metres. The buildings include workshop, office building and composite building. The various land improvement and structures mainly include internal road, ancillary buildings, and etc. The land use rights of the land parcel have been granted for a term expiring on 10 August 2057 for industrial uses. The start date of the respective land use rights is not specified on the State-owned Land Use Rights Certificate issued on 18 April 2008.	Upon our site inspection, the real property is occupied by the Group for workshop and ancillary use purposes, which is consistent with the permitted uses under the land use rights certificate.	390,494,000

Notes:

(i) According to a State-owned Land Use Rights Certificate, (Qin Ji Guo Yong (2008) Di Qin Kai (Dong) No. 006), the land use rights of the real property with a land area of approximately 243,939.73 square metres were granted to Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd., "Processing Centre", a 87.76%-owned subsidiary of the Company, for a term expiring on 10 August 2057 for industrial uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Shan Kai Fang Zi Di No. 20005512), the building ownership of the real property with a gross floor area of approximately 71,784.37 square metres is vested in Processing Centre.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Processing Centre is the legal owner of the land, and has the right to occupy or use the state-owned land use rights of the land. In accordance to the State-owned Land Use Rights Certificate, Processing Centre is subject to a mortgage at a maximum consideration of RMB50,000,000 and the mortgage term expiring on 16 August 2018. Processing Centre has the right to transfer the state-owned land use rights prior obtaining consent from the mortgagor or clear of the mortgage; and

(2) Processing Centre is the legal owner of the building as mentioned in Note (ii). Processing Centre is subject to a mortgage at a maximum consideration of RMB50,000,000 and the mortgage term expiring on 16 August 2018. Processing Centre has the right to transfer the building prior to consent being obtained from the mortgagor or clear of the mortgage.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
11.	A residential unit known as Unit 3 No. 12 on Level 6 of Block 20 and a basement storage located at Shanhaiguan District, Qinhuangdao City, Hebei Province, The PRC 066299	The real property comprises a residential unit on Level 6 of a 6-storey residential building, and basement storage, which were completed in 1996. The real property has a gross floor area of approximately 121.97 square metres. The land use rights certificate has not been obtained.	Upon our site inspection, the real property is vacant.	No commercial value

Notes:

(i) According to a Building Ownership Certificate (Qin Shan Zi Guan Zi Di No. 1549), the building ownership of the real property with a gross floor area of approximately 121.97 square metres is vested in 中國首鋼國貿秦皇島經貿公司.

(ii) According to a settlement agreement entered into between Qinhuangdao Plate Mill and 中國首鋼國際貿易工程公司秦皇島分公司 (translated as "China Shougang International Trade & Engineering Corporation – Qinhuangdao branch) ("CSGI – Qinhuangdao"), and dated 6 May 2003, the real property has been transferred to Qinhuangdao Plate Mill for offsetting the debts.

(iii) In the course of our valuation, we have not attributed any commercial value to the real property, which have not obtained the State-owned Land Use Rights Certificate. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB510,000 as at the valuation date.

(iv) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) According to a settlement agreement entered between Qinhuangdao Plate Mill and CSGI – Qinhuangdao, the real property has been transferred to Qinhuangdao Plate Mill for offsetting the debts. However, the transfer of the land use rights of the real property has not been registered, and Qinhuangdao Plate Mill has not obtained the corresponding State-owned Land Use Rights Certificate of the real property; and

(2) After Qinhuangdao Plate Mill has obtained the ownership of the real property and completed the registration of the land use rights thereafter. Qinhuangdao Plate Mill will enjoy the corresponding interest.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
12.	3 residential units Nos. 201, 202 and 203 of Block 23 and 3 car parking spaces located at Jinhaiwan Senlin Yicheng, Hebei Da Jei West, Qinhuangdao Economic and Technological Development Zone, Qinhuangdao City, Hebei Province, The PRC 600004	The real property comprises three residential units on Level 2 of a 23-storey residential building, and three car parking spaces, which were completed in 2011. The real property has a total gross floor area of approximately 357.36 square metres. According to Sales and Purchase Agreement, the real property is held under land use rights for a term commencing from 4 January 2005 and expiring on 4 January 2075 for residential uses.	Upon our site inspection, the real property is occupied by the Group for staff quarters purpose. Since the relevant State-owned Land Use Rights Certificate has not been obtained, permitted uses under the respective State-owned Land Use Rights Certificate is not available. However, it is comply with the usage as specified in the Commodity Housing Sales and Purchase Agreement.	No commercial value

Notes:

(i) According to 3 sets of Commodity Housing Sales and Purchase Agreement, dated 24 June 2010 and 22 April 2011 and entered into between 秦皇島金屋房地產開發集團有限公司 (translated as "Qinhuangdao Jinwu Real Estate Development Group Company Limited") and Shouqin, a 76%-owned subsidiary of the Company, the residential units having a total gross floor area of approximately 357.36 square metres and 3 car parking spaces were contracted to be transferred to Shouqin at a consideration of RMB1,879,528 for residential uses.

(ii) In the course of our valuation, we have not attributed any commercial value to the real property, which have not obtained the State-owned Land Use Rights Certificate and Building Ownership Certificate. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB2,430,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin has not yet obtained the corresponding State-owned Land Use Rights Certificate, and no registration of the real property has completed. As Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant State-owned Land Use Rights Certificate will be obtained without legal impediment; and

(2) Since Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant Building Ownership Certificate will be obtained without legal impediment.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
13.	6 residential units, 5 basement storage and 6 car parking spaces located at Jinhaiwan Senlin Yicheng, Hebei Da Jei West, Qinhuangdao Economic and Technological Development Zone, Qinhuangdao City, Hebei Province, The PRC 600004	The real property comprises six residential units on various levels of a 23-storey residential building and three 35-storey residential buildings, five basement storage and six car parking spaces, which were completed in 2011. The real property has a total gross floor area of approximately 1,504.95 square metres. According to Sales and Purchase Agreement, the real property is held under land use rights for a term commencing from 4 January 2005 and expiring on 4 January 2075 for residential uses.	Upon our site inspection, the real property is occupied by the Group for staff quarters purpose. Since the relevant State-owned Land Use Rights Certificate has not been obtained, permitted uses under the respective State-owned Land Use Rights Certificate is not available. However, it is comply with the usage as specified in the Commodity Housing Sales and Purchase Agreement.	No commercial value

Notes:

(i) According to 6 sets of Commodity Housing Sales and Purchase Agreement, dated 7 March 2011 and 22 April 2011 and entered into between 秦皇島金屋房地產開發集團有限公司 (translated as "Qinhuangdao Jinwu Real Estate Development Group Company Limited") and Shouqin, a 76%-owned subsidiary of the Company, the residential units having a total gross floor area of approximately 1,504.95 square metres, 5 basement storage and 6 car parking spaces were contracted to be transferred to Shouqin at a consideration of RMB10,227,674 for residential uses.

(ii) In the course of our valuation, we have not attributed any commercial value to the real property, which have not obtained the State-owned Land Use Rights Certificate and Building Ownership Certificate. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB12,830,000 as at the valuation date.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Shouqin has not yet obtained the corresponding State-owned Land Use Rights Certificate, and no registration of the real property has completed. As Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant State-owned Land Use Rights Certificate will be obtained without legal impediment; and

(2) Since Shouqin has settled all the consideration in accordance with the Sales and Purchase Agreement, relevant Building Ownership Certificate will be obtained without legal impediment.

Group II – Real property interests held for investment by the Group in the PRC

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
14.	A commercial building located at No.158 Jian Guo Road, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066002	The real property comprises a parcel of land of approximately 1,122.42 square metres and a 2-storey commercial building erected there, which were completed in about 2015. The real property is situated close to the central area of Qinhuangdao City. Developments in the locality are mainly low to medium-rise residential developments with retail shops provided. The unit rents of certain similar real properties in the locality are ranging from about RMB50 to 70 per square metre per month. The real property has a gross floor area of approximately 1,659.55 square metres. The real property is held under a State-owned Land Use Rights Certificate for a term expiring on 25 February 2048 for commercial and service uses. The start date of the respective land use rights is not specified on the certificate issued on 18 March 2008.	The real property is subject to a tenancy for a term of 5 years commencing from 20 December 2011 to 19 December 2016 at an annual rental of RMB500,000, exclusive of management fee and services charges for commercial use, which is consistent with the permitted uses under the land use rights certificate.	14,600,000

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (2008) Di No.30), the land use rights of the land parcel with land area of approximately 1,122.42 square metres is vested in Qinhuangdao Plate Mill, a 100%-owned subsidiary of the Company, for a term expiring on 25 February 2048 for commercial and service uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Hai Qin Fang Zi Di No.20000695), the building ownership of the real property with a gross floor area of approximately 1,659.55 square metres is vested in Qinhuangdao Plate Mill.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Qinhuangdao Plate Mill has legally obtained the state-owned land use rights of the land as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure;

(2) Qinhuangdao Plate Mill is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure;

(3) Qinhuangdao Plate Mill and the relevant lessee have not applied the registration of the tenancy agreement. However, the validity of the tenancy agreement will not be affected. In case the relevant competent department order to correct, Qinhuangdao Plate Mill may be subjected to a minimum penalty of RMB1,000 and a maximum of RMB10,000 if Qinhuangdao Plate Mill fails to register within a prescribed time limit; and

(4) The tenancy agreement was established between Qinhuangdao Plate Mill and the relevant lessee in accordance with Chinese Law, it is valid and legally binding.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
15.	A residential unit known as Unit 5 No. 6 on Level 3 of Block 4 and a basement storage located at Dong Guang Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066002	The real property comprises a residential unit on Level 3 of a 6-storey residential building, and basement storage, which were completed in about 1994. The real property is situated close to the central area of Qinhuangdao City. Developments in the locality are mainly low to medium-rise residential developments with retail shops provided. The unit prices of certain similar real properties in the locality are ranging from about RMB5,700 to 6,300 per square metre. The residential unit of the real property has a gross floor area of approximately 90.42 square metres, and the basement storage has a gross floor area of approximately 10 square metres. The land use rights of the real property are allocated in nature. The term of tenure is not specified on the State-owned Land Use Rights Certificate issued on 2 August 2016.	Upon our site inspection, the real property is vacant.	No commercial value

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (2016) Di N0.002-309155), the land use rights of the allocated land are vest in Qinhuangdao Plate Mill, a 100%-subsidiary of the Company, for township residential uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Fang Zi Di No. 000107007), the building ownership of the real property with a gross floor area of approximately 90.42 square metres is vested in Qinhuangdao Plate Mill for residential uses.

(iii) In the course of our valuation, the land use rights of the real property are allocated in nature, we have not attributed any commercial value to the real property. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB540,000 as at the valuation date.

(iv) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) The land use rights of the real property are allocated in nature. According to the Interim Measures of Allocated Land Use Rights Management and the oral interpretation of the staff of Land and Resources Bureau of Qinhuangdao City, the land use rights of the land can be legally transferred to Qinhuangdao Plate Mill after the land use rights owner of the allocated land has signed a land use rights transfer contract in accordance with law, and paid the land premium to the People's Government of the local city or county; and

(2) Qinhuangdao Plate Mill is the legal owner of the real property as mentioned in Note (ii). The building is not subject to any mortgage or seizure.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
16.	A residential unit known as Unit 1 No. 11 on Level 6 of Block 15 and a basement storage located at Hong Guang Bei Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066003	The real property comprises a residential unit on Level 6 of a 6-storey residential building, and basement storage, which were completed in about 1999. The real property is situated close to the eastern side of Qinhuangdao City. Developments in the locality are mainly low to medium-rise residential developments with retail shops provided. The unit prices of certain similar real properties in the locality are ranging from about RMB6,700 to 7,100 per square metre. The residential unit of the real property has a gross floor area of approximately 107.61 square metres. And the basement storage has a gross floor area of approximately 12.51 square metres. The land use rights of the real property are allocated in nature. The term of tenure is not specified on the State-owned Land Use Rights Certificate issued on 2 August 2016.	The real property is subject to a tenancy for a term of 1 year commencing from 4 May 2016 to 3 May 2017 at an annual rental of RMB11,000, exclusive of management fee and services charges for residential use, which is consistent with the permitted use under the land use rights certificate.	No commercial value

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (2016) Di N0.002-309154), the land use rights of the allocated land are vest in Qinhuangdao Plate Mill, a 100%-subsidiary of the Company, for township residential uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Fang Zi Di No. 20001698), the building ownership of the real property with a gross floor area of approximately 107.61 square metres is vested in Qinhuangdao Plate Mill.

(iii) In the course of our valuation, the land use rights of the real property are allocated in nature, we have not attributed any commercial value to the real property. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB740,000 as at the valuation date.

(iv) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) The land use rights of the real property are allocated in nature. According to the Interim Measures of Allocated Land Use Rights Management and the oral interpretation of the staff of Land and Resources Bureau of Qinhuangdao City, the land use rights of the land can be legally transferred to Qinhuangdao Plate Mill after the land use rights owner of the allocated land has signed a land use rights transfer contract in accordance with law, and paid the land premium to the People's Government of the local city or county;

(2) Qinhuangdao Plate Mill is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure;

(3) Qinhuangdao Plate Mill and the relevant lessee have not applied the registration of the tenancy agreement. However, the validity of the tenancy agreement will not be affected. In case the relevant competent department order to correct, Qinhuangdao Plate Mill may be subjected to a minimum penalty of RMB1,000 and a maximum of RMB10,000 if Qinhuangdao Plate Mill fails to register within a prescribed time limit; and

(4) The tenancy agreement was established between Qinhuangdao Plate Mill and the relevant lessee in accordance with Chinese Law, it is valid and legally binding.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
17.	A residential unit known as Unit 3 No. 8 on Level 4 of Block 14 and a basement storage located at Hong Guang Bei Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066003	The real property comprises a residential unit on Level 4 of a 6-storey residential building, and basement storage, which were completed in about 1999. The real property is situated close to the eastern side of Qinhuangdao City. Developments in the locality are mainly low to medium-rise residential developments with retail shops provided. The unit prices of certain similar real properties in the locality are ranging from about RMB6,700 to 7,100 per square metre. The residential unit of the real property has a gross floor area of approximately 69.95 square metres. And the basement storage has a gross floor area of approximately 10 square metres. The land use rights of the real property are allocated in nature. The term of tenure is not specified on the State-owned Land Use Rights Certificate issued on 2 August 2016.	The real property is subject to a tenancy for a term commencing from 1 April 2016 to 31 August 2016 at an annual rental of RMB5,000, exclusive of management fee and services charges for residential use, which is consistent with the permitted use under the land use rights certificate.	No commercial value

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (2016) Di N0.002-309153), the land use rights of the allocated land are vest in Qinhuangdao Plate Mill, a 100%-subsidiary of the Company, for township residential uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Fang Zi Di No. 20011112), the building ownership of the real property with a gross floor area of approximately 69.95 square metres is vested in Qinhuangdao Plate Mill.

(iii) In the course of our valuation, we have not attributed any commercial value to the real property, the land use rights of the real property are allocated in nature. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB480,000 as at the valuation date.

(iv) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) The land use rights of the real property are allocated in nature. According to the Interim Measures of Allocated Land Use Rights Management and the oral interpretation of the staff of Land and Resources Bureau of Qinhuangdao City, the land use rights of the land can be legally transferred to Qinhuangdao Plate Mill after the land use rights owner of the allocated land has signed a land use rights transfer contract in accordance with law, and paid the land premium to the People's Government of the local city or county;

(2) Qinhuangdao Plate Mill is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure.

(3) Qinhuangdao Plate Mill and the relevant lessee have not applied the registration of the tenancy agreement. However, the validity of the tenancy agreement will not be affected. In case the relevant competent department order to correct, Qinhuangdao Plate Mill may be subjected to a minimum penalty of RMB1,000 and a maximum of RMB10,000 if Qinhuangdao Plate Mill fails to register within a prescribed time limit; and

(4) The tenancy agreement was established between Qinhuangdao Plate Mill and the relevant lessee in accordance with Chinese Law, it is valid and legally binding.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
18.	A residential unit No. 3004 of Block 7 and two car parking spaces, Shiji Haiyang Huayuan located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066004	The real property comprises a residential unit on Level 30 of a 33-storey residential building, and 2 car parking spaces, which were completed in 2015. The real property is situated at the south-western side of Qinhuangdao City and close to the coastal. Developments in the locality are mainly medium to high-rise residential developments with retail shops provided. The unit prices of certain similar real properties in the locality are ranging from about RMB6,200 to 6,700 per square metre. The real property has a gross floor area of approximately 89.21 square metres. The real property is held under a State-owned Land Use Rights Certificate for a term expiring on 18 April 2075. The start date of the respective land use rights is not specified on the certificate issued on 28 August 2015.	Upon our site inspection, the real property is vacant.	630,000

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (2015) Di No. 002-290932), the land use rights of apportioned land are vested in Qinhuangdao Plate Mill, a 100%-owned subsidiary of the Company, with total apportioned land area of approximately 2.82 square metres for a term expiring on 18 April 2075 for residential uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Fang Zi Di No. 000126584), the building ownership of the real property with a gross floor area of approximately 89.21 square metres is vested in Qinhuangdao Plate Mill.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Qinhuangdao Plate Mill has legally obtained the state-owned land use rights of the land as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure; and

(2) Qinhuangdao Plate Mill is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
19.	A residential unit No. 3203 of Block 7 and a car parking space, Shiji Haiyang Huayuan located at Haigang District, Qinhuangdao City, Hebei Province, The PRC 066004	The real property comprises a residential unit on Level 32 of a 33-storey residential building, and a car parking space, which were completed in 2015. The real property is situated at the south-western side of Qinhuangdao City and close to the coastal. Developments in the locality are mainly medium to high-rise residential developments with retail shops provided. The unit prices of certain similar real properties in the locality are ranging from about RMB6,200 to 6,700 per square metre. The real property has a gross floor area of approximately 89.21 square metres. The real property is held under a State-owned Land Use Rights Certificate for a term expiring on 18 April 2075. The start date of the respective land use rights is not specified on the certificate issued on 28 August 2015.	Upon our site inspection, the real property is vacant.	560,000

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (2015) Di No. 002-290933), the land use rights of apportioned land are vested in Qinhuangdao Plate Mill, a 100%-owned subsidiary of the Company, with total apportioned land area of approximately 2.82 square metres for a term expiring on 18 April 2075 for residential uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Fang Zi Di No. 000134645), the building ownership of the real property with a gross floor area of approximately 89.21 square metres is vested in Qinhuangdao Plate Mill.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Qinhuangdao Plate Mill has legally obtained the state-owned land use rights of the land as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure; and

(2) Qinhuangdao Plate Mill is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
20.	A residential unit known as Unit 2 No. 4 on Level 2 of Block 23 and a basement storage located at Xian Fu Li, Haigang District, Qinhuangdao City, Hebei Province, The PRC 066004	The real property comprises a residential unit on Level 2 of a 6-storey residential building, and basement storage, which were completed in about 2000. The real property is situated close to the western side of Qinhuangdao City. Developments in the locality are mainly low to medium-rise residential developments with retail shops provided. The unit prices of certain similar real properties in the locality are ranging from about RMB6,500 to 6,900 per square metre. The residential unit of the real property has a gross floor area of approximately 78.24 square metres. And the basement storage has a gross floor area of approximately 10 square metres. The land use rights of the real property are allocated in nature. The term of tenure is not specified on the State-owned Land Use Rights Certificate issued on 2 August 2016.	The real property is subject to a tenancy for a term of 1 year commencing from 20 November 2015 to 19 November 2016 at an annual rental of RMB11,000, exclusive of management fee and services charges for residential use, which is consistent with the permitted use under the land use rights certificate.	No commercial value

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (2016) Di N0.002-309134), the land use rights of the allocated land are vest in Qinhuangdao Plate Mill, a 100%-subsidiary of the Company, for township residential uses.

(ii) According to a Building Ownership Certificate (Qinhuangdao Shi Fang Quan Zheng Qin Fang Zi Di No. 20005606, the building ownership of the real property with a gross floor area of approximately 78.24 square metres is vested in Qinhuangdao Plate Mill.

(iii) In the course of our valuation, the land use rights of the real property are allocated in nature, we have not attributed any commercial value to the real property. However, for reference purpose, we are of the opinion that the reference value of the real property is RMB520,000 as at the valuation date.

(iv) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) The land use rights of the real property are allocated in nature. According to the Interim Measures of Allocated Land Use Rights Management and the oral interpretation of the staff of Land and Resources Bureau of Qinhuangdao City, the land use rights of the land can be legally transferred to Qinhuangdao Plate Mill after the land use rights owner of the allocated land has signed a land use rights transfer contract in accordance with law, and paid the land premium to the People's Government of the local city or county;

(2) Qinhuangdao Plate Mill is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure;

(3) Qinhuangdao Plate Mill and the relevant lessee have not applied the registration of the tenancy agreement. However, the validity of the tenancy agreement will not be affected. In case the relevant competent department order to correct, Qinhuangdao Plate Mill may be subjected to a minimum penalty of RMB1,000 and a maximum of RMB10,000 if Qinhuangdao Plate Mill fails to register within a prescribed time limit; and

(4) The tenancy agreement was established between Qinhuangdao Plate Mill and the relevant lessee in accordance with Chinese Law, it is valid and legally binding.

No.	Real Property	Description and Tenure	Particulars of Occupancy	Market value in existing state as at 31 August 2016 *RMB*
21.	A composite building located at No. 27 Zhu Jiang Dao, Qinhuangdao Economic and Technological Development Zone Qinhuangdao City, Hebei Province, The PRC 066326	The real property comprises a parcel of land with a land area of approximately 671 square metres and a 4-storey composite building erected thereon, which was completed in about 1995. The real property is situated close to the south-western side of Qinhuangdao City. Developments in the locality are mainly medium to high-rise residential developments with retail shops and commercial properties provided. The unit rents of certain similar real properties in the locality are ranging from about RMB30 to 60 per square metre per month. The real property has a gross floor area of approximately 2,139 square metres. The real property is held under a State-owned Land Use Rights Certificate for a term commencing from 9 September 1992 and expiring on 8 September 2042 for composite office uses.	The real property is subject to a tenancy for a term of 5 years commencing from 10 February 2015 to 9 February 2020 at an annual rental of RMB730,000, exclusive of management fee and services charges. The tenant has the right to extend for 3 years at a annual rental of RMB773,800. It is for office and ancillary uses, which is consistent with the permitted uses under the land use rights certificate.	12,300,000

Notes:

(i) According to a State-owned Land Use Right Certificate (Qin Ji Guo Yong (1995) Zi Di Qin Kai No.014), the land use rights of the land parcel with land area of approximately 671 square metres is vested in Qinhuangdao Plate Mill, a 100%-owned subsidiary of the Company, for a term expiring on 8 September 2042 for composite office uses.

(ii) According to a Building Ownership Certificate (Qin Hai Fang Zi Di No. 4024, the building ownership of the real property with a gross floor area of approximately 2,139 square metres is vested in Qinhuangdao Plate Mill.

(iii) We have been provided with a legal opinion regarding the real property interests issued by the Company's legal adviser, which are summarised below:

(1) Qinhuangdao Plate Mill has legally obtained the state-owned land use rights of the land parcel as mentioned in Note (i), and is the legal owner of the land. The land is not subject to any mortgage or seizure;

(2) Qinhuangdao Plate Mill is the legal owner of the building as mentioned in Note (ii). The building is not subject to any mortgage or seizure;

(3) Qinhuangdao Plate Mill and the relevant lessee have not applied the registration of the tenancy agreement. However, the validity of the tenancy agreement will not be affected. In case the relevant competent department order to correct, Qinhuangdao Plate Mill may be subjected to a minimum penalty of RMB1,000 and a maximum of RMB10,000 if Qinhuangdao Plate Mill fails to register within a prescribed time limit; and

(4) The tenancy agreement was established between Qinhuangdao Plate Mill and the relevant lessee in accordance with Chinese Law, it is valid and legally binding.

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) Directors' interests

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 the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company: Interests in Shares	Derivative interests*	Total interests	Total interests as to % of the total number of shares of the Company in issue as at the Latest Practicable Date
Li Shaofeng	Beneficial owner	–	20,000,000	20,000,000	0.22%
Ip Tak Chuen, Edmond	Beneficial owner	2,290,000	–	2,290,000	0.02%
Leung Shun Sang, Tony	Beneficial owner	7,590,000	–	7,590,000	0.08%

* The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors.

(ii) Long positions in the shares and underlying shares of Shougang Century, an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in Shougang Century: Interests in shares	Derivative interests*	Total interests	Total interests as to % of the total number of shares of Shougang Century in issue as at the Latest Practicable Date
Li Shaofeng	Beneficial owner	7,652,000	13,800,000	21,452,000	1.11%
Leung Shun Sang, Tony	Beneficial owner	7,652,000	12,000,000	19,652,000	1.02%

* The interests are unlisted physically settled options.

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:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the total number of shares of the Company in issue as at the Latest Practicable Date	*Note(s)*
Shougang Holding	Beneficial owner, interests of controlled corporations	4,214,625,699	47.04%	1
China Gate Investments Limited ("China Gate")	Beneficial owner	2,757,829,774	30.78%	1
Grand Invest International Limited ("Grand Invest")	Beneficial owner	768,340,765	8.57%	1
CK Hutchison Holdings Limited ("CK Hutchison")	Interests of controlled corporations	455,401,955	5.08%	2
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	455,401,955	5.08%	2

Notes:

1. Shougang Holding indicated in its disclosure form dated 7 September 2011 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 6 September 2011, its interests included the interests held by China Gate and Grand Invest respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. CK Hutchison indicated in its disclosure form dated 23 March 2015 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 18 March 2015, 430,274,586 shares of the Company were held by two wholly-owned subsidiaries of Cheung Kong and 25,127,369 shares of the Company were held by CEF Holdings Limited which in turn was held as to 50% by Cheung Kong. Cheung Kong was in turn wholly-owned by CK Hutchison. The long position in the 455,401,955 shares of the Company held by CK Hutchison and Cheung Kong were the same block of shares.

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
Zhang Bingcheng	Shougang Holding Trade (Hong Kong) Limited and Shougang International Trade (Hong Kong) Limited	Trading of iron ore and steel products	Director
Li Shaofeng	Shougang Holding#	Steel manufacturing, and trading of iron ore and steel products	Director
Ding Rucai	Shougang Holding#	Steel manufacturing, and trading of iron ore and steel products	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 CONTRACTS

Save as the Agreement and the Master Agreement, as at the Latest Practicable Date, no contract, not being contracts entered into in the ordinary course of business, was entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are, or may be material.

6. 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 2015, being the date to which the latest audited financial statements of the Company were made up.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Group.

8. EXPERTS' QUALIFICATIONS AND CONSENTS

As at the Latest Practical Date, each of Messis, Deloitte Touche Tohmatsu, Greater China Appraisal Limited and Li & Partners (Shenzhen) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following are the qualifications of the experts who have given their opinions or advices which are contained in this circular:

Name	Qualification
Messis	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	certified public accountants
Greater China Appraisal Limited	an independent valuer
Li & Partners (Shenzhen)	PRC legal adviser

As at the Latest Practicable Date, each of Messis, Deloitte Touche Tohmatsu, Greater China Appraisal Limited and Li & Partners (Shenzhen) 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 2015, being the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. 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 so acquired, disposed of by or leased to any member of the Group since 31 December 2015, 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, Mr. Li Shaofeng and Mr. Ding Rucai was a director of each of Shougang Holding, China Gate and Grand Invest. Mr. Ip Tak Chuen, Edmond was a director of each of CK Hutchison and Cheung Kong. Each of Shougang Holding, China Gate, Grand Invest, CK Hutchison and Cheung Kong 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 company secretary of the Company is Ms. Cheng Man Ching, a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and an associate member of the Hong Kong Institute of Bankers. She holds a master degree in business administration and a master degree in arts.

(e) The registered office of the Company is 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(f) The share registrar of the Company is Tricor Tengis Limited located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

(g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours from the date of this circular up to and including the date of the Extraordinary General Meeting:

(a) the articles of association of the Company;

(b) the annual reports of the Company for years ended 31 December 2014 and 2015;

(c) the interim report of the Company for the six months ended 30 June 2016;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 26 to 27 of this circular;

(e) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 28 to 58 of this circular;

(f) the report prepared by Deloitte Touche Tohmatsu on the financial information of the Disposed Group, the details of which are set out in Appendix I to this circular;

(g) the report on the unaudited pro forma financial information of the Remaining Group prepared by Deloitte Touche Tohmatsu, the full text of which is set out in Appendix II to this circular;

(h) the valuation report, the full text of which is set out in Appendix IV to this circular;

(i) the written consents referred to in the paragraph headed "Experts' Qualifications and Consents" in this Appendix;

(j) the Agreement;

(k) the Master Agreement; and

(l) this circular.

首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shougang Concord International Enterprises Company Limited (the "Company") will be held at 11:00 a.m. on Friday, 23 December 2016, at The Lounge, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the agreement dated 3 October 2016 (the "Agreement") entered into between Shougang Holding Bonds Limited (the "Purchaser") and the Company, a copy of which is tabled at the meeting and marked "A" and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Share (as defined in the circular of the Company dated 18 November 2016), be and is hereby approved, confirmed and ratified; and

   (b) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder."

2. "**THAT**:

   (a) the master agreement dated 3 October 2016 (the "Master Agreement") entered into between Shougang Corporation ("Shougang Corporation") and the Company, a copy of which is tabled at the meeting and marked "B" and initialed by the chairman of the meeting for identification purpose, pursuant to which, the Company and its subsidiaries (the "Group") will purchase iron ore, steel and other related products from Shougang Corporation and/or its associates (the "Continuing Connected Transactions"), be and is hereby approved, confirmed and ratified;

   (b) the cap amounts in respect of the Continuing Connected Transactions as set out in the circular of the Company dated 18 November 2016 for each of the three financial years ending 31 December 2017, 2018 and 2019 be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated hereunder."

3. "**THAT** Mr. Zhang Bingcheng be and is hereby re-elected as a director of the Company."

By order of the Board
Shougang Concord International
Enterprises Company Limited
Li Shaofeng
Managing Director

Hong Kong, 18 November 2016

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

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.

2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.

3. In order to be valid, the form of proxy in the prescribed form 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 meeting 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 meeting 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 meeting, 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 be accepted to the exclusion of the votes of the other registered holders.