
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.

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

- (1) ACQUISITIONS – DISCLOSEABLE AND CONNECTED TRANSACTIONS;**
- (2) OPEN OFFER ON THE BASIS OF ONE OPEN OFFER SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AT HK\$0.225 PER OPEN OFFER SHARE;**
- (3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF THE FIRST ACQUISITION; AND**
- (4) NOTICE OF GENERAL MEETING**

Financial Adviser to the Company



Underwriter of the Open Offer

Shougang Holding (Hong Kong) Limited

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



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

A letter from the Board is set out on pages 6 to 33 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 34 to 35 of this circular. A letter of advice from Astrum Capital Management Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions is set out on pages 36 to 96 of this circular.

A notice convening a GM to be held at 11:00 a.m. on Thursday, 12 October 2017 at The Function Room, 2nd Floor, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong is set out on pages GM-1 to GM-4 of this circular. A form of proxy for the GM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the GM (i.e., at or before 11:00 a.m. on Tuesday, 10 October 2017 (Hong Kong Time)) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

25 September 2017

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EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

Event	2017
Latest time for lodging transfer of shares in order to qualify for attendance and voting at the GM	4:30 p.m. on 4 October
Register of member closes (both days inclusive)	6 October to 12 October
Latest time for lodging proxy form for the GM	11:00 a.m. on 10 October
Record date for attending and voting at the GM	12 October
GM to approve the Open Offer	11:00 a.m. on 12 October
Announcement of the result of the GM	12 October
Last day of dealings in the Shares on cum-entitlement basis	13 October
First day of dealings in the Shares on ex-entitlement basis	16 October
Latest time for lodging transfer of Shares in order to qualify for the Open Offer	4:30 p.m. on 17 October
Register of member closes (both days inclusive)	18 October to 24 October
Record Date for Open Offer	24 October
Despatch of the Prospectus and Application Form	25 October
Latest time for acceptance and payment of the Open Offer Shares	4:00 p.m. on 8 November
Latest time for termination of the Underwriting Agreement	4:00 p.m. on 9 November
Announcement of the allotment results	15 November
Despatch of certificates for Open Offer Shares and refund cheques	16 November
Expected first day of dealings in the Open Offer Shares	9:00 a.m. on 17 November

All times and dates stated above refer to Hong Kong local times and dates. The above expected timetable is subject to change. The Company will make further announcement if there is any change to the expected timetable of the Open Offer.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 8 September 2017 in relation to, among others, the Acquisitions, the Open Offer, the Continuing Connected Transactions and the transactions contemplated thereunder;
“Acquisitions”	the First Acquisition and the Second Acquisition;
“Application Form(s)”	the application form for the Open Offer Shares;
“associate”	has the meaning ascribed thereto under the Listing Rules;
“Astrum Capital” or “Independent Financial Adviser”	Astrum Capital Management Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) 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 Acquisitions, the Open Offer and the Continuing Connected Transactions;
“Board”	the board of Directors;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Companies Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time);
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Stock Exchange (stock code: 697);
“connected person”	has the meaning as ascribed thereto under the Listing Rules;
“Continuing Connected Transactions”	the transactions contemplated under the Master Agreement;
“controlling shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“First Acquisition”	the acquisition by the First Purchaser of the First Sale Shares;
“First Agreement”	the agreement dated 8 September 2017 between the First Purchaser and Shougang Fund in respect of the First Acquisition;

DEFINITIONS

“First Purchaser”	Jingji (Hong Kong) Limited (京冀(香港)有限公司), a company established in Hong Kong, a wholly-owned subsidiary of the Company;
“First Sale Shares”	95% of the equity interest in the First Target Company;
“First Target Company”	京冀協同發展示範區(唐山)基金管理有限公司 (Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.*), a limited liability company established in the PRC, which is held as to 95% and 5% by Shougang Fund and Ultimate Sense Limited (which is independent of the Company and its connected persons), respectively, immediately before completion of the First Acquisition;
“GM”	the general meeting of the Company to be convened at 11:00 a.m. on Thursday, 12 October 2017 at The Function Room, 2nd Floor, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the Acquisitions, the Open Offer and the Continuing Connected Transactions;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Board comprising all the independent non-executive Directors established to advise the Independent Shareholders in respect of the terms of the Acquisitions, the Open Offer and the Continuing Connected Transactions;
“Independent Shareholders”	any Shareholder other than controlling shareholders and their associates;
“Last Trading Day”	Thursday, 7 September 2017, being the last trading day of the Shares on the Stock Exchange immediately prior to the date of publication of the Announcement;
“Latest Practicable Date”	20 September 2017, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 8 November 2017 or such other date and/or time as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Open Offer Shares as described in the Prospectus;

DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on Thursday, 9 November 2017, or such later time and date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Agreement”	the agreement dated 8 September 2017 entered into between the Company and Shougang Fund in respect of the provision of private fund management services by the Group (including the First Target Company and its subsidiaries upon completion of the First Acquisition) to Shougang Fund and/or its associates;
“Non-Qualifying Shareholder(s)”	those Overseas Shareholders whom the Directors, based on legal opinions provided by the Company’s legal advisers, consider it necessary or expedient to exclude such Shareholders from the Open Offer on account either of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction;
“Open Offer”	the proposed issue of the Open Offer Shares by way of open offer to the Qualifying Shareholders on the basis of one (1) Open Offer Share for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents;
“Open Offer Share(s)”	8,957,896,227 new Shares to be allotted and issued under the Open Offer;
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) are outside of Hong Kong;
“PRC”	the People’s Republic of China, which for the purpose of this circular, will exclude Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China;
“Prospectus”	the document containing details of the Open Offer to be despatched to the Qualifying Shareholders and, for information only, to the Non-Qualifying Shareholders;
“Prospectus Documents”	the Prospectus and the Application Form;
“Prospectus Posting Date”	Wednesday, 25 October 2017, or such other date as may be agreed between the Underwriters and the Company for the despatch of the Prospectus Documents;

DEFINITIONS

“Qualifying Shareholder(s)”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders;
“Record Date”	Tuesday, 24 October 2017, or such other date as may be agreed between the Underwriter and the Company for the determination of the entitlements under the Open Offer;
“Registrar”	Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the share registrar of the Company;
“Second Acquisition”	the acquisition by the Second Purchaser of the Second Sale Shares;
“Second Agreement”	the agreement dated 8 September 2017 between the Second Purchaser and Shougang Fund in respect of the Second Acquisition;
“Second Purchaser”	Shouzhong (Hong Kong) Limited (首中(香港)有限公司), a company established in Hong Kong, a wholly-owned subsidiary of the Company;
“Second Sale Shares”	40% of the equity interest in the Second Target Company;
“Second Target Company”	Shouzhong Investment Management Co., Ltd.* (首中投資管理有限公司), a limited liability company established in the PRC, which is held as to approximately 40%, 10.1%, 44.95% and 4.95% by Shougang Fund, Beijing Jianshi Tongxin Management Consultancy Centre* (北京堅石同心管理諮詢中心), Shenzhen Zhongji Investment Co., Ltd.* (深圳市中集投資有限公司) and Sonic Victory Limited, respectively, immediately before completion of the Second Acquisition;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	the holder(s) of Shares;
“Shougang Fund”	Beijing Shougang Funds Co., Ltd.*(北京首鋼基金有限公司), a limited liability company established in the PRC;
“Shougang Group”	Shougang Group Co., Ltd.* (首鋼集團有限公司), a solely stated-owned company established in the PRC, the holding company of Shougang Holding;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, the controlling shareholder of the Company;

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	HK\$0.225 per Open Offer Share;
“Underwriter”	Shougang Holding;
“Underwriting Agreement”	the underwriting agreement dated 8 September 2017 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer;
“Underwritten Shares”	all the Open Offer Shares, less the number of Open Offer Shares which Shougang Holding and its subsidiaries are entitled to subscribe for under the Open Offer;
“Untaken Shares”	(i) the Open Offer Shares offered to the Qualifying Shareholders for which duly completed Application Forms (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be by the Latest Time for Acceptance; and (ii) the Open Offer Shares to which the Non-Qualifying Shareholders would have been entitled had they been Qualifying Shareholders; and
“%”	per cent.

For illustration purposes, amounts in RMB in this circular have been translated into HK\$ at RMB1.00 = HK\$1.19885

** For identification purpose only.*

LETTER FROM THE BOARD



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

Directors:

Mr. Zhang Bingcheng (*Chairman*)
Mr. Li Shaofeng (*Managing Director*)
Mr. Ding Rukai (*Deputy Managing Director*)
Mr. Shu Hong (*Deputy Managing 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

25 September 2017

To the Shareholders

Dear Sir/Madam,

- (1) ACQUISITIONS – DISCLOSEABLE AND CONNECTED TRANSACTIONS;
(2) OPEN OFFER ON THE BASIS OF ONE OPEN OFFER SHARE
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE
AT HK\$0.225 PER OPEN OFFER SHARE;
(3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS
UPON COMPLETION OF THE FIRST ACQUISITION; AND
(4) NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 8 September 2017 in relation to, among others, the Acquisitions, the Open Offer and the Continuing Connected Transactions.

The purpose of this circular is:

- (i) to provide the Shareholders with further details of the Acquisitions, the Open Offer and the Continuing Connected Transactions;
- (ii) to set out the opinions of the Independent Financial Adviser in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions;

LETTER FROM THE BOARD

- (iii) to set out the recommendations of the Independent Board Committee in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions; and
- (iv) to give the Shareholders notice of the GM to consider and, if thought fit, to approve the Acquisitions, the Open Offer and the Continuing Connected Transactions.

THE ACQUISITIONS

The First Acquisition

On 8 September 2017, the First Purchaser, a wholly-owned subsidiary of the Company, and Shougang Fund entered into the First Agreement in respect of the First Acquisition. The principal terms of the First Agreement are set out below.

Subject matter

The First Purchaser will acquire from Shougang Fund the First Sale Shares. The First Sale Shares represent 95% of the equity capital of the First Target Company.

Consideration

The consideration for the acquisition of the First Sale Shares is RMB231,135,000 (equivalent to approximately HK\$277,096,195), which was determined after arm's length negotiations with reference to the preliminary valuation of 95% of the equity interest in the First Target Company as at 31 July 2017 determined by an independent valuer ("**Valuer**") by using market approach. The Valuer has adopted the following assumptions to the valuation:

- (a) there would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the First Target Company is located and carrying on its businesses;
- (b) there would be no significant deviation in the industry trends and market conditions from the current market expectation;
- (c) there would be no major changes in the current taxation law in the PRC;
- (d) there would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
- (e) all relevant legal approvals, business certificates or licenses for the normal course of operation have been formally obtained, in good standing and that no additional material costs or fees are needed to procure such during the application; and
- (f) the First Target Company would retain competent management, key personnel and technical staff to support the ongoing operation of the First Target Company.

LETTER FROM THE BOARD

The consideration will be settled by the First Purchaser in cash at completion of the First Acquisition.

Committed capital injection

The First Purchaser has also agreed to inject RMB32,300,000 in cash into the First Target Company as committed and unpaid capital for the First Sale Shares.

Conditions precedent

Completion of the First Acquisition is conditional upon:

- (a) the First Purchaser being satisfied with the due diligence results on the First Target Company, its subsidiaries and partnerships;
- (b) the Independent Shareholders having approved at the GM the First Agreement and the transactions contemplated thereunder in compliance with the requirements of the Listing Rules;
- (c) the receipt of all necessary approvals, consents, filings and waivers (if applicable) from government authorities or other third parties in relation to the First Agreement and the transactions contemplated thereunder, including but not limited to competent department of the Ministry of Commerce and registration authorities;
- (d) completion of the Open Offer, that is when all the Open Offer Shares having been allotted;
- (e) the warranties under the First Agreement remaining true and accurate, and not misleading in material respect and Shougang Fund having discharged all of its obligations to be carried out before completion of the First Acquisition under the First Agreement; and
- (f) there have not occurred any material adverse effect on the business, financial and operation conditions of the First Target Company or otherwise on the First Acquisition since the last audited financial statement date, and no laws, regulations or rules have been promulgated since the last audited financial statement date that would, or would reasonably be expected to, prohibit or restrict the transactions under the First Agreement.

The conditions above (other than the conditions set out in (b), (c) and (d)) may be waived by the First Purchaser.

If the conditions to the First Agreement are not fulfilled or waived (as the case may be) on or before 31 March 2018, or such other date as may be agreed between the parties, the First Agreement will terminate and cease to be of further effect.

LETTER FROM THE BOARD

Information on the First Target Company

The First Target Company is a limited liability company established in the PRC in 2015 and is principally engaged in the business of the provision of private fund management services in the PRC.

The original subscription price of the First Sale Shares paid by Shougang Fund was RMB157,700,000.

The First Target Company or its subsidiaries have established a number of partnerships by entering into a number of partnership agreements, pursuant to which the First Target Company or its subsidiaries has agreed to subscribe for minority interests in the partnerships and to act as the general partner of the partnerships. Shougang Fund is the sole or one of the limited partners of a number of the partnerships. Shougang Group and/or its associates are interested in a number of projects invested by the partnerships under the management of the First Target Company or its subsidiaries. It is the vision of the First Target Company to (a) widen its customer bases by having more independent third parties as limited partners; and (b) increase the partnership investment in independent third party projects in the long run. As at the Latest Practicable Date, the First Target Company has established a total of 12 partnerships for the purpose of investment, among which 8 of them have been partially or fully paid-up by the respective partners and 6 of which have been registered with the Asset Management Association of China (中國證券投資基金業協會). The total asset-under-management currently under the management of the First Target Company or its subsidiaries, which represents the total existing paid-up capital of the aforesaid 8 partnerships amounted to approximately RMB4.0 billion as at 31 July 2017.

The audited financial information of the First Target Company for the period from 24 June 2015 (date of incorporation) to 31 December 2015 and the year ended 31 December 2016 prepared in accordance with the PRC generally accepted accounting principles is set out below:

	For the period from 24 June 2015 (date of incorporation) to 31 December 2015	For the year ended 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	644.34	534.57
Profit/(loss) after taxation	483.25	(265.50)
Profit/(loss) attributable to the owners of the First Target Company	483.25	(96.83)

Based on the unaudited management accounts of the First Target Company as at 31 July 2017, the unaudited net asset value attributable to the owners of the First Target Company was RMB164,184,865.

Upon completion of the First Acquisition, the First Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the First Target Company will be consolidated into the results of the Group.

LETTER FROM THE BOARD

The Second Acquisition

On 8 September 2017, the Second Purchaser, a wholly-owned subsidiary of the Company, and Shougang Fund entered into the Second Agreement in respect of the Second Acquisition. The principal terms of the Second Agreement are set out below.

Subject matter

The Second Purchaser will acquire from Shougang Fund the Second Sale Shares. The Second Sale Shares represent 40% of the equity capital of the Second Target Company.

Consideration

The consideration for the acquisition of the Second Sale Shares is RMB115,597,000 (equivalent to approximately HK\$138,583,463), which was determined after arm's length negotiations with reference to the preliminary valuation of 40% of the equity interest in the Second Target Company as at 31 July 2017 determined by the Valuer by using asset approach. The Valuer has adopted the following assumptions to the valuation:

- (a) there would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the countries where the Second Target Company operates;
- (b) there would be no significant deviation in the industry trends and market conditions from the current market expectation;
- (c) there would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
- (d) there would be no major change in the current taxation law in the PRC where the Second Target Company is carrying business;
- (e) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no material additional costs or fees are needed to procure such during the application;
- (f) future operations of the Second Target Company will conform to those planned by the management of the Second Target Company; and
- (g) the Second Target Company will retain competent management, key personnel, and technical staff to support the ongoing business operations.

The consideration will be settled by the Second Purchaser in cash at completion of the Second Acquisition.

LETTER FROM THE BOARD

Committed capital injection

The Second Purchaser has also agreed to inject RMB71,200,000 in cash into the Second Target Company as committed and unpaid capital for the Second Sale Shares.

Conditions precedent

Completion of the Second Acquisition is conditional upon:

- (a) the Second Purchaser being satisfied with the due diligence results on the Second Target Company and its subsidiaries;
- (b) the Independent Shareholders having approved at the GM the Second Agreement and the transactions contemplated thereunder in compliance with the requirements of the Listing Rules;
- (c) the receipt of all necessary approvals, consents, filings and waivers (if applicable) from government authorities or other third parties in relation to the Second Agreement and the transactions contemplated thereunder, including but not limited to competent department of the Ministry of Commerce and registration authorities;
- (d) completion of the Open Offer, that is when all the Open Offer Shares having been allotted;
- (e) the warranties under the Second Agreement remaining true and accurate, and not misleading in material respect and Shougang Fund having discharged all of its obligations to be carried out before completion of the Second Acquisition under the Second Agreement; and
- (f) there have not occurred any material adverse effect on the business, financial and operation conditions of the Second Target Company or otherwise on the Second Acquisition since the last audited financial statement date, and no laws, regulations or rules have been promulgated since the last audited financial statement date that would, or would reasonably be expected to, prohibit or restrict the transactions under the Second Agreement.

The conditions above (other than the conditions set out in (b), (c) and (d)) may be waived by the Second Purchaser.

If the conditions to the Second Agreement are not fulfilled or waived (as the case may be) on or before 31 March 2018, or such other date as may be agreed between the parties, the Second Agreement will terminate and cease to be of further effect.

LETTER FROM THE BOARD

Information on the Second Target Company

The Second Target Company is a limited liability company established in the PRC in 2016 and is principally engaged in the business of car parking system and services in the PRC with a focus on smart car parking system. The Second Target Company provides a full range of services involving the design, architecture, operation and management of smart car parking system in PRC and provision of solutions and services in relation thereto. It is the business strategy of the Second Target Company to further develop its business by acquisition of car parking spaces, entering into long-term leases (such as 5 years) with car park owners, entering into franchise agreements and/or co-operation with private corporations, state-owned enterprises and governmental bodies. The Second Target Company's cooperation parties include government authorities, stated-owned enterprises, hospitals and private corporations. In March 2017, Beijing Shouzhong Car Parking Management Company Limited* (北京首中停車管理有限公司) (“BSCMCL”), a company owned as to 48.125% by the Second Target Company, 50.625% by Shougang Fund and the remaining 1.25% by a third party independent of the Company and its connected persons, entered into a car park complex operating right transfer agreement with Capital Airport Holding Company* (首都機場集團公司) in relation to the transfer of the operation rights for a term of 20 years with an option to extend for a further 5 years, pursuant to which BSCMCL will provide car park management services to the new airport in Beijing. As the Latest Practicable Date, the site is currently under construction and it is expected to commence business in the fourth quarter of 2019. The Second Target Company currently focuses on the smart car parking business in Beijing and intends to expand its business into other first and second tier cities in the PRC and/or other countries.

The original subscription price of the Second Sale Shares paid by Shougang Fund was RMB106,800,000.

The audited financial information of the Second Target Company for the period from 26 May 2016 (date of incorporation) to 31 December 2016 prepared in accordance with the PRC generally accepted accounting principles is set out below:

	For the period from 26 May 2016 (date of incorporation) to 31 December 2016 RMB'000
Loss before taxation	(5,578.69)
Loss after taxation	(5,578.69)
Loss attributable to the owners of the Second Target Company	(5,578.69)

Based on the unaudited management accounts of the Second Target Company as at 31 July 2017, the unaudited net asset value attributable to the owners of the Second Target Company was RMB228,347,961.

LETTER FROM THE BOARD

Upon completion of the Second Acquisition, the Second Purchaser will have the right to nominate three out of the five members of the board of the Second Target Company and will be regarded as having control over the board of directors of the Second Target Company. As such, the Second Target Company will be accounted as a non-wholly owned subsidiary of the Company, and the financial results of the Second Target Company will be consolidated into the results of the Group.

THE OPEN OFFER

Issue statistics

Basis of the Open Offer:	one (1) Open Offer Share for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.225 per Open Offer Share
Number of Shares in issue as at the Latest Practicable Date:	8,957,896,227 Shares
Number of Open Offer Shares:	8,957,896,227 Open Offer Shares (assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to the Record Date)
Number of Open Offer Shares underwritten by the Underwriter:	4,677,426,528 Open Offer Shares, representing all the Open Offer Shares less the number of Open Offer Shares undertaken to be taken up by the Underwriter (in its capacity as a Shareholder). The Open Offer is fully underwritten
Enlarged number of Shares in issue immediately upon completion of the Open Offer:	17,915,792,454 Shares (assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to the Record Date)
Amount to be raised:	approximately HK\$2,015.5 million before expenses

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

Assuming that there is no change in the total number of Shares in issue from the Latest Practicable Date up to the Record Date, 8,957,896,227 Open Offer Shares that will be allotted and issued pursuant to the Open Offer represent (i) 100% of the Company's total number of Shares in issue as at the Latest Practicable Date; and (ii) 50% of the Company's total number of Shares in issue as enlarged by the allotment and issue of the 8,957,896,227 Open Offer Shares immediately after completion of the Open Offer.

As at the Latest Practicable Date, the Board has not received any information or irrevocable undertakings from any substantial Shareholders of their intention to take up their respective Open Offer Shares under the Open Offer, other than Shougang Holding and its subsidiaries under the Underwriting Agreement.

LETTER FROM THE BOARD

Basis of entitlement

The basis of the provisional entitlement will be one (1) Open Offer Share for every one (1) Share held on the Record Date, being 8,957,896,227 Open Offer Shares at the Subscription Price. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the Application Form and lodging the same with a remittance for the Open Offer Shares being applied for.

Qualifying Shareholders

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders; and, to the extent permitted under the relevant laws and regulations and reasonably practicable, (ii) the Prospectus (subject to the advice given in the legal opinions provided by the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable and legally permitted), for information only, to the Non-Qualifying Shareholders, but will not send any Application Form(s) to the Non-Qualifying Shareholders.

To qualify for the Open Offer, the Shareholders must (i) be registered on the register of members of the Company at the close of business on the Record Date; and (ii) not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company prior to the close of business on the Record Date for the Open Offer, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Tuesday, 17 October 2017.

Closure of register of members for the Open Offer

The Company's register of members will be closed for the purpose of determining the eligibility of the Qualifying Shareholders for the Open Offer, from Wednesday, 18 October 2017 to Tuesday, 24 October 2017 (both dates inclusive). No transfer of Shares will be registered during this book closure period.

Subscription Price

The Subscription Price of HK\$0.225 per Open Offer Share will be payable in full upon application for the Open Offer Shares under the Open Offer. The Subscription Price represents:

- (a) a discount of approximately 21.05% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 22.95% to the average closing price of HK\$0.292 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

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- (c) a discount of approximately 11.76% to the theoretical ex-entitlement price of HK\$0.255 per Share, based on the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (d) a discount of approximately 59.36% to the unaudited consolidated net asset value per Share of approximately HK\$0.5537 based on the latest unaudited net asset value attributable to owners of the Company as at 30 June 2017 and the Shares in issue as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares under the current market conditions of the Shares. The Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider the terms of the Open Offer, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Open Offer offers each Qualifying Shareholders the opportunity to maintain their respective pro rata shareholdings in the Company and enables them to participate in the future growth of the Group.

The net price (after deducting the relevant expenses) per Open Offer Share will be approximately HK\$0.2238.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, according to the register of members of the Company, the Company had 6 Overseas Shareholders with registered addresses in three jurisdictions. The table below sets out the number of Overseas Shareholders in each of the three jurisdictions and their aggregate shareholding as at the Latest Practicable Date:

Jurisdiction of the registered address of the Overseas Shareholder(s)	Number of Overseas Shareholder(s)	Number of Shares held in aggregate
<i>Included in the Open Offer:</i>		
Macau Special Administrative Region of the People's Republic of China ("Macau")	3	72,000
<i>Excluded in the Open Offer:</i>		
Canada	2	8,050
Singapore	1	4,000
Sub-total (Overseas Shareholders excluded in the Open Offer)	3	12,050
Total (all Overseas Shareholders):	6	84,050

LETTER FROM THE BOARD

In compliance with the necessary requirements of Rule 13.36(2) of the Listing Rules, the Company has made enquiries with its legal advisers in the relevant jurisdictions regarding the feasibility of extending the Open Offer to the Overseas Shareholders and the requirements of the relevant regulatory body or stock exchange with respect to the offer of the Open Offer Shares to such Overseas Shareholders.

Based on the advice of the legal advisers in Macau, under the applicable laws of the jurisdiction, there is no regulatory restriction or requirement of any regulatory body with respect to extending the Open Offer to the Overseas Shareholders in Macau. Accordingly, the Board is of the view that it is expedient to extend the Open Offer to the Overseas Shareholders having registered addresses in Macau, and such Overseas Shareholders are considered as Qualifying Shareholders. It is the responsibility of the Shareholders (including the Overseas Shareholders) to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Open Offer Shares.

The Company has also obtained the required advice from the legal advisers in Canada that the distribution of the Open Offer Shares to Shareholders in Canada will require either (i) the filing and clearing of a prospectus in compliance with the prospectus requirements under the applicable securities law in Canada, which is a lengthy and costly process; or (ii) the distribution be made under an exemption from the prospectus requirement. The Open Offer can be made under an exemption from the prospectus requirement as a rights offering, provided that the rights offering procedures are complied with, and the securities regulators being provided with prior notice and having not objected. The rights offering procedures in Canada include the filing and clearing of a draft rights offering circular prior to sending to shareholders and other requirements, unless an exemption is available from these requirements. A de minimis exemption is available to foreign issuers if the number of beneficial holders in Canada and in any Canadian province, as well as the number of Shares held by them, do not exceed certain limits. However, the de minimis exemption to such requirements would in effect require the Company to ascertain the place of residence of the beneficial owners of all issued Shares. Other exemptions may be available, but they would require the Company to make the same or similar determination. The use of any exemption would in any event involve disclosure and filing requirements in Canada. Having considered the legal restrictions under Canadian laws and the requirements of the relevant regulatory body or stock exchange, the Directors consider that it would be necessary or expedient to exclude the Overseas Shareholders with registered addresses in Canada from the Open Offer due to the time and costs involved in complying with the relevant legal requirements in Canada if the Open Offer were to be made to such Overseas Shareholders in Canada.

The Company has also obtained the required advice from the legal advisers in Singapore that the distribution of the Open Offer Shares to Overseas Shareholders having registered addresses in Singapore will require the Company to comply with the prospectus requirements under the Securities and Futures Act (Cap. 289) of Singapore (the “**Singapore SFA**”). The Singapore SFA provides, amongst other things, that no person shall make an offer of securities unless the offer (i) is made in or accompanied by a prospectus in respect of the offer that is prepared in accordance with the Singapore SFA and that is lodged with and registered by the Monetary Authority of Singapore (the “**Authority**”); and (ii) complies with such requirements as may be prescribed by the Authority. Having considered the legal restrictions under Singaporean laws and the requirements of the relevant regulatory body or stock exchange, the Directors consider that it would be necessary or expedient to exclude the Overseas Shareholders with registered addresses in Singapore from the Open Offer due to the time and costs involved in complying with the relevant legal requirements in Singapore if the Open Offer were to be made to such Overseas Shareholders in Singapore.

LETTER FROM THE BOARD

Further information in this connection will be set out in the Prospectus Documents to be despatched to the Qualifying Shareholders on the Prospectus Posting Date. The Company will, to the extent reasonably practicable, send copies of the Prospectus to the Non-Qualifying Shareholders for their information only, but no Application Form will be sent to them.

Ranking of the Open Offer Shares

The Open Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Open Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Open Offer Shares in their fully-paid form.

Fractions of the Open Offer Shares

No fractional entitlements to the Open Offer Shares will arise as a result of the Open Offer.

Application for the Open Offer Shares

The Application Form in respect of the entitlement of the Open Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Open Offer Shares as shown therein by completing such form and lodging the same with a remittance for the Open Offer Shares being taken up with the Registrar by the Latest Time for Acceptance.

No application for excess Open Offer Shares

The Qualifying Shareholders will not be entitled to subscribe for any Open Offer Shares in excess of their respective entitlements. Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, the Company considers that if application for excess Open Offer Shares is arranged, the Company would require to put in additional effort and costs to administer the excess Open Offer Shares application procedures. Accordingly, after arm's length negotiation with the Underwriter, the Board has decided that no excess Open Offer Shares will be offered to the Qualifying Shareholders and any Untaken Shares will be underwritten by the Underwriter. As the related administration costs would be lowered, the Directors consider that the absence of application for excess Open Offer Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Share certificates and refund cheques for the Open Offer

Subject to the fulfilment of the conditions of the Open Offer, certificates for all fully-paid Open Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk. If the Open Offer is terminated, refund cheques will be despatched by ordinary post at the respective Shareholders' own risk.

LETTER FROM THE BOARD

Application for listing

The Company will apply to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Open Offer Shares.

Subject to the granting of the listing of, and permission to deal in, the Open Offer Shares on the Stock Exchange, the Open Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Open Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Open Offer Shares will be traded in board lots of 2,000 Shares.

Dealings in the Open Offer Shares which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

The Underwriting Agreement

On 8 September 2017 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in respect of the underwriting arrangement for the Open Offer. The principal terms of the Underwriting Agreement are as follows:

Date:	8 September 2017 (after trading hours)
Underwriter:	Shougang Holding, which is the controlling shareholder of the Company. As at the Latest Practicable Date, Shougang Holding and its subsidiaries hold 4,280,469,699 Shares.
Number of Underwritten Shares:	4,677,426,528 Open Offer Shares, representing all the Open Offer Shares less the number of Open Offer Shares undertaken to be taken up by the Underwriter (in its capacity as a Shareholder). The Open Offer is fully underwritten.
Underwriting commission:	1% of the aggregate Subscription Price in respect of the Underwritten Shares to be underwritten.

LETTER FROM THE BOARD

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to, amongst other things, the existing financial position of the Group, the size of the Open Offer, and the current and expected market condition. The Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider the terms of the Underwriting Agreement including the commission rates are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Conditions precedent:

The obligations of the Underwriter are conditional upon the satisfaction of the following conditions:

- (a) the passing of the necessary resolution(s) at the GM by the Independent Shareholders to approve the Open Offer (including but not limited to the allotment and issue of the Open Offer Shares) and the transactions contemplated thereunder;
- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Board or its authorised committee(s) (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance on or before the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purpose only, on the Prospectus Posting Date; and
- (d) the listing committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in the Open Offer Shares.

LETTER FROM THE BOARD

The conditions above cannot be waived. If any of the conditions of the Open Offer is not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date and time as may be agreed between the Company and the Underwriter, the Underwriting Agreement will terminate and none of the parties shall have any claim against the other party, save for any antecedent breaches.

Termination:

The Underwriter is entitled by giving notice in writing to terminate the Underwriting Agreement at any time prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement which comes to the knowledge of the Underwriter; or
- (b) any event occurs or matter arises on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained thereof untrue or incorrect in any material respect and which comes to the knowledge of the Underwriter.

Upon the giving of notice in accordance with the above, the Underwriting Agreement will terminate and the obligations and liabilities of the parties will forthwith cease and determine and no party will have any claim against any other party save for any antecedent breaches.

REASONS FOR THE ACQUISITIONS AND THE OPEN OFFER

Shougang Fund is principally engaged in investment, management and advisory of non-securities businesses.

The Group is principally engaged in trading of iron ore, steel and related products and through investment in two associates listed in Hong Kong, namely Shougang Fushan Resources Group Limited and Shougang Concord Century Holdings Limited, is also engaged in the business of exploration and sales of hard coking coal, manufacture of steel cord for radial tyres and sawing wires, processing and trading of copper and brass products in the PRC.

LETTER FROM THE BOARD

The Company disposed of its Qinhuangdao business in late 2016, which comprised mainly of two steel mills, a deep processing centre on steel products and exploration and processing of iron ore operation in Qinhuangdao City, Hebei province, PRC. Since the disposal of the Qinhuangdao business, the Group's principal business has primarily been focused on the trading business. Although the Group's financial performance has been improved by the disposal of the entire interest in the Group's Qinhuangdao business, the Directors consider that it is necessary to explore new business opportunities to diversify the business risk and to strengthen the current financial position of the Group. The Group has been exploring different investment opportunities. The Acquisitions represent opportunities for the Group to diversify its business and provide the Group with potential source of income.

Acquisitions

The First Acquisition

Currently, there is an increase in the scale of the private equity fund management entities in China. According to the statistics for the second quarter of 2017 published by the Asset Management Association of China on its official website, the scale of the assets (in terms of paid up amount) managed by private equity fund management entities has increased from approximately RMB1.49 trillion as at 31 December 2014 to approximately RMB9.46 trillion as at 30 June 2017, representing a growth of approximately 532.65%.

As of the Latest Practicable Date, the aggregated asset-under-management of the partnerships which had been set up and managed by the First Target Company or its subsidiaries, which represents the total existing paid-up capital of 8 partnerships, is approximately RMB4.0 billion. The duration of the partnerships ranged from 3 to 10 years (some of which containing an option for extension of the term) and therefore it is expected that the management fee income from the provision of private fund management services would be sustainable in the foreseeable future and provide a diversified revenue stream to the Group. The Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) also expect that the First Target Company can be benefited from the partnerships' investment directions which covering the industries of health care, environmental protection, infrastructure, public utilities and new energy, etc. All of these are the nationwide development directions and align with the benchmarks and objectives outlined in the 13th Five-Year Plan (十三五規劃) of the PRC. As such, it is expected that the underlying investment projects in these industries invested by the partnerships would be benefited from such nationwide focus and even possible preferential measures and policies to be implemented by the PRC government in the coming years.

The Second Acquisition

According to the National Bureau of Statistics of the PRC (the "NBS"), the national per capita disposable income increased from approximately RMB16,510 in 2012 to approximately RMB23,821 in 2016, representing a compound annual growth rate ("CAGR") of approximately 9.6%. In addition, based on the information from the NBS, the total number of private cars owned in the PRC had been increased from approximately 88.4 million in 2012 to approximately 165.6 million in 2016, representing a CAGR of approximately 17.0%. The increase in total number of private cars in the PRC is expected to result the increase in demand for carpark space.

LETTER FROM THE BOARD

Furthermore, according to an official policy introduction speech by the news office of State Council of the PRC in September 2015, the shortfall of carpark space in the PRC was more than 50 million, and the then car to parking spaces ratio was about, 1:0.8 in big cities and 1:0.5 in medium and small ones, compared to 1:1.3 for developed countries. According to a Parking Industry Development White Paper 2016 (停車行業發展白皮書 2016) jointly issued by Beijing Tsing Hua Urban Planning and Development Institute Co., Ltd.* (北京清華同衡規劃設計研究院有限公司) and China Urban Public Transport Association* (中國城市公共交通協會) in June 2017, car ownership hit 5.48 million in Beijing in 2016 but the number of parking spaces was only 1.93 million, or one parking space for every 2.84 vehicles, indicating a shortage of 3.55 million in parking spaces. Also, the total number of passengers for civil aviation in the PRC rose approximately 11.8% to approximately 490.0 million in 2016 as compared to last year. Therefore, having considered the demand of car parking in Beijing, which is the Second Target Company's/BSCMCL's current prioritised focus when selecting business location, the Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider the Second Acquisition will provide potential income to the Company which can enhance the revenue base of the Group.

Having considered the above factors, in particular (i) the consideration of the Acquisitions are same as its appraised preliminary market values by an independent valuer; (ii) the Acquisitions will enable to provide potential source of income, which in turn, can enhance the revenue base of the Group; (iii) the increase in total number of private cars owned in PRC; (iv) the demand outlook of the above industries as stated above; and (v) the diversification of the existing risk of the Company, the Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider that the Acquisitions are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Open Offer

Furthermore, the Directors are of the view that the Open Offer will enable the Company to raise funds and provide the Company with the financial flexibility necessary for the Acquisitions and the Group's future development and investment purposes as and when suitable opportunities arise and improve the Group's overall financial position. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders to participate in the development of the Company in proportion to their shareholdings. To further illustrate, the Group has been putting efforts in strengthening its financial position, including but not limited to raising sufficient funding for the business development of the Group. As such, when formulating the structure of the Open Offer, the Directors had taken into account various factors including but not limited to raising sufficient funds to further develop its principal business, while at the same time, to reduce the level of borrowings of the Group.

LETTER FROM THE BOARD

In addition, having considered other fund raising alternatives for the Group, such as placing of new Shares or other convertible securities, and taking into account the benefits and cost of each of the alternatives, the Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so.

In view of the above, the Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider the Open Offer is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Open Offer:

Shareholders	As at the Latest Practicable Date		Upon completion of the Open Offer (assuming that all Open Offer Shares are subscribed for by all Shareholders)		Upon completion of the Open Offer (assuming that none of the Open Offer Shares are subscribed for by the Shareholders other than Shougang Holding and its subsidiaries)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Shougang Holding and its subsidiaries (<i>Note 2</i>)	4,280,469,699	47.78	8,560,939,398	47.78	13,238,365,926	73.89
CK Hutchison Holdings Limited (“CK Hutchison”)	430,274,586	4.80	860,549,172	4.80	430,274,586	2.40
CEF Holdings Limited (“CEF”)	25,127,369	0.28	50,254,738	0.28	25,127,369	0.14
Mr. Leung Shun Sang, Tony (a non-executive Director)	7,590,000	0.08	15,180,000	0.08	7,590,000	0.04
Other public shareholders	4,214,434,573	47.05	8,428,869,146	47.05	4,214,434,573	23.52
Total	8,957,896,227	100.00	17,915,792,454	100.00	17,915,792,454	100.00

Notes:

- Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.
- Shougang Holding, CK Hutchison and CEF are a concert group which controlled approximately 52.87% of the voting rights of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Executive Director of the Corporate Finance Division of the Securities and Futures Commission has granted a waiver under Note 6(b) to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers from the obligation of Shougang Holding to make a general offer for the Shares not already owned or controlled by it or its concert parties as a result of the performance of its underwriting obligations (if required) under the Underwriting Agreement.

Potential dilution effect

The proposed Open Offer will be conducted on the basis of one (1) Open Offer Share for every one (1) existing Share held on the Record Date. The Board considers that any potential dilution impact should be balanced against the following factors:

- (1) Independent Shareholders are given the chance to express their views on the terms of the Open Offer and the Underwriting Agreement through their votes at the GM;
- (2) Qualifying Shareholders have the choice whether to accept the Open Offer or not;
- (3) the Open Offer offers Qualifying Shareholders a chance to subscribe for their pro-rata Open Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the prevailing market price of the Shares; and
- (4) those Qualifying Shareholders who choose to accept the Open Offer in full can maintain their respective existing shareholding interests in the Company after the Open Offer.

Having considered the above, the Board considers the potential dilution effect on the shareholding interests of the Qualifying Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Open Offer Shares, to be acceptable. Having taken into account the terms of the Open Offer, the Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Furthermore, it also offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company to participate in the future development of the Company should they wish to do so. Those Qualifying Shareholders who do not take up the Open Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

USE OF PROCEEDS

The gross proceeds from the Open Offer will be approximately HK\$2,015.5 million before expenses. The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be approximately HK\$2,004.5 million.

LETTER FROM THE BOARD

The Company currently intends to use the net proceeds from the Open Offer as follows:

- (i) approximately 21% of the net proceeds will be used to pay for the consideration and related expenses of the Acquisitions;
- (ii) approximately 6% of the net proceeds will be used to pay for the committed and unpaid capital in respect of the First Sale Shares and the Second Sale Shares;
- (iii) approximately 20% of the net proceeds will be used to support the future development of the First Target Company and the Second Target Company, such as (a) supporting the further capital investment of the smart car parking lots; and/or (b) investing in minority stake of potential funds; and/or (c) general working capital of the First Target Company and the Second Target Company;
- (iv) approximately 23% of the net proceeds will be used to repay the existing bank loans of the Group;
- (v) approximately 15% of the net proceeds will be used to support the existing operation of the trading business. Given that the existing iron ore trading business relies on the trading loans to finance the time gap between payment to suppliers and receipt from customers, such net proceeds enable the Group to save the finance costs by reducing to utilize the trading loans; and
- (vi) approximately 15% of the net proceeds will be used for future strategic acquisitions complementary to the businesses of the Group and will be used for general working capital and other general corporate purposes of the Group. As at the Latest Practicable Date, save as disclosed above, no acquisition targets had been identified. The Board will explore any potential opportunities which would complement and add synergies to the Group's existing business.

Given that the Acquisitions are conditional upon, among other things, the approval of the Independent Shareholders at the GM, in event that such conditions were not satisfied, the Company would reallocate the net proceeds from the uses described in paragraphs (i) to (iii) above to paragraph (vi) above and reserve for such proceeds for future acquisition of new businesses.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately before the date of the Announcement.

LETTER FROM THE BOARD

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

Before the date of the First Agreement, the First Target Company or its subsidiaries have entered into certain partnership agreements with, among others, Shougang Fund or its associates which are connected persons of the Company for the establishment and regulations of the partnerships. The First Target Company or its subsidiaries shall provide private fund management services to such partnerships as a general partner or private fund manager. If any partnership is an associate of Shougang Fund, such partnership will become a connected person of the Company upon completion of the First Acquisition. The provision of the private fund management services by the First Target Company or its subsidiaries to such partnerships under the partnership agreements will therefore constitute continuing connected transactions of the Company under the Listing Rules upon completion of the First Acquisition. Details of the partnership agreements were disclosed in the Announcement pursuant to Rule 14A.60 of the Listing Rules.

The Master Agreement

Upon completion of the First Acquisition, transactions between the Group (including the First Target Company and/or its subsidiaries) and Shougang Fund (and/or its associates) will become connected transactions for the Company. In contemplation of the First Target Company and/or its subsidiaries continuing to provide private fund management services to any new partnerships or entities (being associates of Shougang Fund) after completion of the First Acquisition, the Company and Shougang Fund have entered into the Master Agreement, which would become effective upon completion of the First Acquisition. The Master Agreement is entered into to regulate the new continuing connected transactions that may be carried out between the Group (including the First Target Company and/or its subsidiaries) and Shougang Fund (and/or its associates) upon completion of the First acquisition. The principal terms of the Master Agreement are as follows:

Date

8 September 2017

Parties

- (1) the Company; and
- (2) Shougang Fund

Shougang Fund is a wholly-owned subsidiary of Shougang Group, the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, Shougang Fund is an associate of a connected person of the Company and the transactions contemplated under the Master Agreement will become continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon completion of the First Acquisition.

LETTER FROM THE BOARD

Subject Matter

Pursuant to the terms of the Master Agreement, the Company and/or its subsidiaries (including the First Target Company and its subsidiaries upon completion of the First Acquisition) will provide private fund management services to Shougang Fund and/or its associates. Subject to the individual partnership agreements and/or management agreements (if any) to be entered into, the scope of the private fund management services to be provided by the Company and/or its subsidiaries will generally include making investment recommendations, implementing and executing investment strategy, overseeing and managing daily operation of the partnerships, and analysing and exploring investment exit opportunities.

Pricing Terms

Pursuant to the terms of the Master Agreement, the provision of private fund management service shall be priced between 0.5% and 2% of the capital commitment or the capital contribution of the partnership each year (as determined under the respective partnership agreements) which was determined by reference to and in accordance with the prevailing marketing prices offered by the other private fund management companies for the same and similar scope of service.

Term

The Master Agreement has a term commencing from the date of the fulfilment of the conditions precedent under the Master Agreement and will expire on 31 December 2019.

Cap Amount

The transaction amounts under the Master Agreement during the term of the agreement will not exceed the following annual caps:

	From the commencement date of the Master Agreement to 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of private fund management services	10,000,000	180,000,000	250,000,000

The annual caps were determined with reference to the new partnership agreements that are expected to be entered into between the First Target Company (and/or its subsidiaries) and Shougang Fund and/or its associates from the expected commencement date of the Master Agreement to 31 December 2019.

LETTER FROM THE BOARD

It is expected that six new partnerships will be established from the fourth quarter of 2017 to 31 December 2019:

Table A: Details of the new partnerships

Partnership	Approved by investment committee of the First Target Company	Earliest possible date of establishment	Expected accumulated capital commitment			Private fund management fee per annum	Investment focus of the partnership
	Yes		2017 <i>RMB million</i>	2018 <i>RMB million</i>	2019 <i>RMB million</i>		
1	Yes	October 2017	420	Jan-Jun:420 Jul-Dec: 1,000	1,000	2.0%	Urban services businesses, PPP projects and industrial projects
2	Yes	October 2017	1,100	1,500	1,500	2.0%	New energy automotive industry
3	Yes	January 2018	Nil	1,000	1,000	1.5%	Infrastructure projects
4	No	January 2018	Nil	4,000	6,000	2.0%	Carpark projects
5	No	January 2018	Nil	500	500	2.0%	Urban services businesses, PPP projects and industrial projects
6	No	January 2018	Nil	470	470	2.0%	Natural gas
Total estimated management fee from the six partnerships above			<u>7.6</u>	<u>158.6</u>	<u>204.4</u>		

Three new partnerships (partnerships numbered 1 to 3 in Table A above) with concrete terms (including but not limited to identities of limited partners, investment direction, expected capital commitment and management fee) have obtained the approval of the investment committee of the First Target Company, pending the entering into of the formal partnership agreements. In addition, three other new partnerships (partnerships numbered 4 to 6 in Table A above) are under discussion with potential limited partners with preliminary investment terms and are pending to be submitted to the investment committee of the First Target Company for approval. The total estimated private fund management fee is calculated by multiplying each of the expected capital commitment of the partnerships by the respective rate of management fee.

LETTER FROM THE BOARD

In addition, a buffer is included in each of the annual caps which caters for extra private fund management fees to be received as there have been preliminary plans and a reasonable chance that additional new partnerships will be set up during the term of the Master Agreement. As to the buffer in 2017, there is a chance that partnership numbered 4 set out in the table above may be established earlier in 2017 if the negotiation and administrative process is smooth. Assuming that 30% of the expected capital commitment (i.e. RMB1,200 million) would be contributed in December 2017, a monthly management fee for this partnership would amount to RMB2 million (RMB1,200 million x 2%/12). As to the buffer in 2018, it is envisaged that an additional partnership (partnership numbered 7, further details are set out in Table B below) with an aggregate capital commitment of RMB1,000 million could be established. Assuming that the management fee would be set at a level of 2% and the partnership would be established in early 2018, the expected management fee of such partnership would amount to RMB20 million (i.e. RMB1,000 million x 2%). As to the buffer in 2019, it is envisaged that another partnership (partnership numbered 8, further details are set out in Table B below) with an aggregate capital commitment of RMB1,000 million could be established. Assuming that the management fee would be set at a level of 2% and the partnership would be established in early 2019 together with partnership numbered 7, the expected management fee would amount to RMB40 million (i.e. RMB2,000 million x 2%). For illustrative purpose, the following table sets out the calculation of the relevant buffers described above:

Table B: Calculation of the relevant buffers

Partnership	Earliest possible date of establishment	Expected aggregate capital commitment			Management fee per annum
		2017 <i>RMB million</i>	2018 <i>RMB million</i>	2019 <i>RMB million</i>	
4	Dec 2017	1,200	–	–	2.0%
7	Jan 2018	Nil	1,000	1,000	2.0%
8	Jan 2019	Nil	Nil	1,000	2.0%
Total buffer for the estimated management fee		2.0	20.0	40.0	

For establishing the new partnerships expected and disclosed above, in respect of the partnerships numbered 1 to 3 set out in Table A above, management of the First Target Company will work closely with parties to finalise the relevant partnership agreements. In respect of partnership numbered 4 to 6 set out in Table A above, management of the First Target Company will continue the negotiation with the relevant parties regarding the major terms of the partnerships so that the partnership proposals can be presented to its investment committee for approval within the timeframe as planned. After getting approval from the investment committee, management of the First Target Company will be able to finalise the relevant partnership agreements. As part of the business plan of the First Target Company, management of the First Target Company committed to explore with potential limited partner(s) and identify promising investment opportunities so that additional partnerships can be established.

LETTER FROM THE BOARD

Set out below is a summary of the estimated private fund management fees income from new partnerships with Shougang Fund and/or its associates during the period from the expected commencement date of the Master Agreement to 31 December 2019:

	2017	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Management fees income from partnerships numbered 1-6 (Table A)	7.6	158.6	204.4
Buffer management fees income (Table B)	<u>2.0</u>	<u>20.0</u>	<u>40.0</u>
	<u>9.6</u>	<u>178.6</u>	<u>244.4</u>
Rounded up to	<u><u>10.0</u></u>	<u><u>180.0</u></u>	<u><u>250.0</u></u>

In determining the annual caps set out above and the number of partnerships to be established, the Directors have also considered the growth trend and business plan of the First Target Company. According to the statistics for the second quarter of 2017 published by the Asset Management Association of China on its official website, the scale of the assets (in term of paid up amount) managed by private equity fund management entities has increased from approximately RMB1.49 trillion as at 31 December 2014 to approximately RMB9.46 trillion as at 30 June 2017, representing a growth of approximately 532.65%. As the First Target Company was set up in June 2015, it is in the fast growing stage. The growth of the First Target Company is in line with this general trend of the private equity management industry in the PRC.

Conditions precedent

The obligations of the parties to the Master Agreement are conditional upon:

- (a) the relevant requirements of the Listing Rules having been satisfied, including having obtained the approval of the Independent Shareholders at the GM on the Master Agreement and the transactions contemplated thereunder; and
- (b) completion of the First Acquisition.

If the conditions to the Master Agreement are not fulfilled on or before 31 March 2018, or such other date as may be agreed between the parties, the Master Agreement will terminate and cease to be of further effect.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE POSSIBLE CONTINUING CONNECTED TRANSACTIONS

The principal business of the First Target Company is the provision of private fund management services. As disclosed in the Announcement, before the date of the First Agreement, the First Target Company or its subsidiaries have provided private fund management services to a number of partnerships which are associates of Shougang Fund. The Directors (including the independent non-executive Directors) consider that the entering into of the Master Agreement will enable the First Target Company and/or its subsidiaries to continue to provide private fund management services to any new partnerships or entities (being associates of Shougang Fund) after completion of the First Acquisition.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisitions

Chapter 14 of the Listing Rules

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions are over 5% but less than 25%, the Acquisitions constitute discloseable transactions for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Chapter 14A of the Listing Rules

Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, Shougang Fund is an associate of Shougang Holding and hence a connected person of the Company. The Acquisitions constitute connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval.

The Open Offer

The Open Offer will increase the number of issued shares of the Company by more than 50%. The Open Offer is conditional on, amongst other things, the relevant resolutions being approved by the Independent Shareholders at the GM in compliance with Rule 7.24(5) of the Listing Rules. As Shareholders will not be entitled to subscribe for any Open Offer Shares in excess of their respective entitlements, the absence of application for excess Open Offer Shares requires Independent Shareholders' approval at the GM in compliance with Rule 7.26A(2) of the Listing Rules.

As at the Latest Practicable Date, Shougang Holding and its subsidiaries held in aggregate 4,280,469,699 Shares, representing approximately 47.78% of the issued capital of the Company. At the GM, Shougang Holding and its subsidiaries and their respective associates are required to abstain from voting at the relevant resolutions approving the Open Offer.

LETTER FROM THE BOARD

Possible Continuing Connected Transactions

The transactions contemplated under the Master Agreement will become continuing connected transactions for the Company upon completion of the First Acquisition. As the service fee under the Master Agreement is expected to be over 5% of the applicable percentage ratios under Rule 14.07 of the Listing Rules on an annual basis, the Master Agreement will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the Board meeting held to approve the transactions contemplated under this circular, Mr. Li Shaofeng, Mr. Ding Rucai and Mr. Shu Hong, by virtue of their connection with Shougang Group, had abstained from voting for the resolutions proposed therein. Mr. Zhang Bingcheng did not attend the said Board meeting.

Shougang Holding and its subsidiaries and their respective associates will abstain from voting at the GM in respect of the resolutions proposed to approve the Acquisitions, the Open Offer and the Master Agreement.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions. Astrum Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions.

The GM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Acquisitions, the Open Offer and the Continuing Connected Transactions.

GM

A notice convening the GM to be held at 11:00 a.m. on Thursday, 12 October 2017 at The Function Room, 2nd Floor, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong is set out on pages GM-1 to GM-4 of this circular for the purpose of considering and, if thought fit, passing the resolutions as set out therein.

A form of proxy for use by the Shareholders at the GM is enclosed herewith. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM (i.e., at or before 11:00 a.m. on Tuesday, 10 October 2017 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

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

Shougang Holding and its subsidiaries, holding approximately 47.78% of the total number of Shares in issue, will abstain from voting for the resolutions to be proposed at the GM to approve the Acquisitions, the Open Offer and the Continuing Connected Transactions.

Shareholders with a material interest in the Acquisitions, the Open Offer and the Continuing Connected Transactions should abstain from voting at the relevant resolutions to be proposed at the GM.

Except as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholders or their associates have any material interest in the Acquisitions, the Open Offer and the Continuing Connected Transactions and accordingly, no other Shareholder is required to abstain from voting in favour of the resolutions approving the Acquisitions, the Open Offer and the Continuing Connected Transactions.

RECOMMENDATIONS

Your attention is drawn to the Letter from the Independent Board Committee set out on pages 34 to 35 of this circular which contains its recommendations to the Independent Shareholders in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions. Your attention is also drawn to the letter of advice from Astrum Capital which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions. The letter from Astrum Capital is set out on pages 36 to & 96 of this circular.

The Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee after reviewing and considering the advice from the Independent Financial Adviser) consider that the Acquisitions, the Open Offer and 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 GM.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 Acquisitions, the Open Offer, and 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)

25 September 2017

To the Independent Shareholders

Dear Sir or Madam,

- (1) ACQUISITIONS – DISCLOSEABLE AND CONNECTED TRANSACTIONS;
(2) OPEN OFFER ON THE BASIS OF ONE OPEN OFFER SHARE
FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE
AT HK\$0.225 PER OPEN OFFER SHARE; AND
(3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS
UPON COMPLETION OF THE FIRST ACQUISITION**

We refer to the circular of the Company to the Shareholders dated 25 September 2017 (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 Acquisitions, the Open Offer and 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 Astrum Capital, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, the Open Offer and the Continuing Connected Transactions as set out on pages 36 to 96 of the Circular and the letter from the Board set out on pages 6 to 33 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Astrum Capital as stated in its letter of advice, we consider that the terms of each of the Acquisitions, the Open Offer and 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 Acquisitions, the Open Offer and the Continuing Connected Transactions to be proposed at the GM.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

25 September 2017

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

Dear Sirs,

- (1) ACQUISITIONS – DISCLOSEABLE AND CONNECTED TRANSACTIONS;
(2) OPEN OFFER ON THE BASIS OF ONE OPEN OFFER SHARE
FOR EVERY ONE EXISTING SHARE HELD ON
THE RECORD DATE AT HK\$0.225 PER OPEN OFFER SHARE; AND
(3) POSSIBLE CONTINUING CONNECTED TRANSACTIONS
UPON COMPLETION OF THE FIRST ACQUISITION**

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Shougang Concord International Enterprises Company Limited (the “**Company**”) in relation to (i) the proposed acquisition (the “**First Acquisition**”) of 95% of the equity interest in 京冀協同發展示範區(唐山)基金管理有限公司 (Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.*) (the “**First Target Company**”); (ii) the proposed acquisition (the “**Second Acquisition**”) of 40% of the equity interest in 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*) (the “**Second Target Company**”); (iii) the proposed open offer on the basis of one (1) open offer share for every one (1) existing share of the Company held on the record date at HK\$0.225 per open offer share (the “**Open Offer**”); and (iv) the continuing connected transactions contemplated under the Master Agreement (the “**Continuing Connected Transactions**”, and together with the First Acquisition, the Second Acquisition and the Open Offer, the “**Transactions**”). The details of the Transactions are disclosed in the announcement of the Company dated 8 September 2017 (the “**Announcement**”) and in the letter from the Board (the “**Letter from the Board**”) set out on pages 6 to 33 of the circular of the Company dated 25 September 2017 (the “**Circular**”) to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise defined.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 8 September 2017, the First Purchaser, a wholly-owned subsidiary of the Company, entered into the First Agreement with Shougang Fund pursuant to which the First Purchaser agreed to acquire the First Sale Shares for RMB231,135,000 and to inject RMB32,300,000 in cash into the First Target Company as committed and unpaid capital for the First Sale Shares. The First Sale Shares represent 95% of the equity interest in the First Target Company. The First Target Company is a limited liability company and is principally engaged in the business of the provision of private fund management services in the PRC. Upon completion of the First Acquisition, the First Target Company will become a non-wholly owned subsidiary of the Company.

On 8 September 2017, the Second Purchaser, a wholly-owned subsidiary of the Company, entered into the Second Agreement with Shougang Fund pursuant to which the Second Purchaser agreed to acquire the Second Sale Shares for RMB115,597,000 and to inject RMB71,200,000 in cash into the Second Target Company as committed and unpaid capital for the Second Sale Shares. The Second Sale Shares represent 40% of the equity interest in the Second Target Company. The Second Target Company is a limited liability company and is principally engaged in the business of car parking system and services in the PRC with a focus on smart car parking system. Upon completion of the Second Acquisition, the Second Purchaser will have the right to nominate three out of the five members of the board of directors of the Second Target Company. As such, the Second Purchaser will be regarded as having control over the board of directors of the Second Target Company and the Second Target Company will be accounted as a non-wholly owned subsidiary of the Company.

In addition, the Company proposes to issue 8,957,896,227 Open Offer Shares at the Subscription Price of HK\$0.225 per Open Offer Share on the basis of one (1) Open Offer Share for every one (1) existing Share held by the Qualifying Shareholders on the Record Date and payable in full upon application. The gross proceeds from the Open Offer will be approximately HK\$2,015.5 million before expenses. The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be approximately HK\$2,004.5 million.

Upon completion of the First Acquisition, transactions between the Group (including the First Target Company and/or its subsidiaries) and Shougang Fund (and/or its associates) will become connected transactions for the Company. In contemplation of the First Target Company and/or its subsidiaries continuing to provide private fund management services to any new partnerships or entities (being associates of Shougang Fund) upon completion of the First Acquisition, the Company and Shougang Fund entered into the Master Agreement on 8 September 2017, which would become effective upon completion of the First Acquisition. The Master Agreement is entered into to regulate the new continuing connected transactions that may be carried out between the Group (including the First Target Company and/or its subsidiaries) and Shougang Fund (and/or its associates) upon completion of the First acquisition.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions are over 5% but less than 25%, the Acquisitions constitute discloseable transactions for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shougang Fund is a wholly-owned subsidiary of Shougang Group. Shougang Group is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, Shougang Fund is an associate of Shougang Holding and hence a connected person of the Company. The Acquisitions constitute connected transactions for the Company which are subject to the reporting, announcement and independent shareholders' approval.

The Open Offer will increase the number of issued shares of the Company by more than 50%. The Open Offer is conditional on, amongst other things, the relevant resolutions being approved by the Independent Shareholders at the GM in compliance with Rule 7.24(5) of the Listing Rules. As Shareholders will not be entitled to subscribe for any Open Offer Shares in excess of their respective entitlements, the absence of application for excess Open Offer Shares requires Independent Shareholders' approval at the GM in compliance with Rule 7.26A(2) of the Listing Rules.

The transactions contemplated under the Master Agreement will become continuing connected transactions for the Company upon completion of the First Acquisition. As the service fee under the Master Agreement is expected to be over 5% of the applicable percentage ratios under Rule 14.07 of the Listing Rules on an annual basis, the Master Agreement will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the Board meeting held to approve the Transactions, Mr. Li Shaofeng, Mr. Ding Rucai and Mr. Shu Hong, by virtue of their connection with Shougang Group, had abstained from voting for the resolutions proposed therein. Mr. Zhang Bingcheng did not attend the said Board meeting.

As at the Latest Practicable Date, Shougang Holding and its subsidiaries held in aggregate 4,280,469,699 Shares, representing approximately 47.78% of the issued share capital of the Company. At the GM, Shougang Holding and its subsidiaries and their respective associates are required to abstain from voting at the relevant resolutions approving the Acquisitions, the Open Offer and the Master Agreement.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Wong Kun Kim and Mr. Leung Kai Cheung, has been established to advise the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable and as to voting in respect thereof at the GM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, Shougang Fund, Shougang Group, Shougang Holding, the First Target Company, the Second Target Company and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Transactions, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transactions.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the First Agreement, the Second Agreement, the Underwriting Agreement, the Master Agreement, the annual reports of the Company for the two years ended 31 December 2015 and 31 December 2016 (the “**2015 Annual Report**” and the “**2016 Annual Report**”, respectively) and the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations and prospects of the Group. In addition, we have reviewed the business valuation reports prepared by an independent professional valuer, namely Greater China Appraisal Limited (“**Greater China**”) in respect of the fair market value of 95% equity interest in the First Target Company and 40% equity interest in the Second Target Company as at 31 July 2017 (the “**First Valuation Report**” and the “**Second Valuation Report**”, respectively), including the methodology of, and the bases and assumptions adopted for, the valuations. Based on the foregoing steps, we consider that we have taken all the reasonable endeavors, which are applicable to the Acquisitions, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annex notes) in forming our opinion. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussion with the Management regarding the terms of the Transactions, the businesses and future prospects of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Transactions and to justify our reliance on the information provided so as to provide a reasonable basis of opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transactions. Except for the inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

For illustration purposes, amounts in RMB in this letter have been converted into HK\$ at an exchange rate of RMB1.0000 = HK\$1.19885.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendations with regard to the Independent Board Committee and the Independent Shareholders with regard to the Transactions, we have taken into account the following principal factors and reasons:

I. INFORMATION OF THE GROUP

A. Business of the Group

As a result of excessive production capacity together with weak demand, the Group's traditional steel business in Qinhuangdao (the "**Qinhuangdao Business**") had been suffered from severe loss for several years. In 2016, the Group conducted a major reorganization by entering into a disposal agreement (the "**Disposal Agreement**") with Shougang Holding Bonds Limited, a wholly-owned subsidiary of Shougang Holding, on 3 October 2016 in respect of the disposal (the "**Disposal**") of the entire issued share capital of Ultimate Century Investments Limited ("**Ultimate Century**"). Ultimate Century was the holding company of the Group's Qinhuangdao Business, comprising mainly two heavy plate mills, a deep processing centre on steel products and a mining company in Qinhuangdao City, Hebei Province, the PRC. Subsequently, completion of the Disposal took place on 30 December 2016. For further details of the Disposal, please refer to the circular of the Company dated 18 November 2016.

After completion of the Disposal, the Group currently focuses on trading of iron ore, steel and related products, and through investment in two associates listed in Hong Kong, namely Shougang Fushan Resources Group Limited (stock code: 639) ("**Shougang Resources**") and Shougang Concord Century Holdings Limited (stock code: 103) ("**Shougang Century**"), is also engaged in the business of exploration and sales of hard coking coal and manufacture of steel cords for radial tyres and sawing wires, processing and trading of copper and brass products in the PRC. Apart from the development of the existing businesses, the Group would also explore opportunities for new business development in order to enable long-term and sustainable growth of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. Financial information of the Group

The following table sets out (i) the audited financial information of the Group for the two financial years ended 31 December 2015 and 31 December 2016 (“**FY2015**” and “**FY2016**”, respectively) as extracted from the 2016 Annual Report; and (ii) the unaudited financial information of the Group for the six months ended 30 June 2016 and 30 June 2017 (“**1H2016**” and “**1H2017**”, respectively) as extracted from the 2017 Interim Report:

Table 1: Financial information of the Group

	FY2015	FY2016	1H2016	1H2017
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Revenue	416,121	1,035,606	478,001	1,305,909
– trading of steel products and iron ore	412,305	1,031,984	476,201	1,304,001
– management services and leasing income	3,816	3,622	1,800	1,908
Gross profit	62,820	49,394	35,501	11,339
Profit/(loss) before taxation	(1,445,796)	(427,151)	(385,578)	141,725
Profit/(loss) for the year/ period from continuing operations	(1,445,796)	(476,215)	(385,578)	141,725
Discontinued operations (Note 1)				
Loss for the year/period from discontinued operations attributable to owners of the Company	(1,903,809)	(1,144,947)	(540,790)	–
Profit/(loss) for the year/period attributable to owners of the Company	(3,349,310)	(1,621,162)	(926,368)	141,725

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2015 (audited) HK\$'000	As at 31 December 2016 (audited) HK\$'000	As at 30 June 2017 (unaudited) HK\$'000
Cash and bank balances (Note 2)	1,628,530	560,561	241,470
Current assets	5,728,780	969,940	731,559
Current (liabilities)	(19,776,269)	(1,142,226)	(866,697)
Net current (liabilities)	(14,047,489)	(172,286)	(135,138)
Total assets	21,262,373	5,847,436	5,826,337
Total (liabilities)	(21,042,435)	(1,142,226)	(866,697)
Net assets attributable to owners of the Company	1,336,312	4,705,210	4,959,640

Sources: the 2016 Annual Report and the 2017 Interim Report

Notes:

1. Upon completion of the Disposal, which took place on 30 December 2016, the Group discontinued the steel manufacturing and mineral exploration and processing operations in Qinhuangdao, the PRC. Accordingly, the Group treated these operations as discontinued operations.
2. Cash and bank balances include restricted bank deposits and pledged bank deposits.

(i) *FY2016*

In FY2016, the Group recorded consolidated turnover from continuing operations of approximately HK\$1,035.6 million, representing a year-on-year growth of approximately 148.9% as compared to approximately HK\$416.1 million in FY2015. Such improvement was mainly attributable to the surge in trading volume of iron ore and the increase in average selling price of iron ore.

Notwithstanding the increase in revenue, the gross profit derived from the Group's continuing operations dropped from approximately HK\$62.8 million in FY2015 to approximately HK\$49.4 million in FY2016, and the gross profit margin of the Group's continuing operations decreased by approximately 10.3 percentage points from approximately 15.1% in FY2015 to approximately 4.8% in FY2016. We noted from the 2016 Annual Report that the decrease in gross profit margin was mainly due to the fact that more inventories of medium grade iron ore had been provided by Mount Gibson Iron Limited ("Mt. Gibson") in FY2015 for trading purpose under the offtake agreements entered into with Mt. Gibson, and such agreements include rebate to the Group on marketing commission for purchase of iron ore from Mt. Gibson. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. In FY2016, the Group devoted much effort in procurement from other suppliers so as to drive the trading volume. As there were more rebates to the Group on marketing commission and trading of special graded iron ore in FY2015, the gross profit margin in FY2015 was higher than that of FY2016.

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Loss derived from the Group's continuing operations decreased significantly from approximately HK\$1,445.8 million in FY2015 to approximately HK\$476.2 million in FY2016. Such improvement was mainly attributable to (i) the decrease in impairment loss on interest in an associate from approximately HK\$951.7 million in FY2015 to approximately HK\$257.0 million in FY2016; and (ii) turnaround of performance of the two associates (namely, Shougang Resources and Shougang Century) from share of loss of associates of approximately HK\$275.0 million in FY2015 to share of profit of associates of approximately HK\$9.1 million in FY2016. Taking into account loss derived from the Group's discontinued operations of approximately HK\$1,144.9 million, the Group recorded loss attributable to owner of the Company of approximately HK\$1,621.2 million in FY2016.

As at 31 December 2016, the Group's cash and bank balances, net current liabilities and net assets attributable to owners of the Company amounted to approximately HK\$560.6 million, approximately HK\$172.3 million and approximately HK\$4,705.2 million, respectively.

(ii) 1H2017

The Group's consolidated turnover from continuing operations increased substantially from approximately HK\$478.0 million in 1H2016 to approximately HK\$1,305.9 million in 1H2017, representing a period-on-period growth of approximately 173.2%. Such improvement was mainly attributable to the surge in trading volume of iron ore and the increase in average selling price of iron ore.

Notwithstanding the significant growth of revenue, the gross profit derived from the Group's continuing operations dropped from approximately HK\$35.5 million in 1H2016 to approximately HK\$11.3 million in 1H2017. The gross profit margin of the Group's continuing operations decreased from approximately 7.4% in 1H2016 to approximately 0.9% in 1H2017. The shrinkage of gross profit margin was mainly due to the fact that there were more rebates on marketing commission and trading of special graded iron ore in 1H2016, as compared to 1H2017.

The Group made a turnaround from loss of approximately HK\$926.4 million in 1H2016 to profit of approximately HK\$141.7 million in 1H2017. Such improvement was principally attributable to (i) the exclusion of the loss-making results from the Qinhuangdao Business as a result of the Disposal in December 2016; and (ii) turnaround of performance of the two associates (namely, Shougang Resources and Shougang Century) from share of loss of associates of approximately HK\$114.0 million in 1H2016 to share of profit of associates of approximately HK\$178.8 million in 1H2017.

As at 30 June 2017, the Group's cash and bank balances, net current liabilities and net assets attributable to owners of the Company amounted to approximately HK\$241.5 million, approximately HK\$135.1 million and approximately HK\$4,959.6 million, respectively.

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II. THE FIRST ACQUISITION

A. Information of the First Target Company

According to the Letter from the Board, the First Target Company is a limited liability company established in the PRC in 2015. The total registered capital of the First Target Company is RMB200.0 million, among which, RMB166.0 million had been paid up as at the Latest Practicable Date.

The First Target Company is principally engaged in provision of private fund management services in the PRC. As at the Latest Practicable Date, the First Target Company and its subsidiaries had established 12 partnerships (the “**Partnerships**”) for the purpose of investment by entering into partnership agreements (the “**Partnership Agreements**”) with the respective limited partners in respect of the establishment of partnerships, capital commitment and operation of the Partnerships. Under the Partnership Agreements, the First Target Company and/or its subsidiaries act as general partner of the Partnerships and have subscribed for minority interests in the Partnerships (generally ranging from approximately 0.3% to approximately 3.0% of the total capital commitment of the respective Partnership, with one exception of 8.3% of the total capital commitment of the respective Partnership), while the remaining interests in the Partnerships were subscribed by limited partners (including Shougang Fund and/or other independent third parties). Under the Partnership Agreements, the general partner usually acts as the private fund manager of the Partnerships, or in certain circumstances, is responsible to engage other private fund managers for the Partnerships. The private fund managers of the Partnerships would provide private fund management services for the Partnerships and usually charge a management fee on a certain percentage of capital commitment or capital contribution of the Partnerships (as the case may be) in return for the provision of management service. The duration of the Partnerships ranges from 3 years to 10 years (some of which containing an option for extension of the term). According to the Partnership Agreements, the general partner of the Partnerships should bear unlimited liabilities of the Partnerships if the realization of assets of the Partnership are insufficient to repay the liabilities of the Partnership. It is the customary practice in the PRC for general partner to bear unlimited liabilities of the partnership managed by it in case of net deficits position of the partnership.

Set forth below are the details of the Partnerships (including but not limited to the identities of general partner and limited partner and investment direction):

Table 2: Details of the Partnerships

Name of the Partnership	Identity of general partner	Identity(ies) of limited partner(s)	Capital commitment			Total paid-up capital as at 31 July 2017 (% of total capital commitment) (RMB million)	Management fee	Partnership duration	Investment period	Investment direction	Registered with the Asset Management Association of China
			Total (RMB million)	Contributed by general partner (% of total capital commitment) (RMB million)	Contributed by limited partners (% of total capital commitment) (RMB million)						
1. 唐山協同惠醫藥股權投資基金合夥企業(有限合伙)	the First Target Company	Shougang Fund	250.0	2.0 (0.8%)	248.0 (99.2%)	120.0 (48.0%)	1% of total capital contribution amount	10 years from 20 December 2016 to 19 December 2026	First 5 years	Hospital management (other than treatment), leasing of medical devices and corporate management consultancy	No
2. 唐山曹兒福信創股權投資基金合夥企業(有限合伙)	北京信創投資管理有限公司 (Beijing Qiaochuang Investment Management Co. Ltd. ^(*)) ("Qiaochuang Investment") (Note)	Shougang Fund	54.5	4.5 (8.3%)	50.0 (91.7%)	54.5 (100.0%)	1.5% of total capital commitment	8 years from 15 March 2017 to 14 March 2025 (subject to extension of 2 additional years)	8 years (subject to extension of 2 additional years)	Infrastructure projects in Beijing Shougang Park	Yes
3. 吉林首創產業基金合夥企業(有限合伙)	首創東北振興產業基金管理有限公司 (Shougang Dongbei Zhenxing Industry Fund Management Co. Ltd. ^(*)) ("Dongbei Zhenxing") (Note)	Shougang Fund and two independent third parties	857.0	20.0 (2.3%)	837.0 (97.7%)	857.0 (100.0%)	Investment period: 1.5% of the total capital contribution Non-investment period: 1% of total outstanding recoverable amount of the partnership Extended investment and non-investment period: 0.5% of the total outstanding recoverable amount of the partnership	8 years from 29 December 2016 to 28 December 2024 (subject to extension of 2 additional years)	First 5 years (subject to extension of 2 additional years)	Smart carparks, energy saving, medical and health and green food related new industry	Yes

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	Name of the Partnership	Identity of general partner	Identity(ies) of limited partner(s)	Capital commitment			Total paid-up capital as at 31 July 2017 (% of total capital commitment) (RMB million)	Partnership duration	Investment period	Investment direction	Registered with the Asset Management Association of China
				Total (RMB million)	Contributed by general partner (% of total capital commitment) (RMB million)	Contributed by limited partners (% of total capital commitment) (RMB million)					
4.	唐山冀南同健康產業基金合夥企業(有限合夥)	the First Target Company	Shougang Fund and two independent third parties	155.0	3.0 (1.9%)	152.0 (98.1%)	155.0 (100.0%)	10 years from 24 November 2016 to 23 November 2026	N.A.	Non-securities investment, hospital management (other than treatment), leasing of medical devices and corporate management consultancy	Yes
5.	北京西區益新投資中心(有限合夥)	北京恒泰盛源投資管理有限公司 (Beijing Hengtai Shengyuan Investment Management Co. Ltd.)* ("Hengtai Shengyuan") (Note)	Shougang Fund	153.0	3.0 (2.0%)	150.0 (98.0%)	153.0 (100.0%)	5 years from 28 March 2017 to 27 March 2022 (subject to extension of 3 additional years)	First 4 years	Innovative startup and technology businesses	Yes
6.	首鋼(唐山曹妃甸)城市服務業股權投資基金(有限合夥)	the First Target Company	Shougang Fund, Shougang Group and a wholly-owned subsidiary of Shougang Group	2,500.0	25.0 (1.0%)	2,475.0 (99.0%)	0.0 (0%)	8 years from 21 March 2017 to 20 March 2025 (subject to extension of 2 additional years)	First 6 years	Urban services businesses	No

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Name of the Partnership	Identity of general partner	Identity(ies) of limited partner(s)	Capital commitment			Total paid-up capital as at 31 July 2017 (RMB million)	Management fee	Partnership duration	Investment period	Investment direction	Registered with the Asset Management Association of China
			Contributed by general partner	Contributed by limited partners	Contributed by limited partners						
			(% of total capital commitment) (RMB million)	(% of total capital commitment) (RMB million)	(% of total capital commitment) (RMB million)						
7. 唐山曹妃甸京業德同綠色產業投資基金合夥企業(有限合伙)	the First Target Company	Shougang Fund and an independent third party	5.0 (3.0%)	161.7 (97.0%)	166.7 (100.0%)	Investment period: 2% of capital contribution amount of limited partners (other than the contribution made by Shougang Fund and the independent third party)	5 years from 6 June 2016 to 5 June 2021 (subject to extension of 2 additional years)	First 3 years (subject to extension of 2 additional years)	Energy saving and environmental protection, atmospheric management, health care, biotechnology, new generation of information technology, corporate services, new port, new energy, new material, new energy vehicles and high-end equipment manufacturing	Yes	
<p>2% of capital contribution amount of the independent third party</p> <p>Non-investment period: 1% of capital contribution to be returned to the limited partners (other than such amount to be returned to Shougang Fund)</p> <p>For Shougang Fund: 0.5% of capital commitment amount by Shougang Fund during the terms of the partnership</p>											

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	Name of the Partnership	Identity of general partner	Identity (ies) of limited partner(s)	Capital commitment			Total paid-up capital as at 31 July 2017 (% of total capital commitment) (RMB million)	Management fee	Partnership duration	Investment period	Investment direction	Registered with the Asset Management Association of China
				Total	Contributed by general partner	Contributed by limited partners						
				(RMB million)	(% of total capital commitment) (RMB million)	(% of total capital commitment) (RMB million)						
8.	北京康元同心管理諮詢中心(有限合伙)(the "Beijing Kangyuan Tongxin Partnership")	the First Target Company	Shougang Fund	3.0	0.01 (0.3%)	2.99 (99.7%)	0.0 (0%)	N.A.	N.A.	To be determined	No	
9.	京冀協同發展曹妃甸投資基金唐山一期(有限合伙)	the First Target Company	Shougang Fund and two independent third parties	1,000.0	10.0 (1.0%)	990.0 (99.0%)	1,000.0 (100.0%)	0.5% of total capital commitment	3 years from 11 August 2015 to 10 August 2018 (subject to extension of 1 additional year)	3 years (subject to extension of 1 additional year)	Infrastructure projects	Yes
10.	北京石靈山投資發展中心(有限合伙)	the First Target Company	Shougang Fund and an independent third party	2,424.0	24.0 (1.0%)	2,400.0 (99.0%)	1,500.0 (61.9%)	0.2% of total capital contribution	8 years from 24 June 2016 to 23 June 2024 (subject to extension of 3 additional years)	First 5 years (subject to extension of 3 additional years)	Infrastructure projects in Beijing Shougang Park	Yes
11.	天津石靈山股權投資合夥企業(有限合伙)(the "Tianjin Shilingshan Partnership")	Hengtai Shengyuan (Note)	Shougang Fund and an independent third party	7,236.0	36.0 (0.5%)	7,200.0 (99.5%)	0.0 (0%)	0.04146% of total capital contribution	8 years from 10 April 2017 to 9 April 2025 (subject to extension of 3 additional years)	5 years since the date of the capital contribution (subject to extension of 3 additional years)	Infrastructure projects in Beijing Shougang Park	No
12.	遼安京冀股權投資基金(有限合伙)	the First Target Company	An independent third party	500.0	5.0 (1.0%)	495.0 (99.0%)	0.0 (0%)	Investment period: 0.5% of total capital contribution	7 years from 19 December 2016 to 18 December 2023	First 4 years	Non-securities investment and corporate management consultancy	No

Non-investment period:
0.5% of the unreturned amount of capital contribution

Note: Each of Qiaochuang Investment, Dongbei Zhenxing and Hengtai Shengyuan is a wholly-owned subsidiary of the First Target Company.

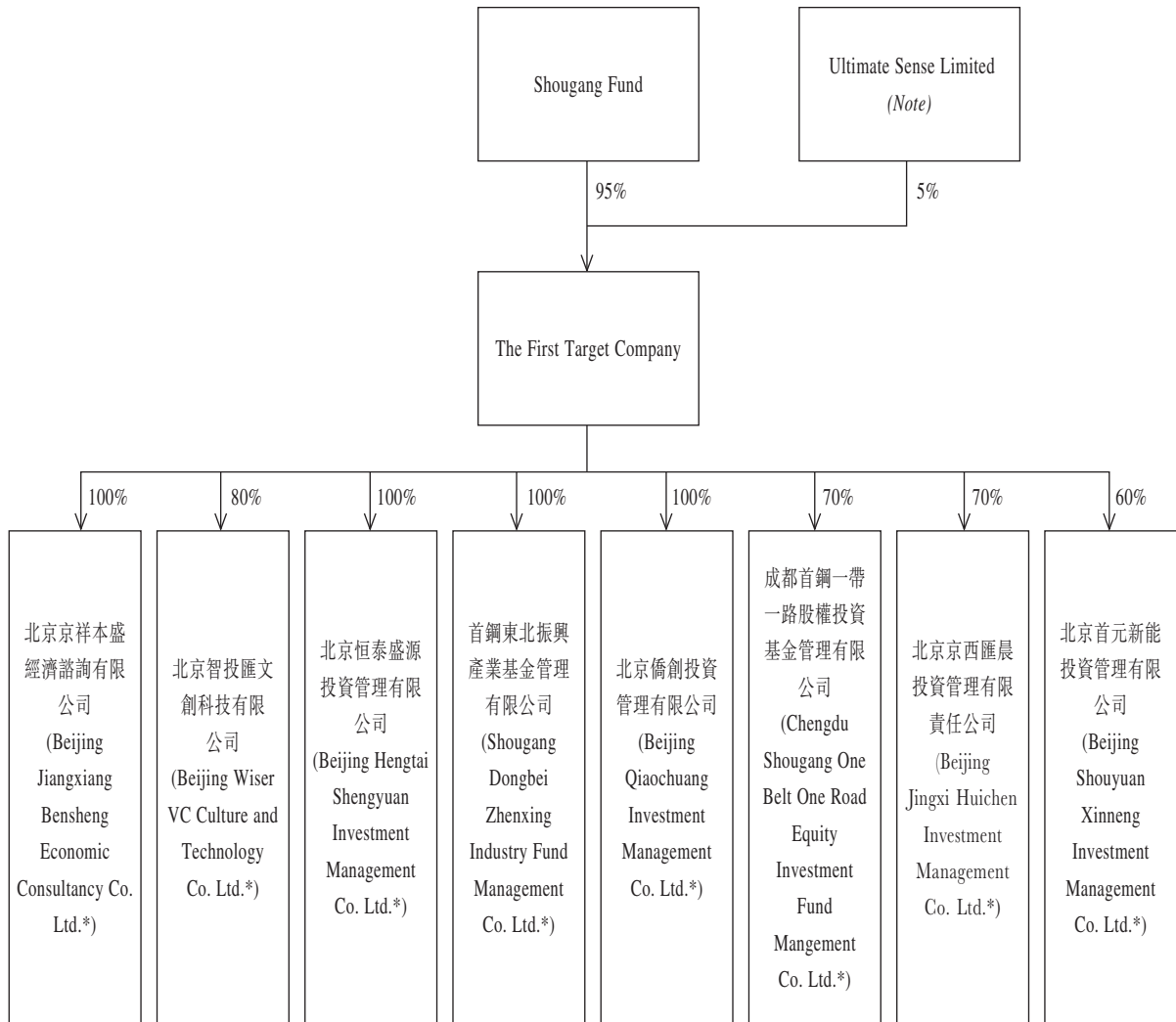
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As illustrated in Table 2 above, the aggregate capital commitment of the Partnerships amounts to approximately RMB15.3 billion. As at 31 July 2017, the aggregate asset-under-management (“AUM”) of the First Target Company and its subsidiaries (the “**First Target Group**”), which represents the total paid-up capital of the Partnerships, amounted to approximately RMB4.0 billion. The investment direction of the Partnerships covers the areas of health care, environmental protection, infrastructure and public utilities, and new energy. As advised by the Management, the First Target Company was in the course of establishment of 3 additional partnerships as at the Latest Practicable Date, with additional capital commitment of approximately 3.5 billion.

B. Shareholding structure of the First Target Group

As at the Latest Practicable Date, the First Target Company was owned as to 95% by Shougang Fund and 5% by Ultimate Sense Limited (which is independent of the Company and its connected persons). The following diagrams depict the simplified shareholding structure of the First Target Group (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the First Acquisition:

As at the Latest Practicable Date:

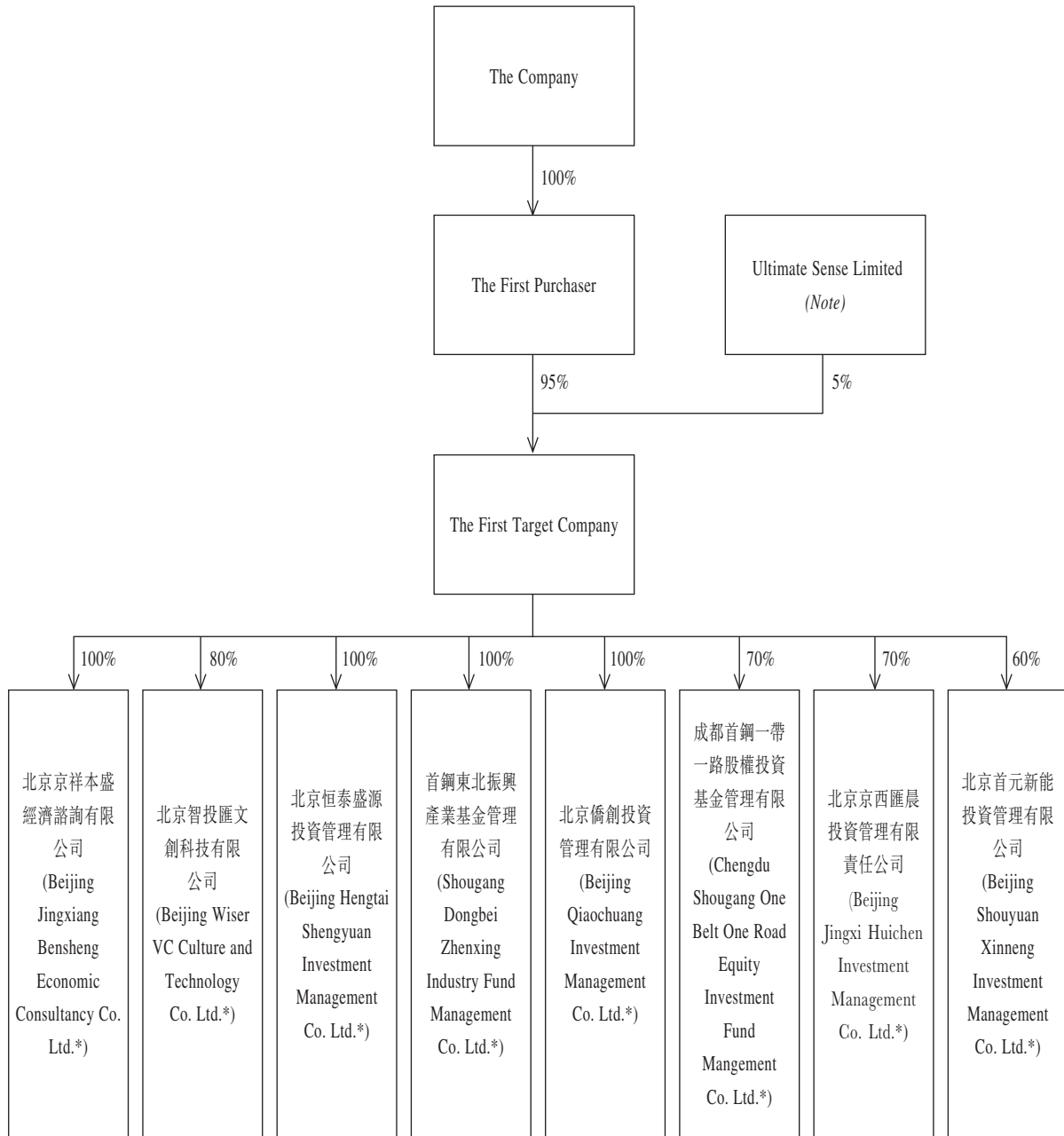


* For illustration purpose only

Note: Ultimate Sense Limited is independent of the Company and its connected persons.

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Immediately upon completion of the First Acquisition:



* For illustration purpose only

Note: Ultimate Sense Limited is independent of the Company and its connected persons.

Upon completion of the First Acquisition, the First Target Company will become a non-wholly owned subsidiary of the Company. The financial results of the First Target Group will be consolidated into the results of the Group.

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C. Financial information of the First Target Group

The audited consolidated financial information of the First Target Group for the period from 24 June 2015 (date of incorporation) to 31 December 2015 and for the year ended 31 December 2016 prepared in accordance with the PRC generally accepted accounting principles is set out below:

Table 3: Financial information of the First Target Group

	For the period from 24 June 2015 (date of incorporation) to 31 December 2015	For the year ended 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,726.0	6,805.2
Profit before taxation	644.3	534.6
Profit/(loss) after taxation	483.3	(265.5)
Profit/(loss) attributable to the owners of the First Target Company	483.3	(96.8)

For the year ended 31 December 2016, revenue of the First Target Group, which was mainly derived from management fee of the Partnerships, amounted to approximately RMB6.8 million, as compared to approximately RMB1.7 million for the period from 24 June 2015 (date of incorporation) to 31 December 2015. The increase in revenue was principally attributable to the increase in number of the Partnerships managed by the First Target Group and the increase in the aggregate AUM from approximately RMB1,000 million to approximately RMB2,941.7 million. In addition, since the First Target Company was incorporated on 24 June 2015, the First Target Group had only six-month operation in 2015, while it had full operation in 2016. For the year ended 31 December 2016, loss attributable to the owners of the First Target Company amounted to approximately RMB96,800, as compared to profit of approximately RMB483,300 for the period from 24 June 2015 (date of incorporation) to 31 December 2015. As advised by the Management, the change from profit making position to loss making position was mainly due to the increase in administrative cost from approximately RMB1.3 million to approximately RMB13.5 million, which was partially offset by the government subsidy of RMB6.0 million received by the First Target Company during the year ended 31 December 2016.

Based on the unaudited management accounts of the First Target Company, the unaudited net assets attributable to the owners of the First Target Company as at 31 July 2017 was approximately RMB164.2 million.

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D. Reasons for and benefits of the First Acquisition

As mentioned in the sub-paragraph headed “A. *Business of the Group*” under the paragraph headed “I. *Information of the Group*” above, the Group conducted a major reorganization in 2016 and disposed of the Qinhuangdao Business, which mainly comprised the Group’s traditional steel manufacturing business and had been suffered from severe loss for several years. After completion of the Disposal, the Group currently focuses on trading of iron ore, steel and related products, and through investment in two associates listed in Hong Kong, namely Shougang Resources and Shougang Century, is also engaged in the business of exploration and sales of hard coking coal and manufacture of steel cords for radial tyres and sawing wires, processing and trading of copper and brass products in the PRC. Notwithstanding that the Group’s financial performance has demonstrated an encouraging improvement in the first half of 2017 after the Disposal, it is the Group’s development strategy to keep on developing the Group’s existing businesses and at the same time, proactively seeking appropriate new business with an aim to enable long-term and sustainable growth of the Group. We concur with the Directors’ view that the First Acquisition represents a good opportunity for the Group to diversify its business into private fund management industry in the PRC and provide the Group with potential source of income, and that the First Acquisition is in line with the Group’s existing development strategy.

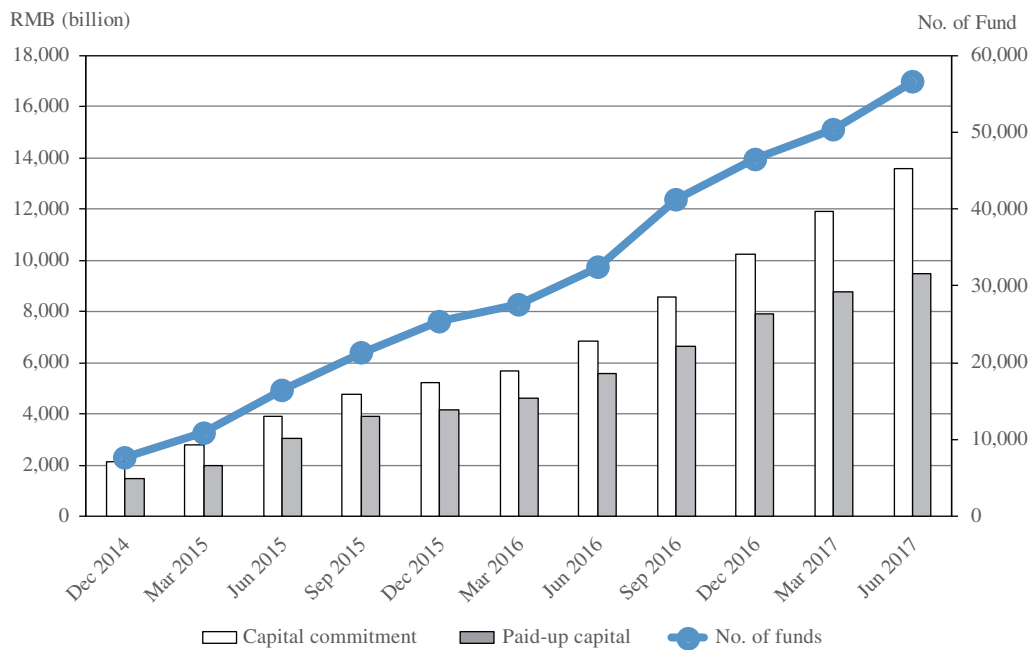
As at the Latest Practicable Date, the First Target Group had established 12 Partnerships as general partner, with the aggregate capital commitment and paid-up capital of approximately RMB15.3 billion and approximately RMB4.0 billion, respectively. As a general partner of the Partnerships, the First Target Group is responsible for the overall management and administration of the Partnerships, and shall have the right to execute matters relating to the Partnerships and to represent the Partnerships in lawsuits, arbitration and in entering into agreements and related matters. Under the Partnership Agreements, save for the Beijing Kangyuan Tongxin Partnership and the Tianjin Shijingshan Partnership, the First Target Group also acts as private fund manager of the Partnerships, and would charge a management fee on a certain percentage of capital commitment or capital contribution of the Partnerships (as the case may be) in return for the provision of management service. For the period commencing from 24 June 2015 (date of incorporation) to 31 December 2015 and for the year ended 31 December 2016, the First Target Group’s management fee income from the provision of private fund management services amounted to RMB1.7 million and RMB6.2 million, respectively. As at the Latest Practicable Date, the First Target Company was in the course of establishment of 3 additional partnerships with additional capital commitment of approximately RMB3.5 billion. Having considered the facts that (i) the First Target Group acts as private fund manager of all Partnerships, save for the Beijing Kangyuan Tongxin Partnership and the Tianjin Shijingshan Partnership; (ii) the duration of the existing Partnerships range from 3 years to 10 years (some of which containing an option for extension of the term); and (iii) the First Target Group will continue to establish new partnerships in the PRC, it is expected that the management fee income from the provision of private fund management services would be sustainable in the foreseeable future.

In addition to provision of private fund management services, the First Target Group has also subscribed for minority interests in the Partnerships (generally ranging from approximately 0.3% to approximately 3.0% of the total capital commitment of the respective Partnership, with one exception of 8.3% of the total capital commitment of the respective Partnership). By virtue of holding minority interests in the Partnerships, the First Target Group could share the investment return of the Partnerships. Accordingly, the financial performance of the First Target Group is directly correlated to the performance of the Partnerships. We have obtained from the Management the qualification and experience of the investment committee (the “**Investment Committee**”) of the First Target Company, and noted therefrom that the core members of the Investment Committee possess extensive experience in investment, fund and project management in the PRC. The Management believes that the extensive experience of the Investment Committee members is pivotal to the future investment performance of the Partnerships.

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Furthermore, we have conducted a research on the private equity fund industry in the PRC through public domains. In the past, the PRC’s private equity investment business had been conducted in a very loosely controlled environment. In recent years, the PRC government and the relevant authorities (including but not limited to the China Securities Regulatory Commission and the Asset Management Association of China) have promulgated and issued guidelines, measures and regulations on the private equity fund industry in the PRC with an aim to regulate the industry, protect the legitimate rights and interests of investors, and promote proper development. The cornerstone of the newly designed regime is a set of amendments (the “**Amendments**”) to the Securities Investment Fund Law of the PRC and accompanying regulations that took effect on 1 June 2013. The Amendments provide a framework applicable to all private funds investing in publicly-offered securities, with purposes to enhance regulatory regime and promote corporate governance. Over the last few years, the private equity fund industry in the PRC has demonstrated rapid growth in term of fund size. The following chart illustrates the key figures of the private equity fund market in the PRC (including the number of funds, the aggregate capital commitment and paid-up capital) during the period commencing from December 2014 to June 2017.

Chart 1: Key figures of the private equity fund market in the PRC



Source: the Asset Management Association of China (“AMAC”), a self-regulatory organization for the mutual fund industry of China

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As shown in Chart 1 above, the number of registered private equity funds in the PRC increased by approximately 6.4 times from 7,665 as at 31 December 2014 to 56,576 as at 30 June 2017. During the same period of time, the total paid-up capital of such private equity funds skyrocketed from approximately RMB1,494.6 billion as at 31 December 2014 to approximately RMB9,455.3 billion as at 30 June 2017. It is expected that the growing momentum of the private equity fund market in the PRC will continue to be strong. We believe that the private equity fund industry in the PRC will prosper.

Having considered the above, in particular, the facts that (i) the First Acquisition represents a good opportunity for the Group to diversify its business into private fund management industry in the PRC; (ii) the prospect of the private equity fund business in the PRC remains optimistic; (iii) it is expected that the management fee income from the provision of private fund management services would provide sustainable income in the foreseeable future; (iv) the core members of the Investment Committee possess extensive experience in investment, fund and project management in the PRC; and (v) the terms of the First Agreement, including the consideration, are fair and reasonable and on normal commercial terms (please refer to our analysis as set out in the paragraph headed “*E. Terms of the First Agreement*” below), we are of the view that the First Acquisition is in the interests of the Company and the Shareholders as a whole.

E. Terms of the First Agreement

The principal terms of the First Agreement are set out as follows:

Date:	8 September 2017
Parties:	(i) Jingji (Hong Kong) Limited (a wholly-owned subsidiary of the Company), as the purchaser (ii) 北京首鋼基金有限公司 (Beijing Shougang Funds Co., Ltd.*), as the vendor
Subject matter:	the First Sale Shares, representing 95% of the equity interest in the First Target Company
Consideration:	RMB231,135,000 (equivalent to approximately HK\$277,096,195), which shall be payable by the First Purchaser in cash at completion of the First Acquisition.

The First Purchaser has also agreed to inject RMB32.3 million in cash into the First Target Company as committed and unpaid capital for the First Sale Shares.

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(i) *Consideration*

According to the Letter from the Board, the consideration for the First Acquisition of RMB231,135,000 (equivalent to approximately HK\$277,096,195) was determined after arm's length negotiations between the parties to the First Agreement with reference to the preliminary valuation of 95% of the equity interest in the First Target Company as at 31 July 2017 determined by Greater China using market approach (the "**First Valuation**").

In order to assess the fairness and reasonableness of the consideration for the First Acquisition, we have obtained and enquired with Greater China (i) the terms of engagement letter between the Company and Greater China in respect of the First Valuation; (ii) the relevant qualification and experience of Greater China; and (iii) the steps and due diligence measures taken by Greater China for preparing the First Valuation Report. We have reviewed the engagement letter between the Company and Greater China in respect of the First Valuation, and are satisfied that the terms of the engagement letter between the Company and Greater China are appropriate to the opinion that Greater China is required to provide. Based on our research conducted in public domains, Greater China is a leading provider in business and asset valuation established in 1997. It is a corporate member of the International Valuation Standards Council, a regulated firm under The Royal Institution of Chartered Surveyors and a Valuation Institutes for Engagement by State-owned Enterprises under State-Owned Assets Supervision and Administration Commission of the State Council. We were further advised that the person-in-charge of the First Valuation has over 6 years' experience in business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support. Greater China has also confirmed that it is independent to the Company, Shougang Fund, Shougang Group, Shougang Holding, the First Target Company, and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. We are of the view that Greater China possesses sufficient professional qualifications and independence required to perform the First Valuation.

Valuation methodology

We have discussed with Greater China regarding the methodology of the First Valuation. We understand from Greater China that they have considered three different generally accepted approaches, namely, asset approach, income approach and market approach, in arriving at the fair value of the First Sale Shares as at 31 July 2017. Greater China considers that the asset approach and the income approach are not applicable given that (i) the asset approach merely reflects the replacement cost or reproduction cost of the First Sale Shares. Moreover, this valuation approach does not take into account the future economic benefits to be generated from the First Target Company, and therefore could not reliably reflect the true value of the First Sale Shares; and (ii) under the income approach, a reliable and justifiable financial estimation (such as projected revenue, operating costs and risk-adjusted discount rate) and cash flow forecast is required. Considering the dynamic nature of the First Target Company's asset management business in the PRC, it is difficult to establish reliable and justifiable financial estimation and cash flow forecast. Contrary to the above two approaches, we agree with Greater China that the market approach makes direct reference to the recent trading multiples or publicly announced transaction multiples of comparable companies (either listed or private companies), which could reflect the comparable companies' business fundamentals, growth potential and risk expectation of the asset management business. It is on this basis that we agree with Greater China that market approach is the most appropriate and applicable valuation approach under the circumstances.

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Under market approach, there are three principal methods, namely, direct market reference method, guideline publicly traded company method, and guideline merger and acquisition method. Greater China informed us that in view of the facts that (i) the First Target Company is a private company; (ii) the transactions of private equity management companies (for the stake of general partner) were not active and were usually not publicly disclosed, they did not adopt the direct market reference method and the guideline merger and acquisition method. Consequently, Greater China adopted the guideline publicly traded company method as the valuation method for the First Valuation.

Having considered the above, and based on our discussion with Greater China, we are of the view that the valuation methodology of the First Valuation is fair and reasonable.

Valuation multiples

In selecting the valuation multiple, Greater China adopted the measure of price-to-AUM (“P/AUM”) multiple in deriving the fair value of the First Sale Shares. Greater China considered that P/AUM is a well-recognized and appropriate valuation multiple for asset management business by capital market participants. The P/AUM is typically quoted to evaluate the valuation of asset management companies, including but not limited to private equity fund management companies, mutual fund companies and hedge fund companies. Having considered the facts that (i) the First Target Company is principally engaged in the business of the provision of private fund management services in the PRC; and (ii) P/AUM is a well-recognized and appropriate valuation multiple for asset management businesses, we consider it reasonable for Greater China to adopt P/AUM multiple in arriving at the market value of the First Sale Shares.

Sample selection

According to the First Valuation Report, Greater China identified 14 comparable public companies (the “**First Comparables**”) based on a pool of factors (including but not limited to (i) having principally engaged in asset management business as general partner; (ii) having significant business exposure in private equity or related investment; (iii) having exposed to Asian investments and/or distributed to Asian clientele; and (iv) having the latest AUM figures publicly and reliably disclosed). We have reviewed the details of such selection criteria as disclosed in the First Valuation Report, and consider that the selected 14 First Comparables are sufficiently representative of its selection criteria for sampling valuation comparables to the First Target Company.

Notably, only 2 out of 14 First Comparables (namely, Kunwu Jiuding Investment Holdings Co., Ltd (600053 CH) and Value Partners Group Limited (806 HK)) are listed companies in the PRC and Hong Kong, while the remaining comparables are listed companies in the United States of America. As the First Target Company is based in the PRC, we understand that Greater China has also conducted the following screening procedures so as to ensure that all listed private equity managers in the PRC were properly included in the pool of the First Comparables. We noted that Greater China has reviewed the list of top 100 China private equity firms in 2016 as published by Zero2IPO Research, a professional and authoritative reach institution in the PRC’s venture capital and private equity industries, and it has researched and studied all public companies listed in the PRC and Hong Kong which are typically categorized under investment and/or asset management sector.

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We understand that, based on the above steps, Greater China could not locate any other companies comparable to the First Target Company other than the 14 First Comparables. We concur with the view of Greater China that the selected First Comparables serve as the best available comparable companies for valuation analysis.

We agreed with Greater China's arithmetic derivative that the median of the P/AUM multiples of the First Comparables as at 31 July 2017 is 4.18%.

Assumptions

According to the First Valuation Report, Greater China has adopted the following assumptions in the First Valuation:

1. there would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where the First Target Company is located and carrying on its businesses;
2. there would be no significant deviation in the industry trends and market conditions from the current market expectation;
3. there would be no major changes in the current taxation law in the PRC;
4. there would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
5. all relevant legal approvals, business certificates or licenses for the normal course of operation have been formally obtained, in good standing and that no additional material costs or fees are needed to procure such during the application; and
6. the First Target Company would retain competent management, key personnel, and technical staff to support the ongoing operation of the First Target Company.

Based on our discussions with Greater China, we understand that such assumptions are generally adopted in similar valuation and are necessary for Greater China to arrive at a reasonable estimated fair value of the First Sale Shares. Accordingly, we consider that the adoption of the assumptions as mentioned above is fair and reasonable.

Based on the above and our discussion with Greater China as detailed above, as well as the determination of the control premium and marketability discount applied by Greater China, and our review on the First Valuation Report, we are of the view that the methodology, bases and assumptions adopted in establishing the First Valuation is in line with market practice, and is fair and reasonable.

According to the First Valuation Report, the fair market value of the First Sale Shares as at 31 July 2017 amounted to approximately RMB231,135,000. Having considered the facts that (i) the consideration for the First Acquisition was determined after arm's length negotiations between the parties to the First Agreement; (ii) the consideration for the First Acquisition is equivalent to the fair market value of the

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First Sale Shares as at 31 July 2017; and (iii) the methodology, bases and assumptions adopted in establishing the First Valuation is in line with market practice, and is fair and reasonable, we are of the opinion that the consideration for the First Acquisition is fair and reasonable as far as the Independent Shareholders are concerned.

(ii) Payment method

Pursuant to the terms of the First Agreement, the consideration for the First Acquisition of RMB231,135,000 (equivalent to approximately HK\$277,096,195) will be settled by the First Purchaser in cash at completion of the First Acquisition.

As at 30 June 2017, the Group's cash and bank balances amounted to approximately HK\$241.5 million. As advised by the Management, settlement of the consideration for the First Acquisition will be financed by the proceeds of the Open Offer. Accordingly, completion of the First Acquisition is conditional to completion of the Open Offer.

Having considered the facts (i) settlement of the consideration in cash would not incur interest payment; and (ii) the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned (please refer to our analysis as set out in the sub-paragraph headed "C. Principal terms of the Open Offer" under the paragraph headed "IV. OPEN OFFER" below), we consider that the payment method under the First Agreement is in the interests of the Company and the Shareholders as a whole.

(iii) Conclusion

Having considered the above, we are of the view that the terms of the First Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

F. Financial effects of the First Acquisition

Based on our discussion and the representation from the Management, we understand that the following factors have been taken into account when the Company considered the potential impact of the First Acquisition on the financial performance and position of the Group (setting aside possible impacts arising from the Second Acquisition and the Open Offer):

(i) Effect on earnings

Upon completion of the First Acquisition, the First Target Company will become a non-wholly owned subsidiary of the Company. The financial results of the First Target Group will be consolidated into the consolidated financial statements of the Group.

Notwithstanding that the First Target Group recorded loss attributable to the owner of approximately RMB96,800 for the year ended 31 December 2016, the Management believes that along with business expansion and the increase in size of AUM, there will be increasing profit contribution

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from the First Target Group after completion of the First Acquisition. The Management believes that the First Acquisition will have a potential positive impact on the earnings of the Group.

(ii) *Effect on net assets*

As at 30 June 2017, the net assets of the Group amounted to approximately HK\$4,959.6 million. The Management expects that there will not be any material effect on the net assets position of the Group upon completion of the First Acquisition given that (i) the consideration for the First Acquisition is equivalent to the fair market value of the First Sale Shares as at 31 July 2017 as appraised by Greater China; and (ii) the consideration for the First Acquisition will be settled by way of cash.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be after completion of the First Acquisition.

III. THE SECOND ACQUISITION

A. Information of the Second Target Company

According to the Letter from the Board, the Second Target Company is a limited liability company established in the PRC in 2016. The total registered capital of the Second Target Company amounts to RMB445.0 million. As at the Latest Practicable Date, the Second Target Company's registered capital in the amount of RMB240.0 million had been paid up.

The Second Target Company is principally engaged in the business of car parking system and services in the PRC with a focus on smart car parking system. It provides a full range of services involving the design, construction, operation and management of smart car parking system in the PRC and provision of solutions and services in relation thereto. Partners in cooperation with the Second Target Company include government authorities, state-owned enterprises, hospitals and private corporations.

In March 2017, 北京首中停車管理有限公司 (Beijing Shouzhong Car Parking Management Company Limited*) ("**BSCMCL**"), a company owned as to 48.125% by the Second Target Company, 50.625% by Shougang Fund and the remaining 1.25% by a third parties independent of the Company and its connected persons, entered into a car park complex operating right transfer agreement (the "**Airport Car Park Agreement**") with 首都機場集團公司 (Capital Airport Holding Company*) in relation to the transfer (the "**Transfer**") of the operation rights of a car park building located in the new airport in Beijing (the "**Airport Car Park Project**"). The term of the Transfer is 20 years commencing from the date of formal operation of the Airport Car Park Project, with an option to extend for a further 5 years. Under the Airport Car Park Agreement, BSCMCL possesses the operation rights of the Airport Car Park Project and is entitled to receive the operating income generated from the operation of the Airport Car Park Project (including but not limited to car parking fee and battery charge fares for electric vehicles). Based on the current development plan, the Airport Car Park Project comprises 4,200 parking lots, including 630 charging stations for electric vehicles. BSCMCL shall pay Capital Airport Holding Company a one-off transfer fee of RMB540.0 million and an annual fee of RMB22.0 million plus 42% of operating income generated from the operation of the Airport Car Park Project during the corresponding year. As at the Latest Practicable Date, 40% of such one-off transfer fee had been settled, and the remaining transfer fee will be paid by BSCMCL by end of January 2019 pursuant to the Airport Car Park

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Agreement. In addition, under the Airport Car Park Agreement, BSCMCL is responsible for the design and construction of parking signages, charging stations for electric vehicles, smart car parking system and photovoltaic power generation system (if any). The expected construction cost amounts to approximately RMB61.9 million and shall be borne by BSCMCL. As at the Latest Practicable Date, the site was currently under construction and it is expected that the Airport Car Park Project will commence operation by end of 2019.

In addition to the Airport Car Park Agreement, the Second Target Company had entered into another two car park management agreements as at the Latest Practicable Date. Set forth below are the details of these management agreements:

1. In July 2017, the Second Target Company entered into a car park management agreement (the “**Ju Le Hui Management Agreement**”) with 北京思源國際物業管理有限公司 (Beijing Siyuan International Property Management Company Limited*) (“**Beijing Siyuan**”) in respect of the car park management of a commercial complex located in Beijing, the PRC, namely 雙橋聚樂匯, for a term of 5 years. The Second Target Company shall pay Beijing Siyuan an aggregate transfer fee of RMB904,000, comprising construction cost of RMB404,000 and an annual fee of RMB100,000 for 5 years. Pursuant to the Ju Le Hui Management Agreement, the Second Target Company is responsible for the management and operation of the car park with 480 parking lots, and is entitled to receive parking fee from users of parking facilities as well as commercial operating income (including but not limited to advertising and car wash). As advised by the Second Target Company, the construction of the car park was completed, and the car park is expected to commence operation in September 2017.
2. In July 2017, the Second Target Company entered into a shared parking project cooperation agreement (the “**Desheng Cooperation Agreement**”) with 北京市西城區人民政府德勝街道辦事處 (Beijing Xicheng District People’s Government Desheng Sub-district Office*) in respect of the research and development of shared parking system for parking lots in Desheng Street, Xicheng District, Beijing for a term of 5 years. As advised by the Second Target Company, the smart car parking system was under construction as at the Latest Practicable Date, and is expected to commence operation by end of 2017.

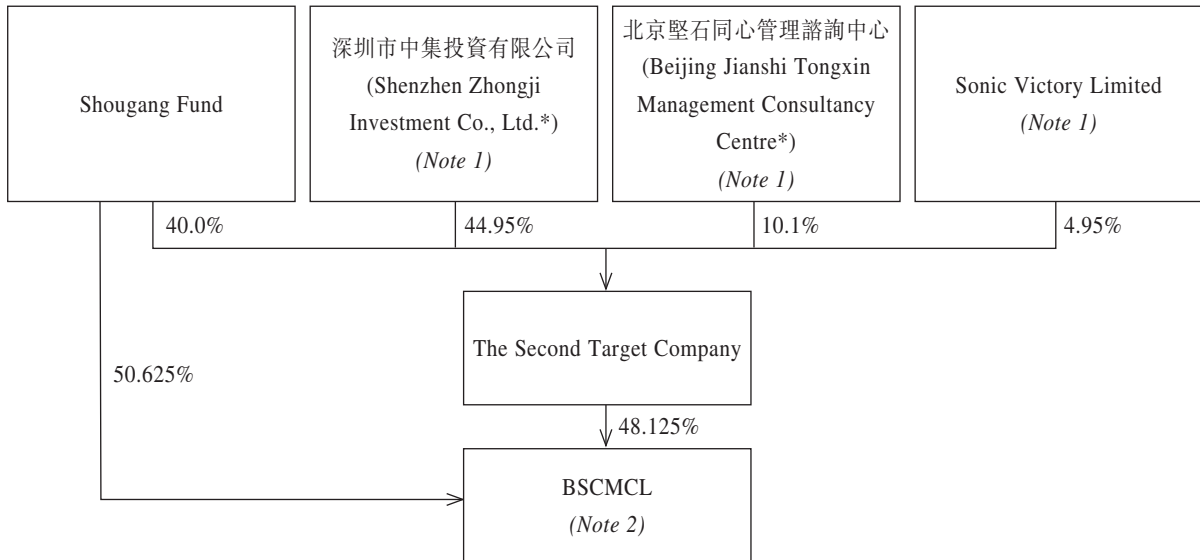
The Second Target Company currently focuses on the smart car parking business in Beijing and intends to expand its business into other first and second tier cities in the PRC. It is the business strategy of the Second Target Company to further develop its business by acquisition of car parking spaces, entering into of long-term leases (such as 5 years) with car park owners, entering into franchise agreements and/or co-operation with private corporations, state-owned enterprises and governmental bodies. Further to the signed agreements as detailed above, as at the Latest Practicable Date, the Second Target Company has secured another four car park management projects with 3,729 parking lots in total, pending the entering into of formal agreements.

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B. Shareholding structure of the Second Target Company

As at the Latest Practicable Date, the Second Target Company was owned as to 40.0% by Shougang Fund, approximately 10.1% by 北京堅石同心管理諮詢中心 (Beijing Jianshi Tongxin Management Consultancy Centre*), approximately 44.95% by 深圳市中集投資有限公司 (Shenzhen Zhongji Investment Co., Ltd.*) and approximately 4.95% by Sonic Victory Limited, respectively. The following diagrams depict the simplified shareholding structure of the Second Target Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Second Acquisition:

As at the Latest Practicable Date:

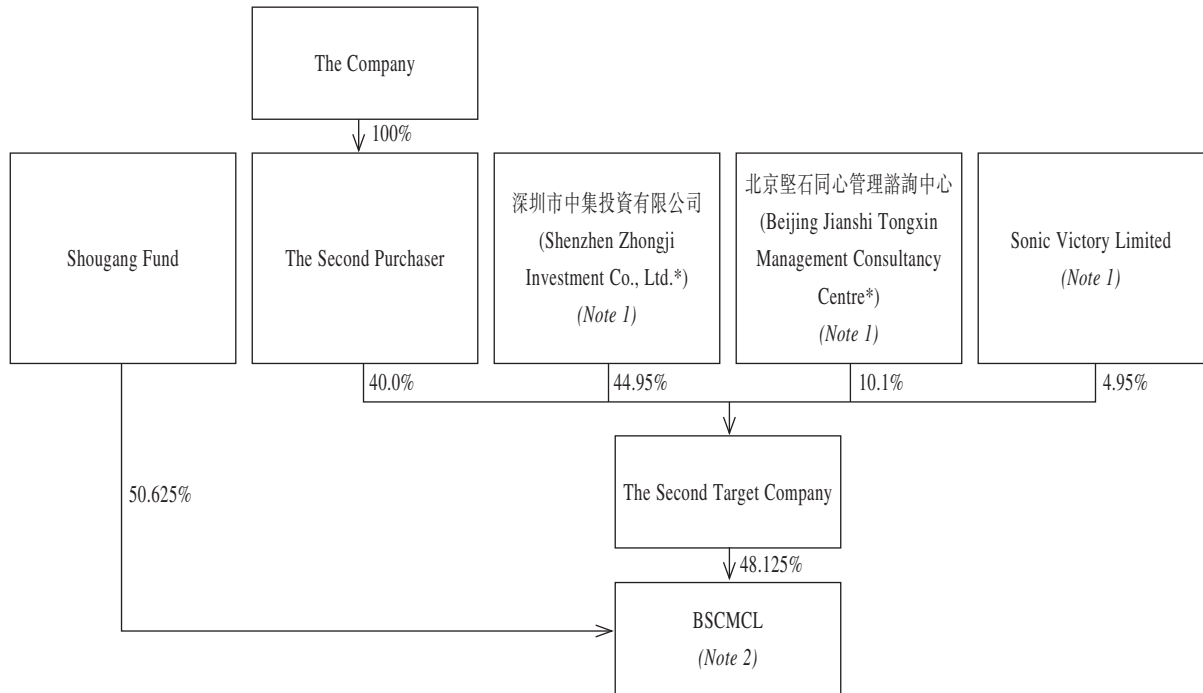


Notes:

1. Each of 深圳市中集投資有限公司 (Shenzhen Zhongji Investment Co., Ltd.*), 北京堅石同心管理諮詢中心 (Beijing Jianshi Tongxin Management Consultancy Centre*) and Sonic Victory Limited is independent of the Company and its connected persons.
2. As at the Latest Practicable Date, BSCMCL was held as to 48.125% by the Second Target Company, 50.625% by Shougang Fund and the remaining 1.250% by a third party independent of the Company and its connected persons.

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Immediately upon completion of the Second Acquisition:



Notes:

1. Each of 深圳市中集投资有限公司 (Shenzhen Zhongji Investment Co., Ltd.*), 北京堅石同心管理諮詢中心 (Beijing Jianshi Tongxin Management Consultancy Centre*) and Sonic Victory Limited is independent of the Company and its connected persons.
2. As at the Latest Practicable Date, BSCMCL was held as to 48.125% by the Second Target Company, 50.625% by Shougang Fund and the remaining 1.250% by a third party independent of the Company and its connected persons.

Upon completion of the Second Acquisition, the Second Purchaser will be interested in 40% of the equity interest in the Second Target Company and will have the right to nominate three out of the five members of the board of directors of the Second Target Company. As such, the Second Purchaser will be regarded as having control over the board of directors of the Second Target Company. Accordingly, the Second Target Company will be accounted as a non-wholly owned subsidiary of the Company, and the financial results of the Second Target Company will be consolidated into the results of the Group.

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C. Financial information of the Second Target Company

The audited financial information of the Second Target Company for the period from 26 May 2016 (date of incorporation) to 31 December 2016 prepared in accordance with the PRC generally accepted accounting principles is set out below:

Table 4: Financial information of the Second Target Company

	For the period from 26 May 2016 (date of incorporation) to 31 December 2016 RMB'000
(Loss) before taxation	(5,578.7)
(Loss) after taxation	(5,578.7)
(Loss) attributable to the owners of the Second Target Company	(5,578.7)

During the period from 26 May 2016 (date of incorporation) to 31 December 2016, the Second Target Company did not generate any revenue. Loss attributable to the owners of the Second Target Company during the review period amounted to approximately RMB5.6 million. Such loss was mainly attributable to the salaries and administrative expenses of approximately RMB5.5 million.

Based on the unaudited management accounts of the Second Target Company, the unaudited net assets attributable to the owners of the Second Target Company as at 31 July 2017 was RMB228.3 million.

D. Reasons for and benefits of the Second Acquisition

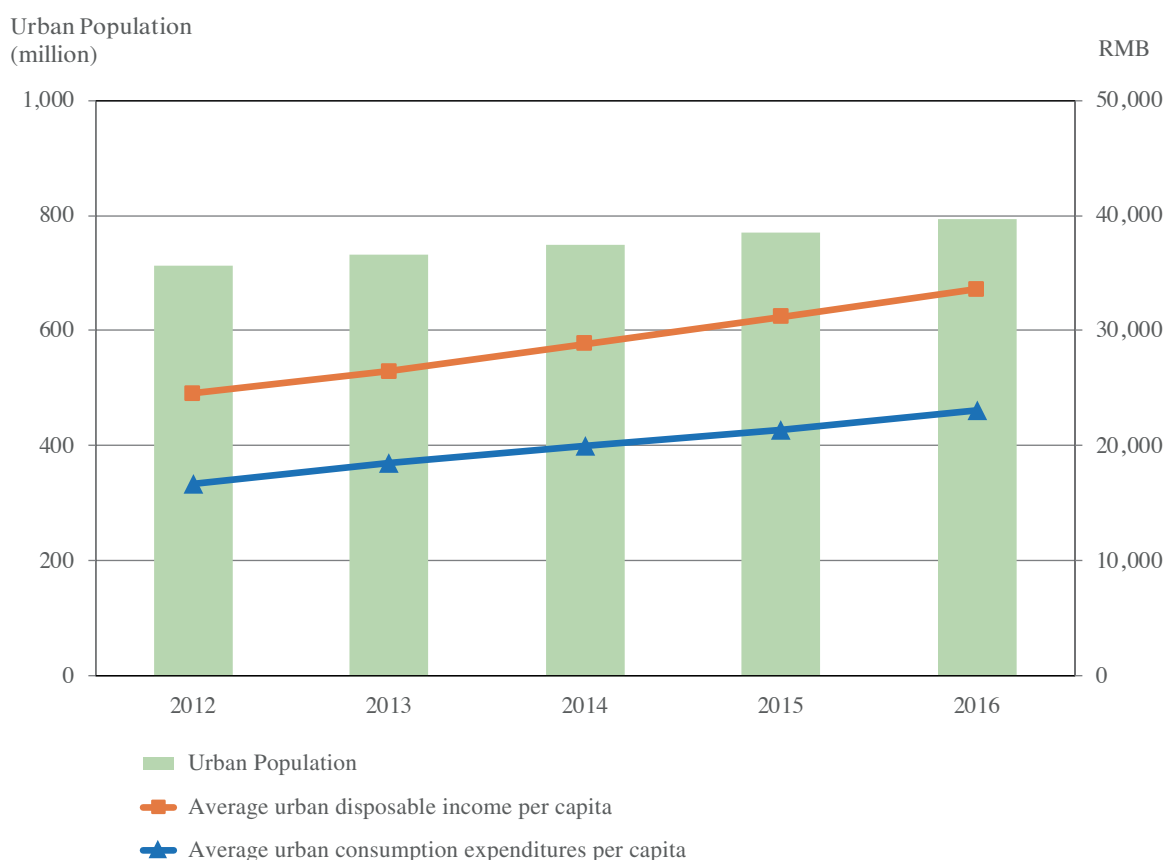
The Second Target Company is principally engaged in the business of car parking system and services in the PRC with a focus on smart car parking system. It provides a full range of services involving the design, construction, operation and management of smart car parking system in the PRC and provision of solutions and services in relation thereto. As at the Latest Practicable Date, the Second Target Company or through BSCMCL (a 48.125%-owned associate of the Second Target Company) had entered into three car park management agreements, namely the Airport Car Park Agreement, the Ju Le Hui Management Agreement and the Desheng Cooperation Agreement (altogether, the “**Car Park Management Agreements**”), involving an aggregate of 4,700 parking lots. By obtaining the operating rights, the Second Target Company and its associate are entitled to enjoy the operating income from the operation and management of the car parks. We have enquired with the Management about the status of the projects under the Car Park Management Agreements, and were given to understand that the site of the Airport Car Park Project is currently under construction and it is expected that the Airport Car Park Project will commence operation by end of 2019, while the car parking projects under the Ju Le Hui Management Agreement and the Desheng Cooperation Agreement are expected to commence operation

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by end of 2017. Further to the signed agreements, as at the Latest Practicable Date, the Second Target Company has secured another four car park management projects with 3,729 parking lots in total, pending the entering into of formal agreements. Notwithstanding the start-up stage of the Second Target Company, we share the same view with the Management that the Second Acquisition represents a good opportunity for the Group to diversify into smart car park management businesses in the PRC with new revenue stream, and that the Second Acquisition is in line with the Group's existing development strategy to seek appropriate new business with an aim to enable long-term and sustainable growth of the Group.

In order to assess the prospect of the Second Acquisition, we have conducted a research on the car parking industry in the PRC through public domains. According to the statistics published by the National Bureau of Statistics of China, the total urban population in the PRC increased from approximately 711.8 million in 2012 to approximately 793.0 million in 2016. The urban population as at 31 December 2016 represented approximately 57.4% of the total population in the PRC. As a result of rapid economic growth and urbanization, living standard in the PRC has been substantially improved as demonstrated by the increasing disposable income per capita and consumption expenditure of urban residents. The chart below shows the total urban population and income and expenditure in the PRC from 2012 to 2016:

Chart 2: Total urban population and income and expenditure in the PRC



Source: National Bureau of Statistics of China

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As shown in Chart 2 above, the annual disposable income of urban residents increased from approximately RMB24,565 per capita in 2012 to approximately RMB33,616 per capita in 2016, representing a compound annual growth rate (“CAGR”) of approximately 8.2%. While the annual consumption expenditures of urban residents increased from approximately RMB16,674 per capita in 2012 to approximately RMB23,079 per capita in 2016, representing a CAGR of approximately 8.5%. Owing to the economic growth and the gradual improvement in living standards, the automobile industry in the PRC experienced a rapid expansion in recent years. According to the National Bureau of Statistics of China, the total number of passenger vehicles in the PRC in 2015 was approximately 268.3 million, representing a CAGR of approximately 17.4% from approximately 165.8 million in 2012. According to NationMaster.com, the PRC possesses a relatively low penetration rate of motor vehicles of 83 units per 1,000 people in 2014 as compared to developed markets such as Japan, Germany and the United States, the penetration rates of which range between 572 and 797 units per 1,000 people in 2014. The relatively low penetration rate indicates significant potential for continuous growth of the PRC automobile market.

Furthermore, the supply of parking spaces in the PRC has lagged far behind the growth of the vehicle fleet size. According to the Parking Industry Development White Paper 2016 (停車行業發展白皮書 2016) (the “White Paper”) jointly issued by 北京清華同衡規劃設計研究院有限公司 (Beijing Tsing Hua Urban Planning and Development Institute Co., Ltd.*) and China Urban Public Transport Association (中國城市公共交通協會) in June 2017, as at 31 December 2016, the total number of civil vehicles were approximately 5.5 million in Beijing, approximately 3.2 million in Shanghai and approximately 3.2 million in Shenzhen, respectively. However, the parking spaces in Beijing, Shanghai and Shenzhen were only approximately 1.9 million, approximately 0.6 million and approximately 1.1 million, indicating a significant shortage of approximately 8.3 million in parking spaces in these three main cities in the PRC.

In view of the severe shortage of parking spaces, the PRC Government has proposed a series of guidance and notices in respect of the strengthening of the parking management and facilities since 2015, so as to cope with rapid development in urban areas. These guidance and notices include, but not limited to, (i) the “Guidance Opinions on Strengthening the Construction of Urban Parking Facilities” (關於加強城市停車設施建設的指導意見) published by the National Development and Reform Commission, the PRC (“NDRC”) in August 2015; (ii) the “Notice on the Key Points of Recent Work and the Division of Labor for Speeding up the Construction of Urban Parking Facilities” (加快城市停車場建設近期工作要點與任務分工) published by NDRC in January 2016; and (iii) the “Notice on further improvements in respect of the Construction of Urban Parking Facilities and the Land-use Policy” (關於進一步完善城市停車場建設及用地政策的通知) jointly published by the Ministry of Housing and Urban-Rural Development of the PRC and the Ministry of Land and Resources of the PRC in September 2016. As a result of the favorable policies and guidance published by the PRC government, approximately 12,000 car parks were newly built in the PRC during 2016, providing approximately 5.4 million new parking spaces.

In view of (i) the relatively low penetration rate of motor vehicles in the PRC at the moment, indicating significant potential for continuous growth of the PRC automobile market; (ii) the severe shortage of parking spaces; and (iii) the guidance from the PRC government to improve the urban parking facilities, it is believed that there is opportunity to prosper in the car parking businesses in the PRC.

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Having considered the above, in particular the facts that (i) the Second Acquisition represents a good opportunity for the Group to diversify its business into smart car parking management in the PRC with a new revenue stream; (ii) the Second Acquisition is in line with the Group's existing development strategy to seek appropriate new business with an aim to enable long-term and sustainable growth of the Group; (iii) there is prospect in the car parking businesses in the PRC; and (iv) the terms of the Second Agreement, including the consideration, are fair and reasonable and on normal commercial terms (please refer to our analysis as set out in the paragraph headed "*E. Terms of the Second Agreement*" below), we are of the view that the Second Acquisition is in the interests of the Company and the Shareholders as a whole.

E. Terms of the Second Agreement

The principal terms of the Second Agreement are set out as follows:

Date:	8 September 2017
Parties:	(i) Shouzhong (Hong Kong) Limited (a wholly-owned subsidiary of the Company), as the purchaser (ii) 北京首鋼基金有限公司 (Beijing Shougang Funds Co., Ltd.*), as the vendor
Subject matter:	the Second Sale Shares, representing 40% of the equity interest in the Second Target Company
Consideration:	RMB115,597,000 (equivalent to approximately HK\$138,583,463), which shall be payable by the Second Purchaser in cash at completion of the Second Acquisition.

The Second Purchaser has also agreed to inject RMB71.2 million in cash into the Second Target Company as committed and unpaid capital for the Second Sale Shares.

(i) Consideration

According to the Letter from the Board, the consideration for the Second Acquisition of RMB115,597,000 (equivalent to approximately HK\$138,583,463) was determined after arm's length negotiations between the parties to the Second Agreement with reference to the preliminary valuation of 40% of the equity interest in the Second Target Company as at 31 July 2017 determined by Greater China using asset approach (the "**Second Valuation**").

In order to assess the fairness and reasonableness of the consideration for the Second Acquisition, we have discussed with Greater China and obtained (i) the terms of engagement letter between the Company and Greater China in respect of the Second Valuation; (ii) the relevant qualification and experience of Greater China; and (iii) the steps and due diligence measures taken by Greater China for preparing the Second Valuation Report. Upon our review on the engagement letter between the Company and Greater China in respect of the Second Valuation, we are satisfied that the terms of the engagement

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letter between the Company and Greater China are appropriate to the opinion that Greater China is required to provide. In respect of the qualification and experience of Greater China, we were advised that the person-in-charge of the Second Valuation has over 6 years' experience in business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support. Greater China has also confirmed that it is independent to the Company, Shougang Fund, Shougang Group, Shougang Holding, the Second Target Company, and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. We are of the view that Greater China possesses sufficient professional qualifications and independence required to perform the Second Valuation.

Valuation methodology

We have discussed with Greater China regarding the methodology of, and the bases and assumptions adopted for, the Second Valuation. We understand from Greater China that they have considered three different generally accepted approaches, namely asset approach, income approach and market approach, in arriving at the market value of the Second Sale Shares as at 31 July 2017. However, considering the early development stage of the Second Target Company which casted uncertainty on the financial projection of the Second Target Company, Greater China considers it inappropriate to use income approach to assess the market value of the Second Sale Shares. Market approach was also rejected by Greater China as there were no sufficient number of comparable public companies nor comparable transactions available in the market to facilitate a meaningful comparison with the particular development stage of the Second Target Company. Accordingly, Greater China adopted asset approach in determining the value of the Second Sale Shares. Having considering the three valuation approaches and their respective characteristics, and upon our discussion with Greater China, we concur with Greater China's view that the asset approach is the most appropriate valuation methodology for the Second Valuation.

Valuation of the Second Target Company

As advised by Greater China, asset approach relates to the valuation of assets and liabilities of the Second Target Company as at 31 July 2017, which includes current assets, non-current assets and current liabilities. Details of which are set forth below:

(a) Current assets

As at 31 July 2017, the current assets of the Second Target Company amounted to approximately RMB158.6 million, comprising cash and bank balances, financial asset held for sale, prepayments, other receivables and tax credit. In view of the liquidity of current assets, Greater China considers that it is not necessary to make adjustment on the value of current assets. Accordingly, in valuing the market value of the current assets of the Second Target Company, Greater China has purely based on the book value of the respective assets as at 31 July 2017 (i.e the date of the Second Valuation).

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(b) Non-current assets

As at 31 July 2017, the non-current assets of the Second Target Company amounted to approximately RMB69.8 million, comprising long-term investment, property, plant and equipment, construction in progress and computer software. As advised by Greater China, they have made the following adjustments on the non-current assets of the Second Target Company:

(i) Assembled workforce

The Second Target Company possesses properly trained and well qualified personnel. By acquiring such personnel, the Second Target Company will avoid the expenditure that would have been required to hire equivalent personnel. Accordingly, in valuing the non-current assets of the Second Target Company, Greater China has also taken into account the market value of the assembled workforce by using replacement cost method. As advised by Greater China, it is a common practice to value an intangible asset under asset approach based on replacement cost of a similar asset or an asset providing similar service potential utility.

We were given to understand that the market value of the assembled workforce was determined with reference to the training and supervisory costs, recruitment cost and interview costs of the assembled workforce. Based on the information provided by the management of the Second Target Company, the total expenditure that would have been required to hire equivalent personnel is approximately RMB1.6 million (which is equivalent to approximately two months of the total existing staff's salary). Accordingly, the market value of the assembled workforce as at 31 July 2017 was determined to be approximately RMB1.6 million. Assembled Workforce is normally considered as part of the goodwill in merger and acquisition transactions.

(ii) Long-term investment

The long-term investment of approximately RMB69.3 million as at 31 July 2017 represents the investment cost of the Second Target Company in BSCMCL (a 48.125%-owned company of the Second Target Company). In valuing the long-term investment of the Second Target Company, Greater China has also taken into account the market value of the assembled workforce. With reference to the assembled workforce of the Second Target Company, Greater China estimated that the assembled workforce of BSCMCL would be approximately two months of the total existing staff's salary of BSCMCL (i.e. approximately RMB278,000). Taking into account the Second Target Company's shareholding in BSCMCL, Greater China considers that approximately RMB133,000 (i.e. RMB278,000*48.125%) should be recognized as an intangible assets and the market value of the long-term investment was adjusted upward by approximately RMB133,000 accordingly.

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(iii) Project sourcing and planning work done

In addition to the Airport Car Park Project, as at 31 July 2017, the Second Target Company was also (i) investing in other intelligent car park renovation and management projects (together with the Airport Car Park Project, the “**Confirmed Projects**”); and (ii) in negotiation with other third parties in relation to the construction, renovation and management of intelligent car parks (the “**Projects in Negotiation**”). Furthermore, there were many numbers of potential projects (the “**Potential Projects**”) in which the Second Target Company showed an interest.

During the course of project sourcing and planning work done, feasibility studies were conducted, projects were compiled, information technology prototype were created, and preliminary construction works were conducted. Greater China considers that such project work done could be recognized as intangible assets. As advised by Greater China, the market value of project sourcing and planning work done was determined by using the replacement cost approach. We noted from the Second Valuation Report that the replacement cost of project work done of the Projects in Negotiation and the Potential Projects was calculated based on the following factors:

- (i) the replacement cost of project work done for acquiring one car park lot;
- (ii) the total number of car park lots involved in the Projects in Negotiation and the Potential Projects; and
- (iii) the estimated cost allocation percentage to each project (the “**Work Done Transfer Rate**”).

We understand that the replacement cost of project work done for acquiring one car park lot was determined by Greater China based on (i) the total expenses incurred from the Confirmed Projects (including planning and design cost, wages and salaries, and administrative expenses) of approximately RMB10.3 million; and (ii) the total number of car park lots planned and acquired in the Confirmed Projects (i.e. 8,429 parking lots). Separately, according to the Second Valuation Report, the Work Done Transfer Rates of the Projects in Negotiation and the Potential Projects were 40% and 20%, respectively. We have enquired with Greater China about the determination basis of the Work Done Transfer Rate and were given to understand that the Work Done Transfer Rate of the Projects in Negotiation (i.e. 40%) was determined based on the estimation by the management of the Second Target Company with reference to breakdown on nature on work done from the Confirmed Projects. For example, planning and design was estimated to be 100% transferrable while human resources and administrative expenses were estimated to be 20% transferrable. Greater China has conducted assessment to validate the fairness and reasonableness of such estimation by reviewing the breakdown of expenses incurred in the Confirmed Projects and considers that the Work Done Transfer Rate of the Projects in Negotiation of 40% is justifiable. Furthermore, according to the information provided by the

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management of the Second Target Company, the Potential Projects achieved approximately half of the progress of those completed by the Projects in Negotiation. As such, the Work Done Transfer Rate of 20%, which is the half of the Work Done Transfer Rate applied on the Projects in Negotiation, was applied on the Potential Projects.

Taking into account (i) the replacement cost of project work done of the Projects in Negotiation and the Potential Projects as detailed above; and (ii) the actual expenses incurred in the Confirmed Projects (other than the Airport Car Park Project), the Projects in Negotiation and the Potential Projects, the market value of the project sourcing and planning work done as at 31 July 2017 amounted to approximately RMB34.1 million.

Taking into account the above adjustments, the appraised market value of the non-current assets of the Second Target Company as at 31 July 2017 was approximately RMB105.6 million.

(c) Current liabilities

As at 31 July 2017, the current liabilities of the Second Target Company solely comprised other payables in the amount of RMB26,407. In view of the nature of other payables, Greater China considers that market value adjustment is not necessary. Accordingly, in valuing the market value of the current liabilities of the Second Target Company, Greater China has based on its book value as at 31 July 2017.

We understand from Greater China that the above methodologies in valuing assets and liabilities of the Second Target Company are common methodologies used in establishing the valuation of major assets and liabilities under asset approach.

Assumptions

According to the Second Valuation Report, Greater China has adopted the following assumptions in the Second Valuation:

1. there would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the countries where the Second Target Company;
2. there would be no significant deviation in the industry trends and market conditions from the current market expectation;
3. there would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
4. there would be no major change in the current taxation law in the PRC where the Second Target Company is carrying business;
5. all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application;

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6. Future operation of the Second Target Company will conform to those planned by the management of the Second Target Company; and
7. The Second Target Company will retain competent management, key personnel, and technical staff to support the ongoing business operations.

Based on our discussions with Greater China, we understand that such assumptions are generally adopted in similar valuation and are necessary for Greater China to arrive at a reasonable estimated fair value of the Second Sale Shares. Accordingly, we consider that the adoption of the assumptions as mentioned above is fair and reasonable.

Based on our discussion with Greater China as detailed above as well as the determination of the marketability discount applied by Greater China, and our review on the Second Valuation Report, we are of the view that the methodology, bases and assumptions adopted in establishing the Second Valuation is in line with market practice, and is fair and reasonable. According to the Second Valuation Report, the fair market value of the Second Sale Shares as at 31 July 2017 amounted to approximately RMB115,597,000. The consideration for the Second Acquisition of approximately RMB115,597,000 is equivalent to the fair market value of the Second Sale Shares as at 31 July 2017.

To provide for a simpler and an easier to understand approach, we have attempted to assess the fairness and reasonableness of the consideration for the Second Acquisition from another perspective. As the Second Target Company is still at its start-up stage, we consider that the value of the entire equity interest in the Second Target Company should be, to a certain extent, equivalent to or in line with the total amount required to start up or reproduce the Second Target Company with similar comparable utility

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and functionality at the present day value. Our estimation on the market value of the Second Sale Shares (i.e. 40% equity interest in the Second Target Company) is set forth in the table below:

	<i>RMB</i>
Net assets of the Second Target Company as at 31 July 2017 as per the unaudited management accounts of the Second Target Company	228,347,960
Actual expenses incurred by the Second Target Company from the incorporation date to 31 July 2017 based on the information provided by the Second Target Company	<u>11,562,000</u>
Total replacement value of the Second Target Company as at 31 July 2017 before payment of accrued capital	239,909,960
Capital to be contributed (<i>Note</i>)	<u>27,000,000</u>
	266,909,960
Control premium (10%)	<u>26,690,996</u>
	293,600,956
Estimated market value of the Second Sale Shares (<i>i.e. 40% equity interest in the Second Target Company</i>) as at 31 July 2017	117,440,382

Note: As at 31 July 2017, capital to be paid by 北京堅石同心管理諮詢中心 (Beijing Jianshi Tongxin Management Consultancy Centre*), which held 10.1% equity interest in the Second Target Company, amounted to approximately RMB27.0 million, with reference to the articles of association of the Second Target Company and the paid-up capital of RMB240 million as at 31 July 2017.

Based on the management account of the Second Target Company, the net assets of the Second Target Company as at 31 July 2017 was approximately RMB228.3 million. As advised by the Management, the Second Target Company has also spent approximately RMB11.6 million on the Second Target Company (including the planning and design cost, construction cost, wages and salaries, as well as administrative expenses for car parking management projects) up to 31 July 2017. We consider that as the Second Target Company is still at its start-up stage, the actual expenses incurred by the Second Target Company on the car parking management projects up to date should also be taken into account when arriving at the replacement cost of the Second Target Company. Accordingly, the replacement cost required to start up or reproduce the Second Target Company as at 31 July 2017 would amount to approximately RMB239.9 million as calculated in the above (= RMB228,347,960 + RMB11,562,000).

We noted that upon completion of the Second Acquisition, the Second Purchaser will be interested in 40% of the equity interest in the Second Target Company and will have the right to nominate three out of the five members of the board of directors of the Second Target Company. This implies that the Group will gain the effective control over the board of directors of the Second Target Company through the Second Acquisition. According to an article named “Control Premiums: Minimizing the Cost of Your Next Acquisition” written by Michael Davis, PH. D. published in the “Management Accounting Quarterly”, corporate control is defined as the rights to determine the management of corporate resources (including but not limited to appointment of management, acquisition and liquidation of assets, setting

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policies for the course of businesses, as well as declaration of dividends), and part of purchase price paid to acquire another company most likely includes a payment for obtaining control – termed a “control premium”. Accordingly, in assessing the value of the Second Sale Shares, we consider it necessary to apply a control premium so as to reflect the value of board control gained from the Second Acquisition. In determining a reasonable control premium, we have made reference to the “FactSet Mergerstat Review 2017” published by Business Valuation Resources, LLC (a worldwide provider of financial information and analytical data for investment professionals), and noted therefrom that the average of control premium of the analyzed transactions in 2016 and for the past 10 years were approximately 15.3% and approximately 9.2%, respectively. In our calculation of the estimated value of the Second Target Company, we have taken a control premium of 10% and we consider that it is justifiable of a reasonable value thereof.

Based on our illustration above, the estimated market value of the Second Sale Shares as at 31 July 2017 amounted to approximately RMB117.4 million. The consideration for the Second Acquisition of approximately RMB115,597,000 represents a discount of approximately 1.6% to the estimated market value of the Second Sale Shares as at 31 July 2017.

In view of the above, we are of the opinion that the consideration for the Second Acquisition is fair and reasonable as far as the Independent Shareholders are concerned.

(ii) Payment method

Pursuant to the terms of the Second Agreement, the consideration for the Second Acquisition of RMB115,597,000 (equivalent to approximately HK\$138,583,463) will be settled by the Second Purchaser in cash at completion of the Second Acquisition.

As at 30 June 2017, the Group’s cash and bank balance amounted to approximately HK\$241.5 million. As advised by the Management, settlement of the consideration for the Second Acquisition will be financed by the proceeds of the Open Offer. Completion of the Second Acquisition is conditional to completion of the Open Offer.

Having considered the facts (i) settlement of the consideration in cash would not incur interest payment; and (ii) the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned (please refer to our analysis as set out in the sub-paragraph headed “C. Principal terms of the Open Offer” under the paragraph headed “IV. OPEN OFFER” below), we consider that the payment method under the Second Agreement is in the interests of the Company and the Shareholders as a whole.

(iii) Conclusion

Having considered the above, we are of the view that the terms of the Second Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned.

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F. Financial effects of the Second Acquisition

Based on our discussion and the representation from the Management, we understand that the following factors have been taken into account when the Company considered the potential impact of the Second Acquisition on the financial performance and position of the Group (setting aside possible impacts arising from the First Acquisition and the Open Offer):

(i) Effect on earnings

Upon completion of the Second Acquisition, the Second Purchaser will be interested in 40% of the equity interest in the Second Target Company and will have the right to nominate three out of the five members of the board of directors of the Second Target Company. As such, the Second Purchaser will be regarded as having control over the board of directors of the Second Target Company. Accordingly, the Second Target Company will be accounted as a non-wholly owned subsidiary of the Company, and the financial results of the Second Target Company will be consolidated into the results of the Group.

Upon completion of the Second Acquisition, it is expected that the Second Target Group will provide a new income stream to the Group over time and might have positive impact on the earnings of the Group in future.

(ii) Effect on net assets

As at 30 June 2017, the net assets of the Group amounted to approximately HK\$4,959.6 million. The Management expects that the Second Acquisition will not have any material effect on the net assets position of the Group immediately after completion of the Second Acquisition given that (i) the consideration for the Second Acquisition is equivalent to the fair market value of the Second Sale Shares as at 31 July 2017 as appraised by Greater China; and (ii) the consideration for the Second Acquisition will be settled by way of cash.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be after completion of the Second Acquisition.

IV. OPEN OFFER

A. Reasons for the Open Offer and use of proceeds

According to the Letter from the Board, the Company proposes to issue 8,957,896,227 Open Offer Shares at the Subscription Price of HK\$0.225 per Open Offer Share on the basis of one (1) Open Offer Share for every one (1) existing Share held by the Qualifying Shareholders on the Record Date and payable in full upon application. The Directors consider that the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all Shareholders to participate in the development of the Company in proportion to their shareholdings.

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The gross proceeds from the Open Offer (before expenses) will be approximately HK\$2,015.5 million and the net proceeds from the Open Offer after deducting all relevant expenses are estimated to be approximately HK\$2,004.5 million. The Company currently intends to use the net proceeds from the Open Offer as follows:

- (i) approximately 21% of the net proceeds will be used to pay for the consideration and related expenses of the Acquisitions;
- (ii) approximately 6% of the net proceeds will be used to pay for the committed and unpaid capital in respect of the First Sale Shares and the Second Sale Shares;
- (iii) approximately 20% of the net proceeds will be used to support the future development of the First Target Company and the Second Target Company;
- (iv) approximately 23% of the net proceeds will be used to repay the existing bank loans of the Group;
- (v) approximately 15% of the net proceeds will be used to support the existing operation of the trading business; and
- (vi) approximately 15% of the net proceeds will be used for future strategic acquisitions complementary to the businesses of the Group and will be used for general working capital and other general corporate purposes of the Group. As at the Latest Practicable Date, save as the Acquisitions, no acquisition targets had been identified. The Board will explore any potential opportunities which would complement and add synergies to the Group's existing business.

Given that the Acquisitions are conditional upon, among other things, the approval of the Independent Shareholders at the GM, in event that such conditions were not satisfied, the Company would reallocate the net proceeds from the uses described in paragraphs (i) to (iii) above to paragraph (vi) above and would reserve such proceeds for future acquisition of new businesses.

We have discussed with the Management about the proposed use of proceeds from the Open Offer. According to the First Agreement and the Second Agreement, the aggregate consideration for the Acquisitions of approximately RMB346.7 million (equivalent to approximately HK\$415.7 million) shall be payable by the Group in cash at completion of the Acquisitions. In addition, the Group has also agreed to inject, in aggregate, RMB103.5 million (equivalent to approximately HK\$124.1 million) in cash into the First Target Company and the Second Target Company as committed and unpaid capital for the First Sale Shares and Second Sale Shares, respectively. Should the Acquisitions be completed, it is expected that the committed and unpaid capital for the First Sale Shares and Second Sale Shares shall be paid-up by the Group by the end of 2017. As both the consideration for the Acquisitions as well as the capital commitment shall be settled by the Group in cash, we have reviewed the latest available financial statement of the Group, in particular the cash liquidity. According to the 2017 Interim Report, the cash and bank balances of the Group as at 30 June 2017 amounted to approximately HK\$241.5 million. This may not be sufficient to settle in full the consideration and capital commitment under the First Agreement

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and Second Agreement. Having considered the reasons for and benefit of the Acquisitions as details in the sub-paragraph headed “*D. Reasons for and benefits of the First Acquisition*” under the paragraph headed “*II. THE FIRST ACQUISITION*” and the sub-paragraph headed “*D. Reasons for and benefits of the Second Acquisition*” under the paragraph headed “*III. THE SECOND ACQUISITION*” and the cash level of the Group as at 30 June 2017, we concur with the Management’s view that the Group has funding needs to finance the Acquisitions and the payment of the capital commitment of the First Target Company and the Second Target Company.

In addition, the Group intends to apply approximately 20% of the net proceeds from the Open Offer for supporting the future development of the First Target Company and the Second Target Company, including but not limited to (a) supporting the further capital investment of the smart car parking lots; and/or (b) investing in minority stake of potential funds; and/or (c) general working capital of the First Target Company and the Second Target Company. In view of the development and start up stage of the First Target Company and the Second Target Company, we consider it necessary and reasonable for the Group to allocate a certain portion of the net proceeds from the Open Offer for further development of the First Target Company and the Second Target Company should the Acquisitions materialize.

We further noted that approximately 23% of the net proceeds from the Open Offer will be used to repay the existing bank loans of the Group. According to the management account of the Group, the Group’s bank borrowings payable within the next twelve months as at 31 August 2017 amounted to approximately HK\$461.8 million. Although it is not expected that the Group will not be able to repay the bank borrowings when due, taking into account the cash level of the Group as at 30 June 2017 of approximately HK\$241.5 million, the Directors consider that it is justifiable for the Group to raise additional liquid fund for business purposes. We further noted from the 2017 Interim Report that the Group was in a net current liabilities position of approximately HK\$135.1 million as at 30 June 2017. We are of the view that the repayment of bank borrowings by using the net proceeds of the Open Offer will reduce the Group’s current liabilities, and in turn, improve the financial position of the Group, and that it is reasonable for the Group to allocate approximately 23% of the net proceeds of the Open Offer for repayment of the bank borrowings.

In respect of approximately 15% of the net proceeds from the Open Offer allocated for the operation of the Group’s trading business, we have discussed with the Management about the business model of the trading business. We were given to understand by the Management that portion of the Group’s iron ore trading business currently relies on short-term trading loans obtained from several banks to finance the time gap between payment to suppliers and receipt from customers. Such short-term trading loans bear interest rates ranging from LIBOR+0.8% to LIBOR+1.5%. As at 31 August 2017, the outstanding short-term trading loans of the Group amounted to approximately HK\$188.3 million. We share the same view with the Management that with approximately 15% of the net proceeds from the Open Offer being allocated for the Group’s trading business, the Group can reduce the reliance on the trading loans from banks, and thus lower the finance costs borne by the Group, especially the current low interest rate environment may not be sustainable in future. On the other hand, the net proceeds from the Open Offer provide flexibility to the Group to increase the scale of trading operation as and when necessary.

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In view of the above, we concur with the Directors' view that the Open Offer will provide the Company with the financial flexibility necessary for the Acquisitions and the Group's future development and investment purposes as and when suitable opportunities arise and improve the Group's overall financial position, and is in the interest of the Company and the Shareholders as a whole.

B. Fund raising alternatives

During our discussion with the Management, we were given to understand that apart from the Open Offer, the Company has also considered other alternative means for fund raising such as placing of new shares or other convertible securities and rights issue.

The Directors consider that placing of new shares or other convertible securities would only be available to certain places who were not necessarily the existing Shareholders, and would inevitably dilute the shareholding of the existing Shareholders in the Company. Moreover, despite rights issue will provide an exit for the Qualifying Shareholder who do not take up their assured entitlements by selling their nil-paid rights, the adoption of such trading arrangements will incur additional expenses and administrative work for the Company. Having considered and balanced against all factors, and given that all Qualifying Shareholders have an equal opportunity to participate in the Open Offer at the same price to maintain their proportionate interests in the Company, the Directors are of the view that raising funds by way of the Open Offer is a more cost-effective option than a rights issue.

In light of the above, we consider that under the current circumstances, the Open Offer is an appropriate means for the Group to obtain the required funding and is in the interests of the Company and the Shareholders as a whole.

C. Principal terms of the Open Offer

Set out below are the principal terms of the Open Offer as extracted from the Letter from the Board:

Basis of the Open Offer:	One (1) Open Offer Share for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.225 per Open Offer Share
Number of Shares in issue as at the Latest Practicable Date:	8,957,896,227 Shares
Number of Open Offer Shares:	8,957,896,227 Open Offer Shares (assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to the Record Date)

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Underwriter:	Shougang Holding, which is the controlling shareholder of the Company. As at the Latest Practicable Date, Shougang Holding and its subsidiaries held 4,280,469,699 Shares, representing approximately 47.78% of the issued share capital of the Company.
Number of Underwritten Shares:	4,677,426,528 Open Offer Shares, representing all the Open Offer Shares less the number of Open Offer Shares undertaken to be taken up by the Underwriter (in its capacity as a Shareholder). The Open Offer is fully underwritten.
Enlarged number of Shares in issue immediately upon completion of the Open Offer:	17,915,792,454 Shares (assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to the Record Date)
Underwriting commission:	1% of the aggregate Subscription Price of the Underwritten Shares

(i) *Subscription Price*

The Subscription Price of HK\$0.225 per Open Offer Share represents:

- (i) a discount of approximately 21.05% to the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 22.95% to the average closing price of HK\$0.292 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 11.76% to the theoretical ex-entitlement price of HK\$0.255 per Share, based on the closing price of HK\$0.285 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 59.36% to the unaudited consolidated net asset value per Share of approximately HK\$0.5537 based on the latest unaudited net asset value attributable to owners of the Company as at 30 June 2017 of approximately HK\$4,959.6 million and 8,957,896,227 Shares in issue as at the Latest Practicable Date; and
- (v) a discount of approximately 3.43% to the closing price of HK\$0.233 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

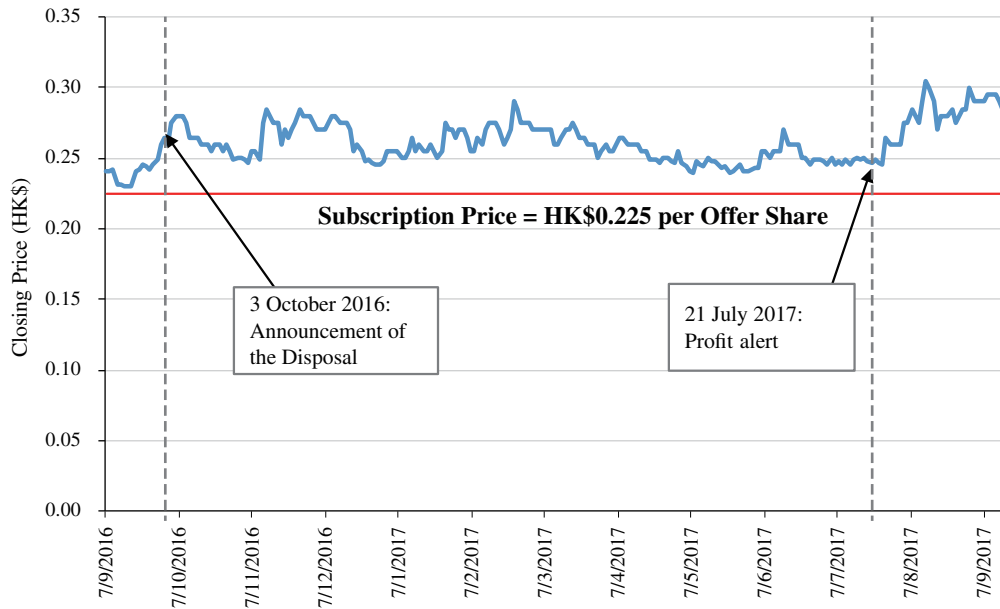
According to the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares under the current market conditions of the Shares.

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(a) *Review on Share price performance*

In order to assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with the historical trading price of the Shares in the past 12 months. The chart below shows the daily closing price of the Shares as quoted on the Stock Exchange versus the Subscription Price for the period commencing from 7 September 2016, being the 12-month period prior to the date of the Underwriting Agreement, up to and including Last Trading Day (the “**Review Period**”):

Chart 3: Historical closing price of Shares during the Review Period



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

As shown in Chart 3 above, the closing price of the Shares during the Review Period ranged from the lowest closing price of HK\$0.230 per Share recorded on 14 September 2016, 15 September 2016 and 19 September 2016 to the highest closing price of HK\$0.305 per Share recorded on 8 August 2017 with an average closing price per Share of approximately HK\$0.261. The Subscription Price of HK\$0.225 per Open Offer Share falls below the closing prices per Share throughout the Review Period, and represents a discount of approximately 13.8% to the average closing price per Share during the Review Period.

At the beginning of the Review Period, the closing price of the Shares exhibited an upward trend and subsequently reached a tip of HK\$0.28 per Share on 5 October 2016. We have enquired with the Management and were advised that save for the entering into of the Disposal Agreement as announced by the Company on 3 October 2016, the Company did not issue any other announcement which is of price-sensitive nature since the beginning of the Review Period and up to 5 October 2016 and the Management is not aware of any particular reason for the price movement.

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Since then and up to 20 July 2017, the Shares were traded within a range from HK\$0.24 per Share to HK\$0.29 per Share. On 21 July 2017, the Company published a profit alert. As disclosed in the profit alert announcement, it was expected that the Group would record consolidated profit attributable to the Shareholders for the six months ended 30 June 2017 in the range from HK\$130 million to HK\$160 million, as opposed to the consolidated loss attributable to the Shareholders of HK\$926 million for the six months ended 30 June 2016. After the announcement, the closing price of the Shares surged to a high of HK\$0.305 per Share on 8 August 2017 and closed at HK\$0.285 per Share on the Last Trading Day.

(b) *Review on historical trading liquidity of the Shares*

In addition, we have reviewed the trading liquidity of the Shares during the Review Period. The following table sets out the trading volume of the Shares during the Review Period:

Table 5: Trading volume of the Shares during the Review Period

Month/Period	Total trading volume <i>(No. of Shares)</i>	Number of trading days	Average daily trading volume of the Shares <i>(No. of Shares)</i>	Average daily trading volume to the total number of Shares in issue <i>(%)</i>	Average daily trading volume to the total number of Shares held by public Shareholders <i>(%)</i>
September 2016 (from 7 September 2016)	168,874,000	17	9,933,765	0.111%	0.236%
October 2016	225,939,360	19	11,891,545	0.133%	0.282%
November 2016	229,370,000	22	10,425,909	0.116%	0.247%
December 2016	161,312,865	20	8,065,643	0.090%	0.191%
January 2017	93,445,353	19	4,918,176	0.055%	0.117%
February 2017	241,991,388	20	12,099,569	0.135%	0.287%
March 2017	135,466,507	23	5,889,848	0.066%	0.140%
April 2017	80,604,000	17	4,741,412	0.053%	0.113%
May 2017	55,888,000	20	2,794,400	0.031%	0.066%
June 2017	105,513,980	22	4,796,090	0.054%	0.114%
July 2017	246,154,000	21	11,721,619	0.131%	0.278%
August 2017	550,783,230	22	25,035,601	0.279%	0.594%
September 2017 (up to the Last Trading Day)	84,150,000	5	16,830,000	0.188%	0.399%

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

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As illustrated from Table 5 above, the average daily trading volume of the Shares for each month/period during the Review Period ranged from approximately 2,794,400 Shares to approximately 25,035,601 Shares. The average daily trading volume of the Shares during the Review Period amounted to approximately 9,633,574 Shares, representing (i) approximately 0.108% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 0.229% of the total number of issued Shares held by public Shareholders as at the Latest Practicable Date. The above statistics revealed that trading of the Shares did not appear to be typically active during the Review Period.

(c) *Comparable analysis*

In an attempt to provide further in depth analysis, we have identified all open offers as announced by companies listed on the Stock Exchange during the six months immediately before the date of the Underwriting Agreement, which (i) were fully underwritten by underwriter(s) with concrete terms; and (ii) were not subsequently terminated prior to the Latest Practicable Date. To the best of our knowledge and as far as we are aware of, we have identified an exhaustive list of 9 transactions which met the said criteria (the “**Comparables**”). As the capital market changes rapidly, we consider that a review period of six months is appropriate to capture the recent market practice in respect of open offers under the current market condition and sentiment.

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However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the relevant issuers of the Comparables and thus the comparison of the terms between the Comparables and the Open Offer may not represent an identical comparison. We, however, consider that such comparison could be treated as an indication as to the reasonableness and fairness of the terms of the Open Offer. The relevant details of the Comparables are set forth in Table 6 below:

Table 6: Details of the Comparables

Announcement date	Company Name	Stock code	Maximum fund raising size (HK\$ million)	Premium/ (discount) of subscription price over/to share price as at the last trading day prior to the release of the initial announcement (%)	Premium/ (discount) of subscription price over/to the average share price for the last five consecutive trading days prior to the relevant last trading day (%)	Premium/ (discount) of subscription price over/to the theoretical ex-entitlement price (%)	Underwriting commission (%)	Excess application
29/8/2017	Superactive Group Company Limited	176	338.8	(7.41)	(8.42)	(5.06)	1.0	No
26/7/2017	Star Properties Group (Cayman Islands) Limited	1560	134.4	(26.47)	(17.58)	(20.21)	2.5	Yes
25/7/2017	Beijing Enterprises Clean Energy Group Limited	1250	1,329.5	(10.50)	(10.50)	(9.60)	0.0	Yes
12/5/2017	Royale Furniture Holdings Limited	1198	106.0	(9.00)	(9.72)	(8.08)	0.0	No
5/5/2017	Greater China Financial Holdings Limited	431	238.3	(58.70)	(58.80)	(48.70)	2.3	No
26/4/2017	China Investment Fund International Holdings Limited	612	66.0	(20.00)	(20.00)	(16.40)	1.1	Yes (Note)
14/4/2017	i-Cable Communications Limited	1097	704.0	(65.57)	(64.65)	(41.67)	2.0	No
10/4/2017	Chinese Strategic Holdings Limited	8089	71.2	(32.89)	(33.60)	(24.81)	4.5	Yes
20/3/2017	Sandmartin International Holdings Limited	482	236.1	(41.50)	(42.00)	(22.10)	3.5	No
			Maximum	(7.41)	(8.42)	(5.06)	4.5	
			Minimum	(65.57)	(64.65)	(48.70)	0.0	
			Average	(30.23)	(29.47)	(21.85)	1.9	
			Median	(26.47)	(20.00)	(20.21)	2.0	
	The Open Offer			(21.05)	(22.95)	(11.76)	1.0	No

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

Note: According to the announcement of China Investment Fund International Holdings Limited dated 26 April 2017, the underwriting commission is HK\$750,000. For analysis purpose, the commission rate was calculated by dividing the commission of HK\$750,000 by the aggregate subscription price of the maximum underwritten shares (i.e. 750,000/(117,792,552x0.56)).

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We noted from Table 6 above that the subscription prices of all the Comparables were set at a discount to the prevailing market prices of the relevant shares. The subscription prices of the Comparables represent a discount to (i) the respective closing prices on the last trading day prior to the date of the corresponding initial announcements, ranging from approximately 7.41% to approximately 65.57%, with an average discount of approximately 30.23%; (ii) the respective average closing prices on the last five consecutive trading days prior to the date of the corresponding initial announcements, ranging from approximately 8.42% to approximately 64.65%, with an average discount of approximately 29.47%; and (iii) the respective theoretical ex-entitlement prices, ranging from approximately 5.06% to approximately 48.70%, with an average discount of approximately 21.85%.

The discount represented by the Subscription Price to (i) the closing price per Share on the Last Trading Day of approximately 21.05%; (ii) the average closing price per Share for the last five trading days up to and including the Last Trading Day of approximately 22.95%; and (iii) the theoretical ex-entitlement price per Share of approximately 11.76% falls within the respective range of discounts of the Comparables, and are lower than the respective average discounts of the Comparables.

(d) Conclusion

Notwithstanding the fact that the Subscription Price falls below the closing prices per Share throughout the Review Period, having considered the facts that:

- (i) the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares under the current market conditions of the Shares;
- (ii) it is a normal market practice for companies listed on the Stock Exchange to set the subscription price of open offers at a discount to the prevailing market price of the relevant shares;
- (iii) the discount represented by the Subscription Price to (i) the closing price per Share on the Last Trading Day of approximately 21.05%; (ii) the average closing price per Share for the last five trading days up to and including the Last Trading Day of approximately 22.95%; and (iii) the theoretical ex-entitlement price per Share of approximately 11.76% falls within the respective range of discounts of the Comparables, and are lower than the respective average discounts of the Comparables; and
- (iv) the liquidity of the Shares during the Review Period is relatively thin,

we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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(ii) No Application for excess Open Offer Shares

As stated in the Letter from the Board, the Qualifying Shareholders will not be entitled to subscribe for any Open Offer Shares in excess of their respective entitlements. We have enquired with the Management about the reason for the absence of excess application arrangement, and were advised that if application for excess Open Offer Shares is arranged, the Company would require to put in additional effort to administer the application procedures for excess Open Offer Shares. Furthermore, additional cost for the excess application arrangement payable to the registrar, legal advisers and other professional advisers of approximately HK\$300,000 would be incurred. To avoid additional effort and cost to administer the excess application procedures, the Company decided not to offer excess application arrangement to the Qualifying Shareholder.

We have reviewed the recent market practice of open offers conducted by companies listed on the Stock Exchange, and noted that 5 out of 9 Comparables did not offer excess application to their respective shareholders. We consider that the absence of excess application arrangement is a common market practice.

Although the absence of excess application arrangement might not be desirable for those Qualifying Shareholders who wish to take up additional Open Offer Shares in excess of their assured entitlements, we are of the view that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned after having considered the facts that (i) the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company; (ii) the Qualifying Shareholders who accept their respective entitlements under the Open Offer in full can maintain their respective existing shareholdings in the Company after completion of the Open Offer; (iii) additional effort and cost of approximately HK\$300,000 would be required for the arrangement of excess application; and (iv) the absence of excess application arrangement is a common market practice.

(iii) Underwriting commission

Pursuant to the Underwriting Agreement, the Company shall pay the Underwriter an underwriting commission of 1% of the aggregate Subscription Price of the Underwritten Shares. As advised by the Management, the underwriting commission was determined after arm's length negotiation between the Company and the Underwriter by reference to, amongst other things, the existing financial position of the group, the size of the Open Offer, and the current and expected market condition.

As illustrated in Table 6 above, the underwriting commission rate of the Comparables arranged from nil to 4.5%, with an average of 1.9%. The underwriting commission rate under the Underwriting Agreement falls within the range of the commission rate of the Comparables and is lower than the average of the commission rates of the Comparables. Accordingly, we consider that the underwriting commission of the Underwriting Agreement is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also reviewed other major terms of the Underwriting Agreement, including but not limited to the payment terms, the conditions and termination clause of the Underwriting Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(iv) Conclusion

Having considered the above, and in particular the facts that:

- (1) the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares under the current market conditions of the Shares;
- (2) it is a normal market practice for companies listed on the Stock Exchange to set the subscription price of open offers at a discount to the prevailing market price of the relevant shares;
- (3) the discount represented by the Subscription Price to (i) the closing price per Share on the Last Trading Day of approximately 21.05%; (ii) the average closing price per Share for the last five trading days up to and including the Last Trading Day of approximately 22.95%; and (iii) the theoretical ex-entitlement price per Share of approximately 11.76% falls within the respective range of discounts of the Comparables, and are lower than the respective average discounts of the Comparables;
- (4) the absence of excess application arrangement is a common market practice, and could avoid additional effort and cost to administer the application procedures for excess Open Offer Shares;
- (5) the underwriting commission rate under the Underwriting Agreement falls within the range of the commission rates of the Comparables and is lower than the average of the commission rates of the Comparables; and
- (6) we are not aware of any term of the Underwriting Agreement (including but not limited to the payment terms, the conditions and termination clause of the Underwriting Agreement) which is unusual

we are of the view that the terms of the Open Offer (including the Underwriting Agreement) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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D. Potential dilution effect on the interests of the Independent Shareholders

For illustration purpose only, the table below depicts the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) upon completion of the Open Offer.

Table 7: Shareholding structure of the Company

	As at the Latest Practicable Date		Upon completion of the Open Offer (assuming that all Open Offer Shares are subscribed for by all Shareholders)		Upon completion of the Open Offer (assuming that none of the Open Offer Shares are subscribed for by the Shareholders other than Shougang Holding and its subsidiaries)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Shougang Holding and its subsidiaries (<i>Note 1</i>)	4,280,469,699	47.78	8,560,939,398	47.78	13,238,365,926	73.89
CK Hutchison Holdings Limited (“CK Hutchison”) (<i>Note 1</i>)	430,274,586	4.80	860,549,172	4.80	430,274,586	2.40
CEF Holdings Limited (“CEF”) (<i>Note 1</i>)	25,127,369	0.28	50,254,738	0.28	25,127,369	0.14
Mr. Leung Shun Sang, Tony (<i>Note 2</i>)	7,590,000	0.08	15,180,000	0.08	7,590,000	0.04
Other public shareholders	4,214,434,573	47.05	8,428,869,146	47.05	4,214,434,573	23.52
Total	8,957,896,227	100.00	17,915,792,454	100.00	17,915,792,454	100.00

Notes:

- Shougang Holding, CK Hutchison and CEF are a concert group which controlled approximately 52.87% of the voting rights of the Company as at the Latest Practicable Date. The Executive Director of the Corporate Finance Division of the Securities and Futures Commission has granted a waiver under Note 6(b) to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers from the obligation of Shougang Holding to make a general offer for the Shares not already owned or controlled by it or its concert parties as a result of the performance of its underwriting obligations (if required) under the Underwriting Agreement.
- Mr. Leung Shun Sang, Tony is a non-executive Director.
- Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

As shown in Table 7 above, the shareholding interest of the existing public Shareholders will be diluted from approximately 47.05% as at the Latest Practicable Date to approximately 23.52% immediately upon completion of the Open Offer assuming that none of the Qualifying Shareholders (other than Shougang Holding and its subsidiaries) subscribed for their entitlements under the Open Offer. As such, the possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe for the Offer Shares under the Open Offer will be 50%.

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Taking into account the facts that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Open Offer; (ii) the Shareholders' interests in the Company would not be diluted if they elect to exercise their full entitlements under the Open Offer; (iii) shareholding dilution is inherent in open offers in general if the existing shareholders do not subscribe for their assured entitlements in full; and (iv) the Open Offer will provide the Company with the financial flexibility necessary for the Acquisitions and the Group's future development and investment purposes as and when suitable opportunities arise, and improve the Group's overall financial position, we are of the view that the potential dilution effect of the Open Offer is justifiable.

E. Financial effects of the Open Offer

Based on our discussion and the representation from the Management, we understand that the following factors has been taken into account when the Company considered the potential impact of the Open Offer on the financial performance and position of the Group (offsetting aside the potential impact of the Acquisitions):

(i) Net tangible assets

According to the section headed "*Unaudited Pro Forma Financial Information of the Group*" set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 was approximately HK\$4,959.6 million. Based on the estimated net proceeds to be raised from the Open Offer in the amount of approximately HK\$2,004.5 million (on the basis of 8,957,896,227 Open Offer Shares to be issued at the Subscription Price of HK\$0.225 per Open Offer Shares), the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Open Offer would amount to approximately HK\$6,964.1 million. The unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 June 2017 would decrease from approximately HK\$0.55 to approximately HK\$0.39 after completion of the Open Offer.

(ii) Liquidity

According to the 2017 Interim Report, as at 30 June 2017, the bank balances and cash of the Group was approximately HK\$241.5 million, and the Group recorded net current liabilities of approximately HK\$135.1 million. Upon completion of the Open Offer and assuming the existing bank loans of the Group (being one of the proposed uses of proceeds from the Open Offer) has been settled, the bank balances and cash of the Group are expected to increase while the current liabilities of the Group are expected to decrease, so that the existing net current liabilities position of the Group will turnaround to net current asset position. Hence, it is expected that the Open Offer will have positive impact on the working capital of the Group.

(iii) Gearing ratio

According to the 2017 Interim Report, as at 30 June 2017, the total bank borrowings of the Group amounted to approximately HK\$588.0 million and the gearing ratio of the Group, expressed as bank loans less cash and bank balances divided by shareholders' funds, was approximately 7.0%. As part of the net

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proceeds from the Open Offer will be applied to the repayment of the Group's existing bank borrowing, it is expected that the Open Offer will have positive impact on the gearing level of the Group.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be after completion of the Open Offer.

V. THE CONTINUING CONNECTED TRANSACTIONS

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

Before the date of the First Agreement, the First Target Company or its subsidiaries have entered into the Partnership Agreements with, among others, Shougang Fund and/or its associates which are connected persons of the Company for the establishment and regulations of the partnerships. The First Target Company or its subsidiaries shall provide private fund management services to such partnerships as a general partner or private fund manager.

Upon completion of the First Acquisition, the First Target Company will become a non-wholly owned subsidiary of the Group, therefore, transactions between the Group (including the First Target Company and/or its subsidiaries) and Shougang Fund (and/or its associates) will constitute continuing connected transactions for the Company. In contemplation of the First Target Company and/or its subsidiaries continuing to provide private fund management services to any new partnerships or entities (being associates of Shougang Fund) after completion of the First Acquisition, the Company and Shougang Fund have entered into the Master Agreement, which would become effective upon completion of the First Acquisition. The entering into of the Master Agreement is to regulate the new continuing connected transactions that may be carried out between the Group (including the First Target Company and/or its subsidiaries) and Shougang Fund (and/or its associates) upon completion of the First acquisition.

As disclosed in the "Letter from the Board", the Directors consider that the entering into of the Master Agreement will enable the First Target Company and/or its subsidiaries to continue to provide private fund management services to any new partnerships or entities (being associates of Shougang Fund) after completion of the First Acquisition. We have discussed with the Management regarding the First Target Group's business plan and understand that, in addition to the continuing management of the funds pursuant to the Partnership Agreements, the First Target Group will continue to establish new private equity partnerships in the PRC so as to enlarge its capital commitment under management and in turn generate additional income. As at the Latest Practicable Date, the Investment Committee of the First Target Group has approved three new partnerships with an aggregate target capital commitment of RMB3,500 million. Formal agreements of these new partnerships between the First Target Company (or its subsidiaries), Shougang Fund (and/or its associates) and other independent third parties (if any) are expected to be entered into after the completion of the First Acquisition. In addition, the First Target Group is in the course of discussion with potential limited partners (including Shougang Fund) for the establishment of three additional partnerships with an aggregate target capital commitment of RMB6,970 million. Subject to the approval of the Investment Committee of the First Target Group and the entering into the formal partnership agreements, the total capital commitment under management of the First Target Group would be further enlarged after the establishment of those potential partnerships.

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Having considered that (i) the First Acquisition is in the interest of the Company and the Shareholders as a whole (please refer to the sub-paragraph headed “*D. Reasons for and benefits of the First Acquisition*” under the paragraph headed “II. The First Acquisition” above for our analysis); (ii) the purpose of the entering into of the Master Agreement is to regulate the new continuing connected transactions that may be carried out between the Group (including the First Target Company and/or its subsidiaries) and Shougang Fund (and/or its associates) upon completion of the First acquisition; (iii) the provision of private fund management service to any new partnerships (where Shougang Fund is the limited partners) will enlarge the capital commitment under management of the First Target Group and in turn generate additional income to the First Target Group; (iv) the First Target Group has already approved three new partnerships (where Shougang Fund is the limited partners) and is in the course of discussion for the establishment of another three partnerships (where Shougang Fund is the limited partners), we concur with the Directors that the entering into of the Master Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

B. Principal terms of the Master Agreement

According to the Letter from the Board, the principal terms of the Master Agreement are as follows:

Date	:	8 September 2017
Parties	:	(1) the Company; and (2) Shougang Fund
Subject Matter	:	Pursuant to the terms of the Master Agreement, the Company and/or its subsidiaries (including the First Target Company and its subsidiaries upon completion of the First Acquisition) will provide private fund management services to Shougang Fund and/or its associates. Subject to the individual partnership agreements and/or management agreements (if any) to be entered into, the scope of the private fund management services to be provided by the Company and/or its subsidiaries will generally include making investment recommendations, implementing and executing investment strategy, overseeing and managing daily operation of the partnerships, and analysing and exploring investment exit opportunities.
Pricing terms	:	Pursuant to the terms of the Master Agreement, the provision of private fund management service shall be priced between 0.5% and 2% of the capital commitment or the capital contribution of the partnerships each year (as determined under the respective partnership agreements) which was determined by reference to and in accordance with the prevailing marketing prices offered by the other private fund management companies for the same and similar scope of service.

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Term : The Master Agreement has a term commencing from the date of the fulfilment of the conditions precedent under the Master Agreement and will expire on 31 December 2019.

In assessing the fairness and reasonableness of the terms of the Master Agreement, we have reviewed the terms of the Partnership Agreements, and noted that the First Target Group would charge an annual management fee generally ranging from 0.2% to 2.0% of the total capital contribution or total capital commitment.

For the purpose of assessing the fairness and reasonableness of the rate of management fee under the Master Agreement, we have researched public announcements of companies listed on the Stock Exchange in respect of entering into of partnership agreement or the provision of private equity investment management service. On our best effort basis, we have identified the following cases for assessment (the “**Comparables**”):

Company (stock code)	Date of announcement	Nature of the fund	Management fee
China Life Insurance Company Limited (2628)	24 August 2017	Entering into the partnership agreement in relation to the establishment of the partnership as a limited partner	During the period from the initial closing date to the expiry date of the investment period: 0.5% of its capital contribution; and thereafter, reduce year on year and shall be 90% of the rate of the preceding year.
Shandong Chenming Paper Holdings Limited (1812)	15 August 2017	Entering into the partnership agreement in relation to the establishment of the investment fund as a limited partner	2% of the total paid-up amount for capital contribution
NVC Lighting Holding Limited (2222)	21 April 2017	Subscription for the partnership interest to the fund as a limited partner	1% per annum of the net asset value

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Company (stock code)	Date of announcement	Nature of the fund	Management fee
United Photovoltaics Group Limited (686)	16 March 2017	Entering into the partnership agreement in relation to the establishment of the partnership as a limited partner	0.5% per annum of the total paid-up capital
Landing International Development Limited (582)	5 December 2016	Subscription for the partnership interest to the fund as a limited partner	2% per annum on committed capital contribution
Gold-Finance Holdings Limited (1462)	18 October 2016	Entering into the partnership agreement in relation to the establishment of the fund as a limited partner	1.5% per annum of the aggregate sum of the capital contribution
Jiangsu Expressway Company Limited (177)	27 August 2016	Subscription of private fund	1% of the contribution payable
Hang Seng Bank (11)	21 June 2016	Engagement of investment manager in respect of the management of certain private equity fund investments	between 0.1% and 0.75% per annum of the aggregate value of assets under management as an annual retainer fee and annual management fee
China Communications Construction Company Limited (1800)	25 November 2015	Entering into the partnership agreement in relation to the subscription to the share in the partnership of an investment fund as both a general partner and a limited partner	0.15% of the total capital commitment or its actual management size to the general partner

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Company (stock code)	Date of announcement	Nature of the fund	Management fee
GCL New Energy Holdings Limited (451)	29 May 2015	Entering into the partnership agreement in relation to the establishment of a limited partnership as both a general partner and a limited partner	1.5% per annum based on actual investment in the limited partnership
The Company (0697) under the Master Agreement		Private Equity Funds (as a fund manager)	0.5% to 2% of the capital contribution of the fund

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

As illustrated in the table above, the management fee of the Comparables ranges from of 0.1% to 2.0%. The management fee ranging from 0.5% to 2.0% of the capital contribution of the fund under the Master Agreement is within the range of the Comparables. Having considered the above, we are of the view that the management fee under the Master Agreement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

C. The proposed annual caps

The amount of the annual caps for the period from the commencement date of the Master Agreement to 31 December 2017, and each of the years ending 31 December 2018 and 2019 are set out as follows:

	From the commencement date of the Master Agreement to 31 December 2017 (RMB)	For the year ending 31 December 2018 (RMB)	For the year ending 31 December 2019 (RMB)
Provision of private fund management services	10,000,000	180,000,000	250,000,000

According to the Letter from the Board, the annual caps were determined with reference to the new partnership agreements that are expected to be entered into between the First Target Company (and/or its subsidiaries) and Shougang Fund and/or its associates from the expected commencement date of the Master Agreement to 31 December 2019.

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In assessing the fairness and reasonableness of the annual caps, we have obtained from the Management the calculation of the annual caps prepared by the Group, and discussed with the Management regarding the basis and assumptions underlying the computation of the annual caps. During our review of the calculation of the annual caps, we note that the annual caps are determined in accordance with (i) the new partnership agreements that are expected to be entered into between the First Target Company (and/or its subsidiaries) and Shougang Fund and/or its associates; (ii) the expected capital commitment the partnerships under the new partnership agreements; (iii) the estimated management fee for each of the partnerships under the new partnership agreements; and (iv) the expected buffer of management fee catered for any additional funds to be established.

In this regard, we have further discussed with the Company about the First Target Group's business plan relating to the establishment of new funds that partnership agreements are expected to be entered into between the First Target Company (and/or its subsidiaries) and Shougang Fund and/or its associates during the term of the Master Agreement. Set forth below are the new partnerships which are expected to be established from the fourth quarter of 2017 to 31 December 2019:

Table 8: Details of the new partnerships

Partnership	Approved by Investment Committee of the First Target Company	Earliest possible date of establishment	Expected accumulated capital commitment			Estimated management fee per annum	Investment focus of the partnership
			2017 <i>RMB million</i>	2018 <i>RMB million</i>	2019 <i>RMB million</i>		
1	Yes	October 2017	420	Jan-Jun: 420 Jul-Dec: 1,000	1,000	2.0%	Urban services businesses, PPP projects and industrial projects
2	Yes	October 2017	1,100	1,500	1,500	2.0%	New energy automotive industry
3	Yes	January 2018	Nil	1,000	1,000	1.5%	Infrastructure projects
4	No	January 2018	Nil	4,000	6,000	2.0%	Carpark projects
5	No	January 2018	Nil	500	500	2.0%	Urban services businesses, PPP projects and industrial projects
6	No	January 2018	Nil	470	470	2.0%	Natural gas
Total estimated management fee from the six partnerships above			<u>7.6</u>	<u>158.6</u>	<u>204.4</u>		

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As advised by the Management, three new partnerships (partnership numbered 1-3 in Table 8) with concrete terms (including but not limited to identities of limited partners, investment direction, expected capital commitment and management fee) have obtained the approval of the Investment Committee of the First Target Company, pending the entering into of the formal partnership agreements. In addition, three other new partnerships (partnership numbered 4-6 in Table 8) are under discussion with potential limited partners with preliminary investment terms and are pending to be submitted to the Investment Committee of the First Target Company for approval before 2018. The total estimated private fund management fee is calculated by multiplying each of the expected capital commitment of the partnerships by the respective rate of management fee.

We note that a buffer is included in each of the annual caps which caters for extra private fund management fee to be received as there have been preliminary plans and a reasonable chance that additional new partnerships will be set up during the term of the Master Agreement. As to the buffer in 2017 (the “**2017 Buffer**”), we understand from the Management that there is a chance that partnership numbered 4 above may be established earlier in 2017 if the negotiation and administrative process is smooth. Assuming that 30% of the expected capital commitment (i.e. RMB1,200 million) would be contributed in December 2017, a monthly management fee for this partnership would amount to RMB2 million (RMB1,200 million x 2% / 12). As to the buffer in 2018 (the “**2018 Buffer**”), the Management envisaged that an additional partnership (partnership numbered 7, further details are set out in Table 9 below) with aggregate capital commitment of RMB1,000 million could be established. Assuming that the management fee would be set at a level of 2% and the partnerships would be established in early 2018, the expected management fee of such partnership would amount to RMB20 million (i.e. RMB1,000 million x 2%). As to the buffer in 2019 (the “**2019 Buffer**”), the Management envisaged that another partnership (partnership numbered 8, further details are set out in Table 9 below) with aggregate capital commitment of RMB1,000 million could be established. Assuming that the management fee would be set at a level of 2% and the partnership would be established in early 2019, the expected management fee would amount to RMB40 million (i.e. RMB2,000 million x 2%). For illustrative purpose, the following table sets out assumptions for the buffer in the annual caps:

Table 9: Assumption for buffer

Partnership	Earliest possible date of establishment	Expected accumulated capital commitment			Estimated management fee per annum
		2017	2018	2019	
		RMB million	RMB million	RMB million	
4	Dec 2017	1,200	–	–	2.0%
7	Jan 2018	Nil	1,000	1,000	2.0%
8	Jan 2019	Nil	Nil	1,000	2.0%
Total buffer for estimated management fee		2.0	20.0	40.0	

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Management, for establishing the new partnerships expected and disclosed above, in respect of the partnerships numbered 1 to 3 set out in Table 8 above, management of the First Target Company will work closely with parties to finalise the relevant partnership agreements. In respect of partnership numbered 4 to 6 set out in Table 8 above, management of the First Target Company will continue the negotiation with the relevant parties regarding the major terms of the partnerships so that the partnership proposals can be presented to its Investment Committee for approval within the timeframe as planned. After getting approval from the Investment Committee, management of the First Target Company will be able to finalise the relevant partnership agreements. As part of the business plan of the First Target Company, management of the First Target Company committed to explore with potential limited partner(s) and identify promising investment opportunities so that additional partnerships can be established.

Having considered that (i) 2017 Buffer is calculated based on the progress of partnership numbered 4 and is catered for extra management fee that may be generated due to its earlier than expected establishment; (ii) 2018 Buffer and 2019 Buffer is calculated based on the assumption that additional capital commitment under management could be achieved and such amount of additional capital commitment (including RMB1,000 million in 2018 and RMB1,000 million in 2019) is generally in line with the existing size of capital commitment under a single or two partnership(s) among those Partnership Agreements and the three approved but not yet established partnerships; we are of the view that the 2017 Buffer, 2018 Buffer and 2019 Buffer are reasonably derived.

In view of the foregoing, and upon our review on the calculation of the annual caps under the Master Agreement, we are of the view that the annual caps were determined by the Management under reasonable ground with due care, and that the annual caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

However, the Independent Shareholders should note that the annual caps relate to future events and do not represent a forecast of transaction amounts to be incurred as a result of the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual transaction amounts of the Continuing Connected Transactions correspond with the annual caps as discussed above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION

Having taken into account the above principal factors and reasons, we are of the view that the terms of the Acquisitions, the Open Offer and the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable, and the Acquisitions, the Open Offer and the Continuing Connected Transactions are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions at the GM to approve Acquisitions, the Open Offer and the Continuing Connected Transactions.

Yours faithfully,

For and on behalf of

Astrum Capital Management Limited

Hidulf Kwan

Rebecca Mak

Managing Director

Director

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2011 and has participated in and completed various independent financial advisory transactions.

* *For identification purposes only*

I. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016 AND THE SIX MONTHS ENDED 30 JUNE 2017

Financial information of the Group for the three years ended 31 December 2014, 2015 and 2016 are disclosed on pages 69 to 200 of the annual report of the Company for the year ended 31 December 2014, pages 70 to 190 of the annual report of the Company for the year ended 31 December 2015 and pages 91 to 224 of the annual report of the Company for the year ended 31 December 2016, 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 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0414/LTN20150414325.pdf>

Annual report of the Company for the year ended 31 December 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0414/LTN20160414418.pdf>

Annual report of the Company for the year ended 31 December 2016:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0412/LTN20170412612.pdf>

Financial information of the Group for the six months ended 30 June 2017 is disclosed on pages 4 to 41 of the interim report of the Company for the six months ended 30 June 2017. 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 2017:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0907/LTN20170907552.pdf>

II. INDEBTEDNESS

Borrowing

As at 31 August 2017, the Group had the borrowings amounting to approximately HK\$461,842,000, details of which are as follows:

	<i>HK\$'000</i>
Bank borrowings:	
Bank borrowings, unsecured and unguaranteed	202,594
Bank borrowings, secured and unguaranteed	259,248
	<u>461,842</u>
	<u><u>461,842</u></u>

Pledge of assets

As at 31 August 2017, included in the secured bank borrowings of the Group was HK\$102,943,000 in relation to the bill receivables discounted to banks with full recourse as the 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, 470,000,000 shares of the Group's listed associate, Shougang Fushan Resources Group Limited were pledged to secure banking facilities granted to the Group.

Contingent liabilities and guarantees

As at 31 August 2017, a legal case in relation to a trade dispute carried out by the subsidiary of the Company during the year ended 31 December 2013 in relation to the provision of letter of indemnity to the plaintiff for delivering cargo of iron ore to a customer without production of original bill of lading has been previously finalised by the High Court of Justice Queen's Bench Division Commercial Court, England (the "**Court**"), in which the Court has judged that the subsidiary of the Company is liable to the plaintiff and the Group's customer is liable to the Group, however, the Group has not yet received the official final judgement and the plaintiff has not stated the claimed amount during the proceeding. In addition, the Group is entitled to a back to back indemnity from its customer, the Directors are of the opinion that no provision for this legal case (other than legal costs) has been provided for.

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 31 August 2017.

III. WORKING CAPITAL

After taking into account of the effect of the Open Offer and the Acquisitions, the financial resources available to the Group, including internally generated funds and available financing facilities, the Directors are of the opinion that the 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. MATERIAL 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 2016, being the date to which the latest published audited financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in trading of iron ore, steel and related products and through investment in two associates listed in Hong Kong, namely Shougang Fushan Resources Group Limited and Shougang Concord Century Holdings Limited, is also engaged in the business of exploration and sales of hard coking coal and manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products in the PRC.

For the year ended 31 December 2016 (audited)

For the year ended 31 December 2016, the Group recorded consolidated turnover from continuing operations of HK\$1,036 million, represented an increase of 148.9% when comparing to HK\$416 million for the year ended 31 December 2015. The improved turnover was mainly due to surge in trading volume of iron ore and the increase in average selling price. Cost of sales from continuing operations for the year was HK\$986 million, up 179.1% when comparing to HK\$353 million last year. Increase in cost of sales was also attributable to the surge in trading volume of iron ore. Gross profit from continuing operations for the year was HK\$49 million. The gross profit margin was 4.8% in this year while it was 15.1% in last year. The decrease in gross profit margin was mainly because in last year, more inventory of medium grade iron ore had been provided by Mount Gibson Iron Limited (“**Mt. Gibson**”) for trading purpose under the offtake agreements entered into with Mt. Gibson, and the agreements include rebate on marketing commission for purchase of iron ore from Mt. Gibson. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. Hence, although the Group devoted much effort in procurement from other suppliers so as to drive the trading volume during the year, the gross profit margin in this year was lower than last year as there were more rebates on marketing commission and the trading of special graded iron ore in last year.

The loss attributable to owners of the Company for the year was HK\$1,621 million, which comprised of the loss from continuing operations and discontinued operations in the amount of HK\$476 million and HK\$1,145 million respectively. The loss attributable to owners of the Company for last year was HK\$3,349 million. The substantial decrease in loss was mainly due to the decrease in loss from discontinued operations in the amount of HK\$759 million as well as decrease in impairment loss on the interest in an associate in the amount of HK\$695 million.

As at 31 December 2016, the Group had total cash and bank balances amounting to HK\$561 million whilst total assets of the Group and net assets attributable to owners of the Company were approximately HK\$5,847 million and HK\$4,705 million, respectively.

The Group’s gearing ratio as at 31 December 2016 was 1.2%. The gearing ratio was defined as total bank borrowings (HK\$617 million), net of cash and bank balances to shareholders’ fund.

For the six months ended 30 June 2017 (unaudited)

The Group recorded consolidated turnover from continuing operations of HK\$1,306 million for the six month ended 30 June 2017, represented an increase of 173.2% when comparing to HK\$478 million for the six months ended 30 June 2016. The increase in turnover was mainly due to surge in trading volume of iron ore and the increase in average selling price. Cost of sales from continuing operations for the period was HK\$1,295 million, up 192.6% when comparing to HK\$443 million in the same period last year. Increase in cost of sales was also attributable to the surge in trading volume of iron ore. Gross profit from continuing operations for the period was HK\$11 million. The gross profit margin was 0.9% in this period, while it was 7.4% in the same period last year. The reason of the decrease in gross profit margin was similar to that for the decrease from the year ended 31 December 2015 to the year ended 31 December 2016. The gross profit margin in this period was lower as no iron ore was supplied by Mt. Gibson to the Group during the period, while there was still some medium grade of iron ore trading supplied by Mt. Gibson in the same period last year.

The profit attributable to owners of the Company for this period was HK\$142 million, whereas it was a loss of HK\$926 million in the same period last year. The turnaround from loss to profit in this period was mainly attributable to (i) the completion of the disposal of Qinhuangdao business in late 2016. The loss attributable to the discontinued operations of Qinhuangdao business amounted to HK\$541 million in the same period last year whereas no such loss was incurred in this period; (ii) the impairment loss of HK\$257 million on the goodwill in relation to the investment in Shougang Fushan Resources Group Limited was made in the same period last year, whereas no such loss was made in this period; and (iii) the substantial improvement in the results of the Group's associates. The Group shared a profit of HK\$179 million from its associates in this period as compared to the share of losses of HK\$114 million in the same period last year.

As at 30 June 2017, the Group had total cash and bank balances amounting to HK\$241 million whilst total assets of the Group and net assets attributable to owners of the Company were approximately HK\$5,826 million and HK\$4,960 million, respectively.

The Group's gearing ratio as at 30 June 2017 was 7.0%. The gearing ratio was defined as total bank borrowings (HK\$588 million), net of cash and bank balances to shareholders' fund.

Prospects

After the major reorganisation of the Group at the end of 2016 and upon the disposal of traditional steel business at Qinhuangdao, the Group currently focuses on trading of iron ore imported by the PRC. The Group achieved a turnaround in its first half-yearly results after the reorganisation. However, suffering from the weakening demand, iron ore trading business encountered difficulties as the traditional back to back trading of mainstream minerals generated only little profit to the Group. The Group started to utilise hedging tools of iron ore future/swap to hedge the operational risks of iron ore trading business. The Group will continue to adjust its business model to accommodate the changing market conditions. In April 2017, Mt. Gibson announced its restoration plan of Koolan Island mine and the sale of iron ore is expected to resume at the beginning of 2019. Under the offtake agreements entered into between the Group and Mt. Gibson, purchase of iron ore of Koolan Island mine includes rebate on marketing commission. Thus, the restoration of Koolan Island mine is expected to generate further profit for the Group in the future.

Although the Group's financial performance has been improved by the disposal of the entire interest in the Group's Qinhuangdao business, management considers that it is necessary to explore new business opportunities to diversify the business risk and to strengthen the current financial position of the Group.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after the completion of the Open Offer.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 June 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Open Offer been completed as at 30 June 2017 or at any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 and adjusted to reflect the effect of the Open Offer:

	Consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017	Estimated net proceeds from the Open Offer	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after the completion of Open Offer as at 30 June 2017	Consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 per Share	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 after the completion of Open Offer per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)	HK\$ (Note 4)
Based on 8,957,896,227 Open Offer Shares at Subscription Price of HK\$0.225	4,959,640	2,004,467	6,964,107	0.55	0.39

Notes:

1. The consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 of approximately HK\$4,959,640,000 is based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2017, as extracted from the published condensed consolidated financial statements of the Group for the six months ended 30 June 2017.
2. The estimated net proceeds from the Open Offer are based on 8,957,896,227 Open Offer Shares to be issued at the Subscription Price of HK\$0.225 per Open Offer Share, after deduction of the related expenses of approximately HK\$11,060,000 and without taking into account of any Shares which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
3. The consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 before the completion of Open Offer per Share was approximately HK\$0.55, which was based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 of HK\$4,959,640,000 and 8,957,896,227 Shares in issue as at 30 June 2017.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 after the completion of Open Offer per Share is calculated based on unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after the completion of Open Offer of approximately HK\$6,964,107,000 and 17,915,792,454 Shares (on the basis that there were 8,957,896,227 Shares in issue as at 30 June 2017 and 8,957,896,227 Open Offer Shares were issued under the Open Offer assuming that the Open Offer has been completed on 30 June 2017 but takes no account of any Shares which may be allotted and issued upon the exercise of any option that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any operating results or other transactions of the Group entered into subsequent to 30 June 2017.

The following is the text of the report dated 25 September 2017, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, in respect of the Unaudited Pro Forma Financial Information of the Group.

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

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 unaudited 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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2017, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the circular issued by the Company dated 25 September 2017 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed open offer (the “**Open Offer**”) on the basis of one Open Offer Share (as defined in the Circular) for every one existing share held on the Record Date (as defined in the Circular) at HK\$0.225 per Open Offer Share on the Group’s financial position as at 30 June 2017 as if the proposed Open Offer had taken place at 30 June 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s condensed consolidated financial statements for the six months ended 30 June 2017, on which a review report have been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited 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 behaviour.

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 Unaudited 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 Unaudited 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 Unaudited 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 Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of unaudited 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 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited 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 unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited 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 Unaudited 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 September 2017

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. SHARE CAPITAL

The number of issued Shares (i) as at the Latest Practicable Date was; and (ii) immediately following completion of the Open Offer (assuming there is no change to the number of Shares in issue on or before the Record Date) will be as follows:

(i) As at the Latest Practicable Date:

Issued and fully paid up:	8,957,896,227 Shares	HK\$5,345,183,055
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(ii) Upon completion of the Open Offer:

Issued and fully paid up:	17,915,792,454 Shares	HK\$7,349,650,000 (taking into account of the estimated net proceeds from the Open Offer)
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No part of the equity or debt securities of the Company is listed or dealt in, nor is listing or permission to deal in the Shares or loan capital of the Company being, or proposed to be, sought on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, no shares, options, warrants, conversion rights or any equity or debt securities of the Company was outstanding or was proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital, except for the Open Offer Shares.

Since 31 December 2016, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company.

3. 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

Name of Director	Capacity in which interests were held	Securities class	Number of Shares	Total interests as to% of the total number of Shares in issue as at the Latest Practicable Date
Leung Shun Sang, Tony	Beneficial owner	Ordinary	7,590,000	0.08%

- (ii) *Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited (“Shougang Century”), an associated corporation of the Company*

Name of Director	Capacity in which interests were held	Securities class	Number of shares/underlying shares in Shougang Century			Total interests as to% of the total number of shares of Shougang Century in issue as at the Latest Practicable Date
			Interests in shares	Derivative interests*	Total interests	
Li Shaofeng	Beneficial owner	Ordinary	7,652,000	13,800,000	21,452,000	1.11%
Leung Shun Sang, Tony	Beneficial owner	Ordinary	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 in issue	<i>Note(s)</i>
Shougang Group	Interests of controlled Corporations	13,238,365,926	*73.89%	1, 2
Shougang Holding	Beneficial owner, interests of controlled corporations	13,238,365,926	*73.89%	1, 2
China Gate Investments Limited (“ China Gate ”)	Beneficial owner	5,515,659,548	*30.79%	1, 3
Grand Invest International Limited (“ Grand Invest ”)	Beneficial owner	1,536,681,530	*8.58%	1, 4
CK Hutchison Holdings Limited (“ CK Hutchison ”)	Interests of controlled Corporations	455,401,955	*5.08%	5
Cheung Kong (Holdings) Limited (“ Cheung Kong ”)	Interests of controlled corporations	455,401,955	*5.08%	5

Notes:

1. Shougang Group indicated in its disclosure form dated 12 September 2017 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 8 September 2017, its interests included the interests held by Shougang Holding, China Gate and Grand Invest respectively, all were wholly-owned subsidiaries of Shougang Group.
 2. These interests include 4,280,469,699 Open Offer Shares which Shougang Holding shall procure the acceptance of the Open Offer Shares to be allotted to it and to its subsidiaries in full and 4,677,426,528 Open Offer Shares which Shougang Holding has agreed to underwrite under the Underwriting Agreement.
 3. These interests include 2,757,829,774 Open Offer Shares which Shougang Holding shall procure the acceptance of the Open Offer Shares to be allotted to China Gate in full pursuant to the Underwriting Agreement.
 4. These interests include 768,340,765 Open Offer Shares which Shougang Holding shall procure the acceptance of the Open Offer Shares to be allotted to Grand Invest in full pursuant to the Underwriting Agreement.
 5. 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 were held by two wholly-owned subsidiaries of Cheung Kong and 25,127,369 Shares 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 held by CK Hutchison and Cheung Kong were the same block of Shares.
- * The percentage of interests is calculated based on the number of Shares in issue as enlarged by the issue of the Open Offer Shares.
- # The percentage of interests is calculated based on the number of Shares in issue as at the Latest Practicable Date.

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.

4. 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).

5. 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 [#]	Trading of iron ore and steel products	Director
Ding Rucai	Shougang Holding [#]	Trading of iron ore and steel products	Director
Shu Hong	Ultimate Century Investments Limited [#]	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.

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the agreement dated 3 October 2016 entered into between the Company and Shougang Holding Bonds Limited, a wholly-owned subsidiary of Shougang Holding, in respect of the disposal of the entire issued share capital of Ultimate Century Investments Limited by the Company at a consideration of HK\$1.00. Please refer to the announcements of the Company dated 3 October 2016 and 30 December 2016 and the circular of the Company dated 18 November 2016;

- (b) the master agreement dated 3 October 2016 entered into between the Company and Shougang Corporation (now known as Shougang Group) dated 3 October 2016 in respect of the purchase of iron ore, steel and related products by the Group from Shougang Corporation and/or its associates for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. Please refer to the announcements of the Company dated 3 October 2016 and 30 December 2016 and the circular of the Company dated 18 November 2016;
- (c) the First Agreement;
- (d) the Second Agreement;
- (e) the Master Agreement; and
- (f) the Underwriting Agreement.

7. 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 2016, being the date to which the latest audited financial statements of the Company were made up.

8. LITIGATION

During the ordinary course of business in December 2013, a subsidiary of the Group engaged a charterer of a vessel to transport a cargo of iron ores to its customer in China and issued a letter of indemnity (“**LOI**”) to the charterer for delivering the cargo to the Group’s customer without production of the original bill of lading (the “**Bill of Lading**”). The provision of the LOI was the prevailing market practice in the trading of iron ore. The goods were subsequently sold to a final buyer after several sales and purchases not in relation to the Group afterwards. The issuing bank for the letter of credit issued for the final buyer (“**Issuing Bank**”) honoured the payment to the seller under the letter of credit. The final buyer went into bankruptcy afterwards. The Issuing Bank was therefore not reimbursed. As the final buyer has not paid the cargo proceeds to the Issuing Bank, the Issuing Bank was the lawful holder of the Bill of Lading. However, the Issuing Bank found that the goods were taken by the final buyer without presenting the Bill of Lading. The Issuing Bank appealed to the Qingdao Maritime Court (“**Qingdao Court**”) to arrest the vessel. The vessel owner paid approximately USD10.3 million to secure the release of the vessel. The vessel owner in turn sued the charterer for the security deposit paid and the charterer reimbursed to the vessel owner. In turn, the charterer sued the Group’s subsidiary which had engaged it to carry on the transportation services. This legal case has been presented to the High Court of Justice Queen’s Bench Division Commercial Court, England (“**High Court**”). At the same time, the Group sued its customer for the same amount for the reimbursement claim according to the back-to-back indemnity claim. This legal case in High Court is finalised and it is judged that the Group is liable to the charterer and its customer is liable to the Group. As at the Latest Practicable Date, no official final judgement has been received by the Group. As the legal case between the Issuing Bank and the vessel owner in Qingdao Court is still under proceeding, the amount claimed by the vessel owner is not yet known. The Directors are of the opinion that it is unlikely the Group would have any liability on this case and in addition, the

Group is entitled to an indemnity from its customer pursuant to the LOI issued by the customer. Save as disclosed above, 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.

9. EXPERTS' QUALIFICATIONS AND CONSENTS

As at the date of this circular, each of Astrum Capital and Deloitte Touche Tohmatsu 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 experts' statements were issued on the date of this circular and were made for incorporation or reference (as the case may be) in this circular.

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

Name	Qualification
Astrum Capital	a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountant

As at the Latest Practicable Date, each of Astrum Capital and Deloitte Touche Tohmatsu 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 2016, 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.

10. EXPENSES

The expenses in connection with the Open Offer, including underwriting commission and other related expenses are estimated to be approximately HK\$11.1 million, which are payable by the Company from the Open Offer proceeds.

11. CORPORATE INFORMATION

Company's registered office and principal place of business	7th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Authorised representatives	Li Shaofeng Cheng Man Ching
Legal adviser to the Company	Sidley Austin (as to Hong Kong Law) Level 39, Two International Finance Centre 8 Finance Street Central, Hong Kong
Principal bankers	Bank of China (Hong Kong) Limited China Construction Bank Corporation, Hong Kong Branch China CITIC Bank International Limited DBS Bank Ltd., Hong Kong Branch Fubon Bank (Hong Kong) Limited Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
Auditor	Deloitte Touche Tohmatsu
Share registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

12. DIRECTORS

Executive Directors

Mr. Li Shaofeng, aged 50, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Managing Director of the Company in May 2010 and is the chairman of the Executive Committee and a member of the Remuneration Committee of the Company. He joined Shougang Group, the holding company of Shougang Holding, in 1989 and is the managing director of Shougang Holding and a director of each of Grand Invest International Limited (“**Grand Invest**”) and China Gate Investments Limited (“**China Gate**”). Each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Li is the chairman of each of Shougang Fushan Resources Group Limited (“**Shougang Resources**”) and Shougang Century and an executive director of BeijingWest Industries International Limited (“**BeijingWest International**”). He is also a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Mr. Li was the chairman of the board of directors of each of Shougang Concord Grand (Group) Limited (“**Shougang Grand**”) and Global Digital Creations Holdings Limited (“**GDC**”) from May 2010 to June 2017. He was also a director of Shougang Concord Technology Holdings Limited (now known as HNA Holding Group Co. Limited) (“**HNA Holding**”) from May 2010 to December 2014 and a director of China Dynamics (Holdings) Limited (“**China Dynamics**”) from October 2007 to November 2015. All of Shougang Grand, GDC, HNA Holding and China Dynamics are listed companies in Hong Kong. Mr. Li has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

Mr. Ding Rucai, aged 52, senior engineer in professor grade, Mr. Ding graduated from the School of Metallurgical and Ecological Engineering of the University of Science and Technology Beijing with a master degree in ferrous metallurgy. Thereafter, he studied senior business administration in The University of Warwick, United Kingdom. Mr. Ding obtained a doctor of philosophy in ferrous metallurgy from the School of Metallurgical and Ecological Engineering of the University of Science and Technology Beijing. He was appointed an Executive Director and a Deputy Managing Director of the Company in September 2014 and is a member of the Executive Committee of the Company. Prior to this, Mr. Ding held various senior positions in the Group. He joined Shougang Group, the holding company of Shougang Holding, in 1989 and thereafter held various senior positions in the group of Shougang Group. Mr. Ding is the deputy managing director of Shougang Holding, and a director of each of Grand Invest and China Gate. Each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is the vice chairman and managing director of Shougang Resources. Mr. Ding has extensive experience in production management of steel industry, project management, import of iron ore, import trading of coking coal resources and shipping management.

Mr. Shu Hong, aged 47, holds a bachelor degree in engineering and a master degree in business administration. Mr. Shu was appointed an Executive Director and a Deputy Managing Director of the Company in December 2015 and is a member of the Executive Committee of the Company. He joined Shougang Group, the holding company of Shougang Holding, in 1993 and worked in various companies under Shougang Group. Mr. Shu has extensive experience in company operation and management.

Non-executive Director

Mr. Zhang Bingcheng, aged 53, holds a bachelor degree and a master degree in engineering. Mr. Zhang was appointed a Non-executive Director and the Chairman of the Company in August 2016 and is the chairman of the Nomination Committee of the Company. He joined Shougang Group, the holding company of Shougang Holding which is a substantial shareholder of the Company within the meaning of Part XV of the SFO, in 1989 and worked in various companies under Shougang Group. Mr. Zhang is the chairman of certain subsidiaries of Shougang Holding. Mr. Zhang has extensive experience in company operation and management.

Mr. Leung Shun Sang, Tony, aged 74, holds a bachelor degree of commerce from The Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in November 1992 and is a member of each of the Remuneration Committee and the Nomination Committee of the Company. He is also a non-executive director of each of Shougang Resources, Shougang Century, Shougang Grand, GDC and HNA Holding. Mr. Leung had worked in Citibank N.A. and W. I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has extensive experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice, aged 62, is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. Ms. Kan was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. Ms. Kan held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the managing director of Asia Investment Management Limited, a licensed corporation under the SFO. Ms. Kan is licensed as a responsible officer of Asia Investment Management Limited under the SFO. She is also an independent non-executive director of each of Regal Hotels International Holdings Limited, Shimao Property Holdings Limited, China Engene International (Holdings) Limited, Cosmopolitan International Holdings Limited and Mason Group Holdings Limited, all of which are listed companies in Hong Kong. Ms. Kan is an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of Singapore Exchange Securities Trading Limited. Ms. Kan is well experienced in corporate finance including both the equity and debt markets.

Mr. Wong Kun Kim, aged 72, holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Wong is licensed as a responsible officer of Asia Investment Management Limited under the SFO. He has over 40 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. Mr. Wong had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America.

Mr. Leung Kai Cheung, aged 71, graduated from The Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of each of BeijingWest International, Hong Kong International Construction Investment Management Group Co., Limited and HNA Holding. Mr. Leung had been a senior executive of Citibank, N.A., the general manager of Barclays Bank PLC in charge of Kowloon and New Territories districts and was the chairman of Star International Enterprises Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

13. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2016, 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, each of Mr. Li Shaofeng and Mr. Ding Rucai was a director of each of Shougang Holding, China Gate and Grand Invest. 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 3(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 English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

14. 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 GM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for years ended 31 December 2014, 2015 and 2016;
- (c) the interim report of the Company for the six months ended 30 June 2017;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 34 to 35 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 36 to 96 of this circular;
- (f) the report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (g) the written consents referred to in the paragraph headed “Experts’ Qualifications and Consents” in this Appendix;
- (h) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (i) the service contracts of the Directors; and
- (j) this circular.

NOTICE OF GM



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

NOTICE IS HEREBY GIVEN that a general meeting of Shougang Concord International Enterprises Company Limited (the “**Company**”) will be held at 11:00 a.m. on Thursday, 12 October 2017, at The Function Room, 2nd Floor, The Harbourview, 4 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 8 September 2017 (the “**First Agreement**”) entered into between Jingji (Hong Kong) Limited (京冀(香港)有限公司) (the “**First Purchaser**”), a wholly-owned subsidiary of the Company, and 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*) (“**Shougang Fund**”), 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 Shougang Fund has conditionally agreed to sell, and the First Purchaser has conditionally agreed to purchase, the First Sale Shares (as defined in the circular of the Company dated 25 September 2017 (the “**Circular**”)) for RMB231,135,000, and the capital injection to the First Target Company (as defined in the Circular) in the sum of RMB32,300,000 as committed and unpaid capital for the First Sale Shares, be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (each a “**Director**”, collectively the “**Directors**”) 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 under the First Agreement.”

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2. **“THAT:**

- (a) the agreement dated 8 September 2017 (the **“Second Agreement”**) entered into between Shouzhong (Hong Kong) Limited (首中(香港)有限公司) (the **“Second Purchaser”**), a wholly-owned subsidiary of the Company, and Shougang Fund, 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 Shougang Fund has conditionally agreed to sell, and the Second Purchaser has conditionally agreed to purchase, the Second Sale Share (as defined in the Circular) for RMB115,597,000, and the capital injection to the Second Target Company (as defined in the Circular) in the sum of RMB71,200,000 as committed and unpaid capital for the Second Sale Shares, be and are hereby approved, confirmed and ratified; and
- (b) any one Director 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 under the Second Agreement.”

3. **“THAT:**

- (a) subject to and conditional upon the fulfilment of the conditions set out in the underwriting agreement dated 8 September 2017 (the **“Underwriting Agreement”**) entered into between the Company and Shougang Holding (Hong Kong) Limited (the **“Underwriter”**) (a copy of which is tabled at the meeting and marked “C” and initialed by the chairman of the meeting for identification purpose) and the Underwriting Agreement not being terminated in accordance with the terms thereof, the open offer (the **“Open Offer”**) of 8,957,896,227 new shares of the Company (the **“Open Offer Shares”**) to the Qualifying Shareholders (as defined in the Circular) in the proportion of one (1) Open Offer Share for every one (1) existing share of the Company held on 24 October 2017 (or such other date as the Company and the Underwriter may agree to be the record date for the Open Offer) at a subscription price of HK\$0.225 per Open Offer Share, subject to the terms and conditions as may be determined by the Directors, be and is hereby approved;
- (b) any one Director be and is hereby authorised to allot and issue the Open Offer Shares pursuant to or in connection with the Open Offer notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing shareholdings of the Shareholders and, in particular, any one Director be and is hereby authorised to make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders (as defined in the Circular) as he/she deems necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company, and to do all such acts and things as he/she considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution;

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- (c) the absence of arrangements for application for the Open Offer Shares by the Qualifying Shareholders (as defined in the Circular) in excess of their entitlements under the Open Offer is hereby approved, confirmed and ratified; and
- (d) any one Director be and is hereby authorised to do all such acts and things and to sign and execute all such further deeds, documents, instruments, agreements and to take such steps as the Director may in his/her absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Open Offer and all transactions contemplated thereunder and in this resolution.”

4. **“THAT:**

- (a) the master agreement dated 8 September 2017 (the **“Master Agreement”**) entered into between Shougang Fund and the Company, a copy of which is tabled at the meeting and marked “D” and initialed by the chairman of the meeting for identification purpose, pursuant to which the Company and/or its subsidiaries will provide private fund management services to Shougang Fund 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 for each of the three financial years ending 31 December 2019 be and are hereby approved; and
- (c) any one Director 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.”

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

Hong Kong, 25 September 2017

Registered office:

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

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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 or attorney duly authorised.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the meeting (i.e., at or before 11:00 a.m. on Tuesday, 10 October 2017 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the 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 alone be entitled to vote in respect thereof.