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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
FUND MANAGEMENT SERVICE AGREEMENT
AND
NOTICE OF GENERAL MEETING**

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



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

A letter from the Board is set out on pages 4 to 14 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Fund Management Service Agreement is set out on pages 17 to 38 of this circular.

A notice convening a GM to be held at 10:00 a.m. on Wednesday, 18 December 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-2 of this circular. A form of proxy for the GM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 54, 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 10:00 a.m. on Monday, 16 December 2019 (Hong Kong Time)) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

28 November 2019

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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 18 November 2019 in relation to the New Fund Management Service Agreement and transactions contemplated thereunder;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 697);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“continuing connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Fund Management Service Agreement”	the private fund management service 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 Company and/or its subsidiaries to Shougang Fund and/or its associates;
“GM”	the general meeting of the Company to be convened at 10:00 a.m. on Wednesday, 18 December 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China for the purpose of considering and, if thought fit, approving the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps);
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Dr. Qiao Yongyuan, which has been formed to advise the Independent Shareholders on matters in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps);

DEFINITIONS

“Independent Shareholders”	any Shareholders other than Shougang Group and its associates;
“Lego Corporate Finance” or “Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the New Fund Management Service Agreement, and being the independent financial adviser appointed for the purpose of Rule 14A.52 of the Listing Rules;
“Latest Practicable Date”	21 November 2019, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Fund Management Service Agreement”	the private fund management service agreement dated 18 November 2019 entered into between the Company and Shougang Fund in respect of the provision of private fund management services by the Company and/or its subsidiaries to Shougang Fund and/or its associates;
“percentage ratios”	the percentage ratios calculated according to Rule 14.07 of the Listing Rules;
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 Share(s);
“Shougang Fund”	北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of Shougang Group, and a substantial shareholder of the Company;
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC, the holding company of Shougang Holding and Shougang Fund;

DEFINITIONS

“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Shougang Group, and a substantial shareholder of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“%”	per cent.

* *For reference purposes only, the Chinese names of the PRC entities, addresses or terms have been translated into English in this circular. In the event of any discrepancies between the Chinese names of these PRC entities, addresses or terms and their respective English translations, the Chinese version shall prevail.*

LETTER FROM THE BOARD



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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

Registered Office:

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

28 November 2019

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
FUND MANAGEMENT SERVICE AGREEMENT
AND
NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 18 November 2019 in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, detailed information about:

- (i) the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps);
- (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder;
- (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder; and
- (iv) the notice of the GM and the resolution to be proposed at the GM.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 8 September 2017 in which it was announced that, among other things, the Company entered into the Existing Fund Management Service Agreement with Shougang Fund.

As the Existing Fund Management Service Agreement will expire on 31 December 2019, on 18 November 2019, the Company entered into the New Fund Management Service Agreement with Shougang Fund, the terms of which are substantially the same as the Existing Fund Management Service Agreement except for the duration, the pricing terms and proposed annual caps as set out below, to continue the continuing connected transactions thereunder.

The New Fund Management Service Agreement

The principal terms of the New Fund Management Service Agreement are set out below:

Date

18 November 2019

Parties

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

LETTER FROM THE BOARD

Subject Matter

Pursuant to the terms of the New Fund Management Service Agreement, the Company and/or its subsidiaries will provide private fund management services to Shougang Fund and/or its associates.

Pricing Terms

Pursuant to the terms of the New Fund Management Service Agreement, the provision of private fund management services shall be priced between either (i) 0.1% and 2% of the capital commitment or the capital contribution of the partnership each year (as determined under the respective partnership agreements) for urban renewal related funds; or (ii) 0.5% and 2% of the capital commitment or the capital contribution of the partnership each year (as determined under the respective partnership agreements) for any other types of funds, 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, the cost of providing fund management service, and the maximum fund management fee as approved by the finance authorities in the PRC for certain funds (if applicable). In the event a fund managed by the Company or its subsidiaries (the “**Participating Fund**”) invests in another fund established under the New Fund Management Service Agreement as investor, the Participating Fund will not be charged management fees in respect of its portion of investment in the latter fund.

As disclosed in the Company’s 2019 interim report, in the first half of 2019, the Group successfully introduced the National Council for Social Security Fund (“**NSSF**”) as the limited partner which paid the largest single contribution, establishing the fund with scale of RMB6 billion. The NSSF attached importance to the sustainability and stability of the investment and adhered to the principle of “long-term investment, value investment and responsible investment”, which is compatible with the Group’s urban renewal business on income stability, risk level and investment term, and social effect. The Group has accumulated experience in managing urban renewal related funds, and with a bigger scale of such funds in aggregate, it allows the Group to achieve economies of scale and potentially a lower management fee percentage.

On the contrary, the provision of fund management service to other types of funds requires specialized management and industry-specific strategy for each type of fund to cater for their industry needs, the cost of managing those funds are expected to be relatively higher than urban renewal related funds. As such, the lower end of the price range for other types of funds is higher than urban renewal related funds.

The actual percentage of management fee will be determined with reference to (i) the operation cost of providing fund management service to each fund, (ii) the complexity of strategy required by each fund; and (iii) management fee agreed among parties to the partnerships after arm’s length negotiation.

Term

Subject to the fulfilment of the conditions precedent, from 1 January 2020 to 31 December 2024.

LETTER FROM THE BOARD

Conditions Precedent

The obligations of the parties to the New Fund Management Service Agreement shall be conditional upon the relevant requirements under the Listing Rules having been satisfied, including approval of the Independent Shareholders at the GM on the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps).

If the conditions precedent to the New Fund Management Service Agreement is not fulfilled on or before 31 May 2020, or such other later date as may be agreed between the parties, the New Fund Management Service Agreement will terminate. In such case, the obligations of the parties shall be discharged and neither of the parties shall be liable for breach of agreement.

Historical Amounts

The historical transaction amounts and annual caps for each of the three years ending 31 December 2019 relating to the transactions under the Existing Fund Management Service Agreement are set out below:

	From the commencement date of the Existing Fund Management Service Agreement to 31 December 2017	For the year ended 31 December 2018	For the six months ended 30 June 2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of private fund management services	Nil (2017 cap: 10,000,000)	78,934,000 (2018 cap: 180,000,000)	57,954,000 (2019 cap: 250,000,000)
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

Proposed Annual Caps and Basis of Determination

The transaction amounts under the New Fund Management Service Agreement during the term of the agreement will not exceed the following annual caps:

	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Provision of private fund management services	358,000,000	551,000,000	701,000,000	851,000,000	924,000,000

LETTER FROM THE BOARD

The proposed annual caps have been calculated and determined with reference to (i) the historical transaction amounts under the Existing Fund Management Service Agreement; and (ii) the new partnership agreements that are expected to be entered into between the Company and/or its subsidiaries and Shougang Fund and/or its associates and the expected management fees thereunder.

In determining the estimated new partnership agreements for the years ending 31 December 2020 to 2024, the Group has considered the following factors:

- (i) new partnerships with concrete terms (including but not limited to identities of limited partners, investment direction, expected capital commitment and management fee) that have obtained the approval of the investment committee of the relevant member of the Group, pending the entering into of the formal partnership agreements;
- (ii) partnerships that are under discussion with potential limited partners with preliminary investment terms (including but not limited to investment direction, expected capital commitment and management fee) and are pending to be submitted to the investment committee of the relevant member of the Group for approval;
- (iii) additional new partnerships that are expected to be set up during the term of the New Fund Management Service Agreement, with their respective capital commitments and management fee levels estimated with reference to the terms of existing partnerships and the historical capital contribution of existing partnerships; and
- (iv) historical growth of the fund management business as reflected in the section headed “Historical Amounts” of this letter.

The proposed annual caps are determined based on the following assumptions and factors:

- (i) the expected increase of funds size during the term of the New Fund Management Service Agreement;
- (ii) the level of management fee for the new partnerships under the New Fund Management Service Agreement is assumed to be 1.5%, which is estimated based on the median of management fee for each of the existing partnerships under the Existing Fund Management Service Agreement;
- (iii) the level of capital commitment for new partnerships to be established is assumed to be RMB10.0 billion each year from 2020 to 2024, which is estimated based on historical growth in total subscription scale of partnerships under the Existing Fund Management Service Agreement.

The Group will continue to reduce its iron ore trading business and focus on developing and expanding its car parking assets operation and management and fund management business. To this end, the Company has been negotiating with potential limited partners for entering into partnerships continuously, and identifying appropriate investors in the funds. The current investors of the funds established between the Group and Shougang Fund and/or its associates include major financial institutions and various provincial and municipal government fund investment agencies.

LETTER FROM THE BOARD

In the coming three to five years, the Company intends to enter into partnership agreements for urban renewal funds which focus on redevelopment and renewal of old industrial zones in 新首鋼高端產業綜合服務區(New Shougang High-end Industry Comprehensive Service Park*) (“**Shougang Park**”) in Beijing.

Shougang Park is one of the few areas in the city district of Beijing that allows large-scale and centralized development, covering an area of up to 8.63 square kilometers for redevelopment. Shougang Park will also provide support and infrastructures for the forthcoming Winter Olympic Games 2022 to be held in Beijing. It is expected that Shougang Park will require a high amount of capital injection to support its development and operation in the coming five years. To grasp the business opportunities in Shougang Park, the Company has been setting up and will continue to set up more urban renewal funds which support and serve the industrial transformation and revitalization of Shougang Park.

Further, the size and operational scale of urban renewal funds managed by the Company have continued to grow from 2017 to 2019, and have attracted more strategic investors and new partners to invest and participate in the funds. Coupled with the economic benefits bring about by the Winter Olympic Games 2022, the Company’s fund management business is expected to increase continuously in the next five years or more.

At the same time, the Company has implemented its strategic planning in the city of Beijing, Northeast China, Southwest China and the Pearl River Delta region on urban renewal. The Company will continue to coordinate with local government departments on supporting and developing local regions through establishing funds in the aspects of smart parking, urban renewal and medical care, and high-end manufacturing, which further supports the expansion of the fund management business of the Company and the increase in fund management fee income.

Details of Fund Investments

Existing partnership agreements

There are currently 17 existing partnership agreements subsisting during the term of the New Fund Management Service Agreement with a term of 6 to 10 years; ten of which are urban-renewal related type of funds and seven of which are other types of funds. The total capital contribution of the funds range from RMB3 million to RMB6 billion.

Should the Independent Shareholders’ approval for the New Fund Management Service Agreement is not obtained upon the expiry of the Existing Fund Management Service Agreement, the Company will comply with applicable connected transaction requirements under Chapter 14A of the Listing Rules where necessary.

New partnership agreements

The Company are in the course of negotiating two partnership agreements with a term of 5 to 8 years, all of which are urban-renewal related types of funds with their main investments in city betterment and developing new economic sectors and industries. Their capital contribution is expected to range from RMB0.6 billion to RMB2.02 billion.

LETTER FROM THE BOARD

It is expected the Company will enter into fund management service agreements with funds with a total capital contribution of RMB10 billion per year during the term of the New Fund Management Service Agreement.

If any fund management service agreement entered into under the New Fund Management Service Agreement exceeds the term of the latter, the Company shall, upon the expiry of the New Fund Management Service Agreement, further comply with all applicable requirements under the Listing Rules, including reporting, disclosure and Independent Shareholders' approval.

If the relevant Independent Shareholders' approval is not obtained by the expiry of the New Fund Management Service Agreement, the Company shall employ other means to comply with the Listing Rules, failing which the Company and/or its subsidiaries will terminate the provision of fund management service by obtaining consents from Shougang Fund and/or its associates, and in accordance with the terms of the relevant agreement. In the event such termination gives rise to any contractual damages, the amount of which is expected to be no more than the management fee receivable under the relevant agreement.

DURATION OF THE NEW FUND MANAGEMENT SERVICE AGREEMENT

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement for a continuing connected transaction of a listed issuer must not exceed three years except in special circumstances. As the term of the New Fund Management Service Agreement (being five years) and the fund management service agreements contemplated thereunder which may be entered into at any time during the term of the New Fund Management Service Agreement (being three to eight years) exceeds three years, the Company has appointed the Independent Financial Adviser to explain why the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder require a term that is longer than three years and to confirm that it is normal business practice for agreements of similar nature to be of such duration. Further details on the advice of the Independent Financial Adviser are set out in its letter on pages 17 to 38 to this circular.

Given that the partnerships established between the Company and/or its subsidiaries and Shougang Fund and/or its associates pursuant to the Existing Fund Management Service Agreement have a term of 6 to 10 years, the Company considers that it is required and under normal market practice for the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder to have a term more than three years based on the following principal factors:

- (a) strict compliance with the three-year requirements in respect of the fund management services will be unduly burdensome to the Group, taking into account the nature of the services required, the business and operation needs, and the potential disruption to the business operations caused by discontinuance of such services, and any unnecessary administration costs to the Company for the renewal of the New Fund Management Service Agreement by limiting its term to three years or less and/or any potential delay of renewal of the New Fund Management Service Agreement as a result of further negotiation between the parties during the agreement renewal process;

LETTER FROM THE BOARD

- (b) the long-term arrangement for fund management services (including the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder) reflects the essential feature of the relatively long-term investment and divestment duration of private funds in the industry; and the partnerships had been established in a manner consistent with the past and established approaches of private funds in terms of duration;
- (c) the long-term arrangement protects the interests of the Company, the Shareholders and the investors in the partnerships by minimizing the disruption to the partnerships and the loss of management fee income from the partnerships;
- (d) the five-year period for the New Fund Management Service Agreement allows the Company to, when computing the annual caps, take into account the management fee income for pre-existing partnerships and include reasonable estimation on new partnerships to be entered into and managed within the term of the New Fund Management Service Agreement with reference to the fund size of the pre-existing partnerships; and
- (e) considering the characteristics of the private fund industry and the investment objectives of respective private fund, in particular, that the existing agreements under the Existing Fund Management Service Agreement have a term of 6 to 10 years, the management ability of fund managers and the stability of providing management services weigh heavily on an investor's decision to invest in a fund. Therefore, investors will generally not accept any unaligned fund management period and fund duration which may negatively affect their return.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FUND MANAGEMENT SERVICE AGREEMENT

As disclosed in the Company's 2019 interim report, urban renewal-oriented private fund management business is a core part of the Company's business. Such business witnessed exponential growth, and the scale of new fund management business was RMB13.9 billion in the first half of 2019. The significant increase of fund management scale brought impressive management fee income. The fund managed by the Group are subscribed by more investors as the team manages the underlying assets of the funds meticulously.

With the steady growth in the number and size of funds under management, the Group expects that in the foreseeable future, the management fee income and return on investment from the provision of private fund management services will achieve a sustainable and rapid growth. The entering into of the New Fund Management Service Agreement demonstrates the Company's commitment to further develop its private fund management business and will enable the Group to continue to provide long-term private fund management service to Shougang Fund and/or its associates without unnecessary disruptions to the Group's business.

LETTER FROM THE BOARD

The asset management market in China is competitive, and for a fund to be successful, one greatest challenge will be attracting investor capital. The participation of Shougang Fund and/or its associates in the funds managed by the Company and/or its subsidiaries will provide confidence to other investors and allow such funds to raise more capital from external investors. With the Group's ever-growing experience and commitment in providing quality long-term private fund management service, and the promising long-term return on the funds managed by the Company and/or its subsidiaries, the entering into of the New Fund Management Service Agreement will be beneficial to the Group and its development of fund management businesses.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, Shougang Group indirectly holds 46.06% of the total number of Shares in issue and is a connected person of the Company. Shougang Fund is a wholly-owned subsidiary of Shougang Group and indirectly holds 16.74% of the total number of Shares in issue, and hence a connected person of the Company. Therefore, the New Fund Management Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the proposed annual caps under the New Fund Management Service Agreement are more than 5%, such transactions are subject to reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Zhao Tianyang, Mr. Xu Liang and Mr. Liang Hengyi, by virtue of their connection with Shougang Group, have abstained from voting for the Board resolutions approving the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps). Save as disclosed, none of the Directors has any material interest in the New Fund Management Service Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

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

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

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed pursuant to the requirements of the Listing Rules to advise the Independent Shareholders on matters in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps). Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

GM

The GM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps).

A notice convening the GM to be held at 10:00 a.m. on Wednesday, 18 December 2019 at Shougang Qiaomengyuan, Shijingshan, Beijing, China is set out on pages GM-1 to GM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for 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 54, 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 10:00 a.m. on Monday, 16 December 2019 (Hong Kong Time)) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

Shougang Group, through Shougang Fund and Shougang Holding, is interested in approximately 46.06% of the total number of Shares in issue as at the Latest Practicable Date, and hence Shougang Group and its associates will abstain from voting at the GM in respect of the resolution to approve the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps). As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolution. The resolution to be submitted will be passed by way of ordinary resolution and voting will be taken by way of poll in accordance with the requirements of the Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders in respect of the New Fund Management Service Agreement. Your attention is also drawn to the letter of advice from Lego Corporate Finance set out on pages 17 to 38 of this circular which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders in respect of the New Fund Management Service Agreement.

LETTER FROM THE BOARD

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 New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps), are made on normal commercial terms and in the ordinary usual course of business of the Company and the terms thereof are fair and reasonable and in the 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 resolution to be proposed at the GM.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the New Fund Management Service Agreement.



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)

28 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
FUND MANAGEMENT SERVICE AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 28 November 2019 (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 New Fund Management Service Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Lego Corporate Finance, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the New Fund Management Service Agreement and the transactions contemplated thereunder as set out on pages 17 to 38 of the Circular and the letter from the Board set out on pages 4 to 14 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of Lego Corporate Finance as stated in its letter of advice, we consider that the terms of the New Fund Management Service Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company, and the terms thereof 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 resolution in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder to be proposed at the GM.

Yours faithfully,
For and on behalf of
The Independent Board Committee of
**Shougang Concord International
Enterprises Company Limited**
Wang Xin
Choi Fan Keung Vic
Deng Yougao
Zhang Quanling
Qiao Yongyuan
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Fund Management Service Agreement and the transactions contemplated thereunder.



28 November 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FUND MANAGEMENT SERVICE AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Fund Management Services Agreement and the transactions contemplated thereunder together with the proposed annual caps (the “**Annual Caps**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 28 November 2019 (the “**Circular**”), of which this letter forms apart. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, with reference to the announcement of the Company dated on 8 September 2017 in which it was announced that, among other things, the Company entered into the Existing Fund Management Service Agreement with Shougang Fund. As the Existing Fund Management Service Agreement will expire on 31 December 2019, on 18 November 2019, the Company entered into the New Fund Management Service Agreement with Shougang Fund, the terms of which are substantially the same as the Existing Fund Management Service Agreement except for the duration, the pricing terms and proposed annual caps as set out below, to continue the continuing connected transactions thereunder. Subject to the fulfilment of the conditions precedent, the terms of the New Fund Management Service Agreement shall commence on 1 January 2020 and continue up to and including 31 December 2024.

As at the Latest Practicable Date, Shougang Group indirectly holds 46.06% of the total number of Shares in issue and is a connected person of the Company. Shougang Fund is a wholly-owned subsidiary of Shougang Group and indirectly holds 16.74% of the total number of Shares in issue, and hence a connected person of the Company. Therefore, the New Fund Management Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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As one or more of the applicable percentage ratios in respect of the Annual Caps under the New Fund Management Service Agreement are more than 5%, such transactions are subject to reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the New Fund Management Service Agreement exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed us as the Independent Financial Adviser to explain why the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder require a term that is longer than three years and to confirm that it is normal business practice for agreements of similar nature to be of such duration.

Mr. Zhao Tianyang, Mr. Li Shaofeng, Mr. Xu Liang and Mr. Liang Hengyi, by virtue of their connection with Shougang Group, have abstained from voting for the resolutions proposed therein. Save as disclosed, none of the Directors has any material interest in the New Fund Management Service Agreement and the transactions contemplated thereunder. The Independent Board Committee has been formed pursuant to the requirements of the Listing Rules to advise the Independent Shareholders on matters in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder (including the Annual Caps).

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, Lego Corporate Finance had acted as independent financial adviser to the Company in relation to the (i) connected transactions involving the connected subscriptions, and the entering into of the fund subscription agreement and partnership agreement; (ii) discloseable and connected transaction involving the entering into of the framework agreement in relation to formation of funds; (iii) connected transaction involving issue of consideration shares under specific mandate and continuing connected transactions; (iv) discloseable and connected transaction in relation to the proposed restructuring of Shougang Concord Century Holdings Limited; and (v) connected transaction in relation to proposed capital increase in Beijing Shouzhong Car Parking Management Co., Ltd., details of which were disclosed in the circulars of the Company dated 27 August 2018, 29 August 2018, 28 November 2018 and 2 January 2019 and 21 February 2019, respectively. Apart from normal professional fees paid or payable to us in connection with the aforementioned appointments and this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Given that remuneration for our engagement to opine on the New Fund Management Service Agreement and the transactions contemplated thereunder is on normal commercial terms and not conditional upon successful passing of the resolution(s) at the GM, we are independent of the Company. Based on the foregoing and notwithstanding we had acted as independent financial adviser to the Company in the last two years, we are qualified to give independent advice in respect of the New Fund Management Service Agreement and the transactions contemplated thereunder as described above.

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BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as the date hereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date thereof and may be relied upon. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the GM.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the New Fund Management Service Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

1. Background of the Group and the parties to the New Fund Management Service Agreement

The Group

As set out in the Letter of the Board, the Group mainly focuses on the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment.

Shougang Fund

As set out in the Letter of the Board, Shougang Fund is principally engaged in the investment, management and advisory of non-securities businesses.

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Financial information of the Group

The following table summarises the financial information of the Group for the years ended 31 December 2017 and 2018 and the six months ended 30 June 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”), respectively.

	For the year ended		For the six months ended	
	31 December		30 June	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
– iron ore trading	3,812,329	1,499,792	736,530	137,075
– Fund management	–	102,665	49,933	83,627
– Car parking operation	–	62,038	30,674	68,615
– Others <i>(Note)</i>	3,816	11,801	1,238	8,205
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,816,145	1,676,296	818,375	297,522
Gross profit	9,110	160,537	51,534	94,895
Gross profit margin	0.2%	9.6%	6.3%	31.9%
Profit attributable to Shareholders	57,286	353,097	218,385	302,797

Note: Others include revenue generated from the provision of management service and leasing income.

	As at 31 December		As at 30 June
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Assets			
Non-current assets	5,682,675	6,064,198	6,586,700
Current assets	2,503,634	3,366,187	4,475,325
	<hr/>	<hr/>	<hr/>
Total assets	8,186,309	9,430,385	11,062,025
Liabilities			
Non-current liabilities	25,174	30,772	604,479
Current liabilities	917,483	404,157	879,822
	<hr/>	<hr/>	<hr/>
Total liabilities	942,657	434,929	1,484,301

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For the six months ended 30 June 2018 and 2019

As illustrated in the table above, total revenue of the Group amounted to approximately HK\$297.5 million for the six months ended 30 June 2019, representing a decrease of approximately 63.6% as compared to that of approximately HK\$818.4 million for the six months ended 30 June 2018. According to the 2019 Interim Report, the decrease in revenue of the Group was mainly due to the contraction of the Group's iron ore business volume, which was in turn attributable to the fact that the Group has shifted its business focus to the operations and management of car parking assets and management of private funds that are oriented towards urban redevelopment since 2018 and gradually reduced the volume of its iron ore trading business. On 31 May 2019, the Group further reduced the scale of its iron ore trading business and transferred the iron ore offtake agreements with Mount Gibson Iron Limited to Newton Resources Limited, a related party, at the consideration of approximately HK\$150.0 million.

Despite the decrease in total revenue of the Group, gross profit of the Group for the six months ended 30 June 2019 was approximately HK\$94.9 million, representing an increase of approximately 84.1% as compared to that of approximately HK\$51.5 million for the six months ended 30 June 2018. The Group's gross profit margin increased to approximately 31.9% for the six months ended 30 June 2019 from approximately 6.3% for the six months ended 30 June 2018. In addition, the profit attributable to Shareholders increased from approximately HK\$218.4 million for the six months ended 30 June 2018 to approximately HK\$302.8 million for the six months ended 30 June 2019. Such increases were mainly attributable to the higher gross profit margin of both private fund management business and car parking asset management operation business than that of iron ore trading business.

As at 30 June 2019, total assets of the Group amounted to approximately HK\$11,062.0 million, representing an increase of approximately 17.3% from approximately HK\$9,430.4 million as at 31 December 2018, which was mainly due to (i) the increase in bank balance and cash of approximately HK\$875.6 million as a result of net proceeds generated from issue of ordinary shares; and (ii) the prepayment for a lease contract of approximately HK\$605.7 million arising from acquisition of a subsidiary during the six months ended 30 June 2019.

As at 30 June 2019, the total liabilities of the Group amounted to approximately HK\$1,484.3 million, representing an increase of approximately 241.3% from approximately HK\$434.9 million as at 31 December 2018, which was mainly due to (i) the increase in dividend payable of approximately HK\$699.4 million; and (ii) the increase in long term borrowings of approximately HK\$465.4 million.

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For the years ended 31 December 2017 and 2018

As illustrated in the table above, total revenue of the Group amounted to approximately HK\$1,676.3 million for the year ended 31 December 2018, representing a decrease of approximately 56.1% as compared to that of approximately HK\$3,816.1 million for the year ended 31 December 2017. According to the 2018 Annual Report, the decrease in total revenue was mainly due to the strategic withdrawal from the iron ore trading business of higher risk. During the year ended 31 December 2018, revenue generated from iron ore trading business reduced by approximately HK\$2,312.5 million, or approximately 60.6%, from approximately HK\$3,812.3 million for the year ended 31 December 2017 to approximately HK\$1,499.8 million for the year ended 31 December 2018, which was as a result of decrease in sale volume of iron ore transactions.

Notwithstanding the decrease in total revenue, the Group's gross profit for the year ended 31 December 2018 increased from approximately HK\$9.1 million for the year ended 31 December 2017 to approximately HK\$160.5 million, representing an increase of approximately 1,662.2%. The Group's gross profit margin also increased to approximately 9.6% for the year ended 31 December 2018 from approximately 0.2% for the year ended 31 December 2017. In addition, profit attributable to Shareholders increased from approximately HK\$57.3 million for the year ended 31 December 2017 to approximately HK\$353.1 million for the year ended 31 December 2018, which was mainly due to (i) higher gross profit margin generated from urban renewal-oriented private fund management business and car parking asset operation and management business; (ii) the net gains related to commodity contracts of approximately HK\$44.7 million for the year ended 31 December 2018; and (iii) the reversal of provision for impairment loss for trade receivables of approximately HK\$25.2 million for the year ended 31 December 2017.

As at 31 December 2018, total assets of the Group amounted to approximately HK\$9,430.4 million, representing an increase of approximately 15.2% as compared to approximately HK\$8,186.3 million as at 31 December 2017, which was mainly due to the increase in bank balances and cash of approximately HK\$1,644.4 million.

As at 31 December 2018, total liabilities of the Group decreased to approximately HK\$434.9 million, representing a decrease of approximately 53.9% as compared to approximately HK\$942.7 million as at 31 December 2017, which was mainly due to the decrease in trade and bills payables as at 31 December 2017.

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2. Reasons for and benefits of entering into the New Fund Management Service Agreement

Background of the New Fund Management Service Agreement

As disclosed in the circular of the Company dated 25 September 2017, upon completion of the acquisition of 95% of the equity interests 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 “**Fund Management Company**”) from Shougang Fund by the Group in December 2017, transactions between the Fund Management Company and Shougang Fund became connected transactions for the Company. The Company had entered into the Existing Fund Management Service Agreement on 8 September 2017 with Shougang Fund in respect of the provision of private fund management services by the Group to Shougang Fund and/or its associates. As the Existing Fund Management Service Agreement will expire on 31 December 2019, the Group has entered into the New Fund Management Service Agreement to continue the provision of fund management services to Shougang Fund and/or its associates, subject to, among others, the approval of the Independent Shareholders at the GM.

Revenue generated from the provision of fund management services contemplated under the Existing Fund Management Service Agreement amounted to approximately RMB78.9 million and RMB58.0 million for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively, representing approximately 4.7% and 19.5% of the Group’s total revenue for the corresponding year/period.

As advised by the Company, the Directors are of the view that the entering into of the New Fund Management Services Agreement would not result in material reliance on Shougang Fund based on the following reasons:

- (i) the proposed annual caps have taken into account the transaction amounts for provision of private fund management services by the Group to independent third parties in the partnership agreements entered into among (i) the Company and/or its subsidiaries, (ii) Shougang Fund and/or its associates; and (iii) other independent third parties.

When single-out the transactions amount with Shougang Fund and/or its associates, the maximum revenue to be generated from provision of private fund management service to Shougang fund and/or its associates based on the proposed annual caps represented no more than 36% and 32% of the total revenue of the Company two main ordinary business for the year ended 31 December 2018 and for the six months ended 30 June 2019, respectively;

- (ii) Shougang Fund also assists other governmental bodies in investing funds managed by the Group. For example, as disclosed in the announcement of the Company on 28 December 2018, part of the capital contribution of the fund was injected by a governmental body through Shougang Fund. Given the said investment arrangement, part of the management fee received was derived from a source other than Shougang Fund; and

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- (iii) as disclosed in the 2018 Annual Report, the Group has also been developing its business in the newly added car parking asset operation and management business (“**Carpark Operation**”) in 2018. With the on-going development and exponential growth in Carpark Operation, the revenue generated from this segment is expected to grow continuously and therefore the proportion of revenue to be generated from transactions with Shougang Fund as to the total revenue of the Company is expected have a downward trend.

Growing fund management business of the Group

As set out in the Letter from the Board, urban renewal-oriented private fund management business is a core part of the Company’s business. Such business witnessed exponential growth, and the scale of new fund management business was RMB13.9 billion in the first half of 2019. The significant increase of fund management scale brought impressive management fee income. The fund managed by the Group are subscribed by more investors as the team manages the underlying assets of the funds meticulously.

With the steady growth in the number and size of funds under management, the Group expects that in the foreseeable future, the management fee income and return on investment from the provision of private fund management services will achieve a sustainable and rapid growth. The entering into of the New Fund Management Service Agreement demonstrates the Company’s commitment to further develop its private fund management business and will enable the Group to continue to provide long-term private fund management service to Shougang Fund and/or its associates without unnecessary disruptions to the Group’s business.

The asset management market in China is competitive, and for a fund to be successful, one greatest challenge will be attracting investor capital. The participation of Shougang Fund and/or its associates in the funds managed by the Group will provide confidence to other investors and allow such funds to raise more capital from external investors. With the Group’s ever-growing experience and commitment in providing quality long-term private fund management service, and the promising long-term return on the funds managed by the Group, the entering into of the New Fund Management Service Agreement will be beneficial to the Group and its development of fund management businesses.

As noted from the 2018 Annual Report and the 2019 Interim Report, and the paragraph headed “Financial information of the Group” in this letter, the Group has shifted its business focus to urban renewal-oriented private fund management business and car parking asset operation and management business. Revenue generated from the Group’s private fund management business amounted to approximately HK\$102.7 million and HK\$83.6 million for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively, accounting for a prominent increase in proportion to the Group’s total revenue from approximately 6.1% for the year ended 31 December 2018 to approximately 28.1% for the six months ended 30 June 2019.

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Further, as disclosed in the 2019 Interim Report, in the first half of 2019, the Group's urban renewal-oriented private fund management business witnessed an exponential growth, and the scale of new fund management business was RMB13.9 billion. In the first half of 2019, the business segment recorded revenue of approximately HK\$83.6 million and net profit of approximately HK\$132.2 million (which included a gain from bargain purchase of approximately HK\$86.2 million). The income contribution from newly-established fund during the year will be further released in the second half of the year. As at 30 June 2019, the Group has managed or been responsible for investing in or operating 24 funds in total, with a total target subscription scale of approximately RMB40.4 billion. The investors of the currently managed funds include the National Council for Social Security Fund, Agricultural Bank of China, China Merchants Bank, China Life Insurance and other large financial institutions, and fund investment institutions from the provincial and municipal governments such as Beijing, Chengdu, Hebei, Jilin, Sichuan and Heilongjiang.

Expanding asset management industry in the PRC

Based on the data published by the Asset Management Association of China, (i) the number of private funds in the PRC increased from 8,846 in January 2015 to 79,218 in August 2019; and (ii) the total value of assets under management of private funds also increased from approximately RMB2.6 trillion in January 2015 to approximately RMB13.4 trillion in August 2019. According to the publication of KPMG International in June 2018 named "Celebrating 20 years of asset management in China", it is expected that the total value of assets under management in the PRC asset management industry will further reach to approximately RMB36.3 trillion in 2025. Such growth has been fuelled by a number of factors that will continue to exert a positive influence over the coming years. Economic growth creates personal wealth among the population, who have become increasingly sophisticated consumers of financial products. At the same time, institutional investors, including sovereign wealth funds, insurers, pension funds and endowments, are not only growing in size, but also looking for more professional management for their assets. Although individual consumers and institutional investors are very different in terms of their needs, they both prompt the industry to innovate in product design, channel development and operational capabilities. The evolving structure of the financial system is another factor that will help nurture further growth among asset managers. Besides an accommodative regulatory framework, China's markets are becoming increasingly linked with the outside world, creating opportunities for fund management companies to provide an international platform for their clients.

Having considered (i) that fund management business has become one of the core businesses of the Group with growing number and size of funds under management; (ii) the increasing significance of the revenue generated under the Existing Fund Management Service Agreement and the proven historical performance in the fund management business of the Group; (iii) the expected growth of the Group's fund management business; (iv) the expanding asset management industry in the PRC with positive outlook; (v) that the New Fund Management Service Agreement will enable the Group to continue to provide private fund management service to Shougang Fund and/or its associates, with an aim to provide confidence to and attract more external investors, we are of the view that the entering into of the New Fund Management Service Agreement is in the ordinary and usual course of business of the Group, and is in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the New Fund Management Service Agreement

Pricing terms

Pursuant to the terms of the New Fund Management Service Agreement, the provision of private fund management services shall be priced between (i) 0.1% and 2% of the capital commitment or the capital contribution of the partnership each year (as determined under the respective partnership agreements) for urban renewal related funds; or (ii) 0.5% and 2% of the capital commitment or the capital contribution of the partnership each year (as determined under the respective partnership agreements) for any other types of funds; which was determined by reference to and in accordance with the prevailing marketing prices offered by other private fund management companies for the same and similar scope of service, the cost of providing fund management service, and the maximum fund management fee as approved by the finance authorities in the PRC for certain funds (if applicable). In the event a fund managed by the Company or its subsidiaries (the “**Participating Fund**”) invests in another fund established under the New Fund Management Service Agreement as investor, the Participating Fund will not be charged management fees in respect of its portion of investment in the latter fund.

As disclosed in the 2019 Interim Report, in the first half of 2019, the Group successfully introduced the National Council for Social Security Fund (“**NSSF**”) as the limited partner which paid the largest single contribution, establishing the fund with scale of RMB6 billion. The NSSF attached importance to the sustainability and stability of the investment and adhered to the principle of “long-term investment, value investment and responsible investment”, which is compatible with the Group’s urban renewal business on income stability, risk level and investment term, and social effect. The Group has accumulated experience in managing urban renewal related funds, and with a bigger scale of such funds in aggregate, it allows the Group to achieve economies of scale and potentially a lower management fee percentage.

On the contrary, the provision of fund management service to other types of funds requires specialized management and industry-specific strategy for each type of fund to cater for their industry needs, the cost of managing those funds are expected to be relatively higher than urban renewal related funds. As such, the lower end of the price range for other types of funds is higher than urban renewal related funds.

The actual percentage of management fee will be determined with reference to (i) the operation cost of providing fund management service to each fund, (ii) the complexity of strategy required by each fund; and (iii) management fee agreed among parties to the partnerships after arm’s length negotiation.

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In assessing the fairness and reasonableness of the pricing terms of management fees under the New Fund Management Service Agreement, we have performed the following due diligence:

- (i) reviewed the terms of the Group's existing partnerships involving the participation and capital contributions by independent third parties, and noted that the management fees charged by the Group for urban renewal related funds ranged from 0.04% to 2% and the management fees charged by the Group for other types of funds ranged from 0.2% to 2%;
- (ii) to our best knowledge and so far as we are aware, identified the announcements issued by other companies listed on the Stock Exchange within approximately one year from the date of the New Fund Management Service Agreement, which involved, among others, fund formation/subscription by the entering into of partnership/subscription agreements and provision of fund management services provided by general partners or investment managers which stipulated, among others, the terms of fund management fee (the "**Fee Comparable Agreements**"), which we consider to be appropriate to reflect the recent market practices on the pricing terms of fund management fee, and noted that the management fees under the Fee Comparable Agreements ranged from nil to 2%.

Based on the findings from the above due diligence performed, we noted that (i) the proposed range of management fee for urban renewal related funds under the New Fund Management Service Agreement falls within the range of management fee of all urban renewal related funds established under the Existing Fund Management Service Agreement, which all involved the participation and capital contributions by independent third parties; (ii) the proposed range of management fee for other types of funds under the New Fund Management Service Agreement falls within the range of management fee of all other types of funds established under the Existing Fund Management Service Agreement, which all involved the participation and capital contributions by independent third parties; and (iii) the proposed ranges of management fee for urban renewal related funds and other types of funds under the New Fund Management Service Agreement fall within the range of management fees under the Fee Comparable Agreements. Accordingly, it appears that the pricing terms of management fee charged by the Group under the New Fund Management Service Agreement are no less favourable than those offered by independent third parties.

With regard to the effectiveness of the pricing mechanism under New Fund Management Service Agreement, having considered that there are stipulated ranges of management fee level for the provision of private fund management services, the Group will be able to capture a higher level of management fee of up to 2% (which is in line with the high end of management fees under the Fee Comparable Agreements), while setting a reasonable floor for the management fee level.

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We note that the New Fund Management Service Agreement stipulates separate ranges of management fee level for urban renewal related funds and other types of funds. As disclosed in the Letter from the Board, the Group has accumulated experience in managing urban renewal related funds with a bigger scale, allowing the Group to achieve economies of scale and potentially a lower management fee percentage. On the other hand, the provision of fund management service to other types of funds requires specialized management and industry-specific strategy for each type of fund to cater for their industry needs. Accordingly, the cost of managing other types of funds are relatively higher than urban renewal related funds. As such, the lower end of the price range for other types of funds is higher than urban renewal related funds. To this end and as discussed above, we noted that the management fees charged by the Group for its existing urban renewal related funds ranged from 0.04% to 2% and the management fees charged by the Group for its existing other types of funds ranged from 0.2% to 2%. Therefore, it is justifiable to stipulate separate ranges for urban renewal related funds and other types of funds under the New Fund Management Service Agreement to accommodate the possibly lower level of management fee for urban renewal related funds.

Term

Subject to the fulfilment of the conditions precedent, the term of the New Fund Management Service Agreement is from 1 January 2020 to 31 December 2024.

If any fund management service agreement entered into under the New Fund Management Service Agreement exceeds the term of the latter, the Company shall, upon the expiry of the New Fund Management Service Agreement, further comply with all applicable requirements under the Listing Rules, including reporting, disclosure and Independent Shareholders' approval.

If the relevant Independent Shareholders' approval is not obtained by the expiry of the New Fund Management Service Agreement, the Company shall employ other means to comply with the Listing Rules, failing which the Company and/or its subsidiaries will terminate the provision of fund management service by obtaining consents from Shougang Fund and/or its associates, and in accordance with the terms of the relevant agreement. In the event such termination gives rise to any contractual damages, the amount of which is expected to be no more than the management fee receivable under the relevant agreement.

As disclosed in the Letter from the Board, the partnerships established between the Company and/or its subsidiaries and Shougang Fund and/or its associates pursuant to the Existing Fund Management Service Agreement have a term of six to 10 years. As advised by the management of the Company, this is because private funds usually require a longer period of investment in order to provide more consistent return. It also takes a longer period for private funds to realise its investment as most of their investment targets are not listed and do not have a public market. Accordingly, the Company considers that it is required and under normal market practice for the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder to have a term of more than three years based on the following principal basis:

- (a) strict compliance with the three-year requirements in respect of the fund management services will be unduly burdensome to the Group, taking into account the nature of

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the services required, the business and operation needs, and the potential disruption to the business operations caused by discontinuance of such services, and any unnecessary administration costs to the Company for the renewal of the New Fund Management Agreement by limiting its term to three years or less and/or any potential delay of renewal of the New Fund Management Agreement as a result of further negotiation between the parties during the agreement renewal process;

- (b) the long-term arrangement for fund management services (including the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder) reflects the essential feature of the relatively long-term investment and divestment duration of private funds in the industry; and the partnerships under the Existing Fund Management Service Agreement had been established in a manner consistent with the past and established approaches of private funds in terms of duration;
- (c) the long-term arrangement protects the interests of the Company, its shareholders and the investors in the partnerships under the Existing Fund Management Service Agreement by minimizing the disruption to the partnerships and the loss of management fee income from such partnerships;
- (d) the five-year period for the New Fund Management Service Agreement allows the Company to, when computing the annual caps, take into account the management fee income for pre-existing partnerships and include reasonable estimation on new partnerships to be entered into and managed within the term of the New Fund Management Service Agreement with reference to fund size of the pre-partnerships; and
- (e) considering the characteristics of the private fund industry and the investment objectives of respective private fund, in particular that the Existing Fund Management Service Agreement have a term of 6 to 10 years, the management ability of fund managers and the stability of providing management services weigh heavily on an investor's decision to invest in a fund. Therefore, investors will generally not accept any unaligned fund management period and fund duration which may negatively affect their return.

In assessing the reasons as to why the term of the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder require a period longer than three years, we have reviewed the term of the partnerships under the Existing Fund Management Service Agreement and noted that they have a term of six years to ten years, which are generally longer than the term of the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder. We have also considered that, given the revenue nature of the transactions contemplated under the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder, from the perspective of the Group, the long-term arrangement is justifiable and beneficial for the Group in the manner of protecting the interests of the Company, the Shareholders and the investors in the partnerships by minimising the disruption to the partnerships and the loss of management fee income from the partnerships.

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As to whether it is normal business practice for agreements of similar nature to have a term of such duration, we have, to the best of their knowledge and so far as we are aware, identified the following announcements issued by other companies listed on the Stock Exchange within one year from the date of the New Fund Management Service Agreement involving fund formation with connected persons and fund management service provided to such funds by the entering into of partnership agreements which stipulated, among others, definite initial duration for fund management service and payment of fund management fee (the “**Duration Comparable Agreements**”). Independent Shareholders should note that the size, nature and investment focus of the Duration Comparable Agreements are not the same as those of the Group. However, since the Duration Comparable Agreements all involved the payment of fund management fee for fund management service over definite duration, which are of the same nature for the New Fund Management Service Agreement, we consider that they could reflect the recent market practices on stipulating the duration of agreements of similar nature:

Company name (Stock code)	Date of announcement	Initial duration (years)	Size (RMB' million)	Nature and underlying investment
China Isotope & Radiation Corporation (1763)	31 October 2019	8	2,500	Investment in nuclear technology, including the production of nuclides, radioactive source, nuclear medicine, medical devices, vitro diagnosis, medical services and industrial nuclear applications, and other areas considered and agreed by resolution of the investment decision committee that could generate synergy with the applications of nuclear technology.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock code)	Date of announcement	Initial duration (years)	Size (RMB' million)	Nature and underlying investment
Beijing Capital Land Ltd. (2868)	12 September 2019	8	500	Investment in cultural space (including old factories renovation and cultural and creative park projects), cultural management team, cultural and creative management team cultivation, cultural content (including film and television, intellectual properties, cultural and creative content etc.), cultural products, cultural and art derivatives, design products and cultural restoration etc.
AviChina Industry & Technology Company Limited (2357)	25 July 2019	7	4,000	Equity investments in reform and restructuring projects, mixed-ownership reform projects, research institutes transformation projects, re-financing projects of listed companies, and other approved projects in the aviation industry
Beijing Capital Land Ltd. (2868)	4 July 2019	5	100	Primarily real estate projects including urban renewal projects, commercial property projects, long-term rental housing projects, real estate-related cultural and creative projects and other real estate-related equity projects

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (Stock code)	Date of announcement	Initial duration (years)	Size (RMB' million)	Nature and underlying investment
Kinergy Corporation Ltd. (3302)	27 December 2018	5	500	Equity investments in the information technology industry (which encompasses the semiconductor industry), intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the semiconductor production equipment industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC
Yuexiu Property Company Limited (123)	10 December 2018	5	5,001	Not specified
Jinmao (China) Hotel Investments and Management Limited (6139)	5 December 2018	3	161.6	Investment in equity interests of companies in the PRC (including but not limited to companies engaged in operations of services apartments)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated from the above table, it is noted that (i) six out of the seven Duration Comparable Agreements carry a term/duration of five years or more, suggesting that it is not uncommon for agreements of similar nature to have a term/duration of three years or more; and (ii) the term/duration of the Comparable Agreements ranged from three years to eight years, with the term of the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder falling within such range.

Taking into account of the above, we concur with the Company that the New Fund Management Service Agreement and the fund management service agreements contemplated thereunder require a longer period and that it is normal business practice for agreements of similar nature to be of such duration.

4. The Annual Caps

Review of historical transaction amounts

As set out in the Letter from the Board, the historical transaction amounts and annual caps for the three years ending 31 December 2019 relating to the transactions under the Existing Fund Management Service Agreement are set out below:

	From the commencement date of the Existing Fund Management Service Agreement to 31 December 2017 RMB	For the year ended 31 December 2018 RMB	For the six months ended 30 June 2019 RMB
Provision of private fund management services	Nil (2017 cap: 10,000,000)	78,934,000 (2018 cap: 180,000,000)	57,954,000 (2019 cap: 250,000,000)

It is noted that the historical utilisation level of the existing annual caps under the Existing Fund Management Service Agreement was relatively low. As advised by the management of the Company, such utilisation level of existing annual caps was primarily due to the pace of partnership establishment being slower than the optimistic estimation because the Group only commenced its fund management business in late 2017 upon completion of the acquisition of 95% of the equity interests in the Fund Management Company from Shougang Fund, upon which there was a run-in period for the management team of the Group and the incoming team of the Fund Management Company. As a result, the amount of management fees generated under the Existing Fund Management Service Agreement, which covered the initial years of the Group's fund management business, was lower than the existing annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the Company has been negotiating with potential limited partners for entering into partnerships continuously, and identifying appropriate investors in the funds. The current investors of the funds established between the Group and Shougang Fund and/or its associates include major financial institutions and various provincial and municipal government fund investment agencies.

In the coming three to five years, the Company intends to enter into partnership agreements for urban renewal funds which focus on redevelopment and renewal of old industrial zones in 新首鋼高端產業綜合服務區(New Shougang High-end Industry Comprehensive Service Park*) (“**Shougang Park**”) in Beijing. Shougang Park is one of the few areas in the city district of Beijing that allows large-scale and centralised development, covering an area of up to 8.63 square kilometers for redevelopment. Shougang Park will also provide support and infrastructures for the forthcoming Winter Olympic Games 2022 to be held in Beijing. It is expected that Shougang Park will require a high amount of capital injection to support its development and operation in the coming five years. To grasp the business opportunities in Shougang Park, the Company has been setting up and will continue to set up more urban renewal funds which support and serve the industrial transformation and revitalization of Shougang Park.

Further, the size and operational scale of urban renewal funds managed by the Company have continued to grow from 2017 to 2019, and have attracted more strategic investors and new partners to invest and participate in the funds. Coupled with the economic benefits bring about by the Winter Olympic Games 2022, the Company’s fund management business is expected to increase continuously in the next five years or more.

At the same time, the Company has implemented its strategic planning in the city of Beijing, Northeast China, Southwest China and the Pearl River Delta region on urban renewal. The Company will continue to coordinate with local government departments on supporting and developing local regions through establishing funds in the aspects of smart parking, urban renewal and medical care, and high-end manufacturing, which further supports the expansion of the fund management business of the Company and the increase in fund management fee income.

We have observed that (i) the Group has attracted renowned and established investors for its funds under management. As disclosed in the 2019 Interim Report, the investors of the currently managed funds include the National Council for Social Security Fund, Agricultural Bank of China, China Merchants Bank, China Life Insurance and other large financial institutions, and fund investment institutions from the provincial and municipal governments such as Beijing, Chengdu, Hebei, Jilin, Sichuan and Heilongjiang; (ii) based on the information provided by the Company, following the commencement of the Group’s fund management business in late 2017, the headcount of this business segment has been expanding, and increased from 93 in 2018 to 118 in 2019 to cope with the growing scale of this business segment; (iii) there are opportunities for the Group to further develop and grow its fund management business with the development potential associated with the Shougang Park and the Winter Olympic Games 2022, as well as the urban renewal in the city of Beijing, Northeast China, Southwest China and the Pearl River Delta region. Having considered the foregoing, it seems that Group is capable of improving the utilisation level of the Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Assessment of the Annual Caps

As set out in the Letter from the Board, the transaction amounts under the New Fund Management Service Agreement during the term of the agreement will not exceed the following Annual Caps:

	For the year ending 31 December				
	2020	2021	2022	2023	2024
	RMB	RMB	RMB	RMB	RMB
Provision of fund management services	358,000,000	551,000,000	701,000,000	851,000,000	924,000,000

As disclosed in the Letter from the Board, the Annual Caps have been calculated and determined with reference to (i) the historical transaction amounts under the Existing Fund Management Service Agreement; and (ii) the new partnership agreements that are expected to be entered into between the Company and/or its subsidiaries and Shougang Fund and/or its associates and the expected management fees thereunder.

In determining the estimated new partnership agreements for the years ending 2020 to 2024, the Group has considered the following factors:

- (i) new partnerships with concrete terms (including but not limited to identities of limited partners, investment direction, expected capital commitment and management fee) that have obtained the approval of the investment committee of the relevant member of the Group, pending the entering into of the formal partnership agreements;
- (ii) partnerships that are under discussion with potential limited partners with preliminary investment terms (including but not limited to investment direction, expected capital commitment and management fee) and are pending to be submitted to the investment committee of the relevant member of the Group for approval;
- (iii) additional new partnerships that are expected to be set up during the term of the New Fund Management Service Agreement, with their respective capital commitments and management fee levels estimated with reference to the terms of existing partnerships and the historical capital contribution of the existing partnerships; and
- (iv) historical growth of the fund management business as reflected in the above historical transaction amounts under the Existing Fund Management Service Agreement.

In accessing the reasonableness of the Annual Caps, we have obtained and reviewed the calculation of the Annual Caps prepared by the Company, and discussed with the management of the Company regarding the basis and assumptions underlying the computation of the Annual Caps. During our review of the calculation of the Annual Caps, we noted that the Annual Caps are determined based on (i) the estimated management fees to be received by the Group pursuant to the existing partnership agreements with Shougang Fund and/or its associates subsisting during the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

five years ending 31 December 2024; and (ii) the estimated management fees to be received by the Group pursuant to new partnership agreements that are expected to be entered into between the Group and Shougang Fund and/or its associates during the five years ending 31 December 2024.

In respect of the estimated management fees to be received by the Group pursuant to the existing partnership agreements with Shougang Fund and/or its associates subsisting during the five years ending 31 December 2024, which are included in the determination of the Annual Caps, we have reviewed the terms of such partnership agreements, including their respective level of management fees, their respective term, and their respective amount of capital contribution, and checked to the calculation of the Annual Caps.

For new partnerships to be established and with concrete terms that have obtained the approval of the investment committee of the relevant member of the Group, pending the entering into of the formal partnership agreements, we have obtained and reviewed the relevant approved fund proposals to understand the investment direction, expected capital commitment, management fee and expected time of inception, and checked to the calculation of the Annual Caps. We noted that these new partnerships are expected to be established by the end of 2019, with target capital commitment ranging from RMB0.6 billion to RMB2.02 billion and management fee ranging from 1.5% to 2.0%.

For other new partnerships that are expected to be set up during the term of the New Fund Management Service Agreement, with no concrete terms currently, we have reviewed the calculation of the Annual Caps and discussed with the management of the Company regarding the basis and assumptions, based on which we understand that:

- (i) the level of management fee for new partnerships is assumed to be 1.5%, which is estimated based on the median of management fee for each of the existing partnerships under the Existing Fund Management Service Agreement; and
- (ii) the level of capital commitment for new partnerships to be established is assumed to be RMB10.0 billion each year from 2020 to 2024, which is estimated based on historical growth in total subscription scale of partnerships under the Existing Fund Management Service Agreement. Based on the information provided by the Company, we note that total subscription scale of partnerships under the Existing Fund Management Service Agreement grew by approximately RMB11.3 billion and RMB8.1 billion in 2018 and the nine months ended 30 September 2019. Also, a discount factor of 0.5 has been applied in the respective first year of establishment of the new partnerships to accommodate that such new partnerships may not be subsisting for full year in their respective first year of establishment and a further discount factor of 0.5 has been applied in the respective first year of establishment of the new partnerships as it normally takes certain time for initial subscription scale reaching the target subscription scale.

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We have also considered the market outlook of the asset management industry in the PRC. As mentioned in the paragraph headed “Expanding asset management industry in the PRC” above, it is expected that the total value of assets under management in the PRC asset management industry will further reach to RMB36.3 trillion in 2025, with a number of growth factors that will continue to exert a positive influence over the coming years.

Based on the foregoing, and having considered that the proposed Annual Caps are of revenue nature and any additional buffer will enable flexibility for the Group to accommodate any further growth in revenue to be generated under the New Fund Management Service Agreement, we consider that the proposed Annual Caps to be acceptable.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions contemplated under the New Fund Management Service Agreement are subject to the following requirements:

- (a) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the continuing connected transactions every year. The Company’s auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - (iv) have exceeded the Annual Caps;

In view of the continuing connected transactions under the New Fund Management Service Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the New Fund Management Service Agreement has been entered into in the ordinary and usual course of the Group's business based on normal commercial terms, and the terms thereof together with the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the New Fund Management Service Agreement and the transactions contemplated thereunder (including the Annual Caps) at the GM.

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

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the accounting and investment banking industries.

* for identification purpose only

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive

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

Long positions in the Shares

Name of Director	Capacity in which interests were held	Number of Shares	Total interests as to % of the total number of Shares in issue as at the Latest Practicable Date <i>(approximately)</i>
Liang Hengyi	Beneficial owner	3,880,000	0.0141%
Liu Jingwei	Beneficial owner	2,576,000	0.0094%
	Interest of controlled corporation	300,000	0.0011%
Wang Xin	Beneficial owner	200,000	0.0007%
	Interest of spouse	1,000,000	0.0036%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or 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 Divisions 7 and 8 of Part XV of the SFO (including interest 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 (other than a Director or chief executive of the Company) had interests in the Shares and/or underlying Shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity in which interests were held	Number of Shares/ underlying shares	Interests as to % of the total number of Shares in issue as at the Latest Practicable Date (approximately)	Notes
Shougang Group	Interests of controlled corporations	12,633,903,865	46.06%	1
HOPU Investments Co. III Ltd	Interests of controlled corporations	2,715,464,456	9.90%	2
HOPU USD Master Fund III, L.P.	Interests of controlled corporations	2,715,464,456	9.90%	2
Cheng Yu Tung Family (Holdings II) Limited	Interests of controlled corporations	2,677,425,528	9.76%	3
Cheng Yu Tung Family (Holdings) Limited	Interests of controlled corporations	2,677,425,528	9.76%	3
Rocket Parade Limited	Beneficial owner	2,677,425,528	9.76%	3
ORIX Corporation	Interests of controlled corporation	1,503,741,731	5.48%	4
ORIX Asia Capital Limited	Beneficial owner	1,503,741,731	5.48%	4

Notes:

1. Shougang Group is interested in all the Shares held by its direct and indirect subsidiaries, namely, Shougang Holding (holding 360,601,160 Shares), China Gate Investments Limited (holding 2,757,829,774 Shares), Grand Invest International Limited (holding 768,340,765 Shares), Wide Success Holdings Limited (holding 4,106,748,921 Shares), Prime Success Investments Limited (holding 48,574,000 Shares), Lyre Terrace Management Limited (holding 230,000 Shares) and Jingxi Holdings Limited (holding 4,591,579,245 Shares).
2. HOPU Investments Co. III Ltd (“**HOPU Investments**”) is interested in 2,715,464,456 Shares held by its indirect wholly-owned subsidiary, Soteria Financial Investment Company Limited (“**Soteria Financial Investment**”). Soteria Financial Investment is wholly-owned by Soteria Financial Holding Company Limited, which in turn is wholly-owned by HOPU USD Master Fund III, L.P., a direct wholly-owned subsidiary of HOPU Investments.
3. Rocket Parade Limited is wholly-owned by NWS FM Limited which is a wholly-owned subsidiary of NWS FM Holdings Limited. NWS FM Holdings Limited is wholly-owned by NWS Service Management Limited (incorporated in the British Virgin islands) which is a wholly-owned subsidiary of NWS Service Management Limited (incorporated in the Cayman Islands) (“**NWS Service**”). NWS Service is wholly-owned by NWS Holdings Limited which was held as to 60.86% by New World Development Company Limited, which in turn was held as to 44.34% by Chow Tai Fook Enterprises Limited (“**Chow Tai Fook Enterprises**”) as at the Latest Practicable Date. Chow Tai Fook Enterprises is wholly-owned by Chow Tai Fook (Holding) Limited, which was held as to 81.03% by Chow Tai Fook Capital Limited, which in turn was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited respectively as at the Latest Practicable Date.
4. ORIX Corporation is interested in all the Shares held by its wholly-owned subsidiary, ORIX Asia Capital Limited.

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

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. LITIGATION

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

7. EXPERTS' QUALIFICATIONS AND CONSENTS

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

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

As at the Latest Practicable Date, Lego Corporate Finance 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 2018, being the date to which the latest published audited consolidated financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the date of this circular, Lego Corporate Finance 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 letter and recommendation given by Lego Corporate Finance is given as of the date of this circular for incorporation herein.

8. GENERAL

- (a) As at the Latest Practicable Date, 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 lease to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up;
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract, save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, (i) Mr. Zhao Tianyang is a deputy general manager of Shougang Group, a director of Shougang Holding and a director and the general manager of Shougang Fund; (ii) Mr. Xu Liang is a director of Shougang Holding; (iii) Mr. Ho Gilbert Chi Hang is an executive director of NWS Holdings Limited and a director of Rocket Parade Limited; (iv) Mr. Li Hao is the operating officer, deputy head of East Asia Business Headquarters and managing director of Greater China Group at ORIX Corporation and the director and president of ORIX Asia Capital Limited. All of Shougang Holding, NWS Holdings Limited, Rocket Parade Limited, ORIX Corporation and ORIX Asia Capital Limited had interests in the Shares which fell to be disclosed under Divisions 2 and 3 of Part XV of the SFO, details of which are set out in paragraph 2(b) above of this Appendix. Save as disclosed in this paragraph, none of the Directors or proposed Director was a director or employee of a company which had an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (d) The registered office of the Company is at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The share registrar of the Company is Tricor Tengis Limited located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (f) The secretary of the Company is Ms. Leung Yuen Chee Sara. She is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. 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 Existing Fund Management Service Agreement;
- (b) the New Fund Management Service Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 15 to 16 of this circular;
- (d) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 38 of this circular;
- (e) the consent letter referred to in the paragraph headed “Experts’ Qualifications and Consents” in this Appendix; and
- (f) this circular.

NOTICE OF GM



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

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of Shougang Concord International Enterprises Company Limited (the “**Company**”) will be held at 10:00 a.m. on Wednesday, 18 December 2019, at Shougang Qiaomengyuan, Shijingshan, Beijing, China for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the private fund management service agreement dated 18 November 2019 (the “**New Fund Management Service Agreement**”) entered into between the Company and 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 the Company and/or its subsidiaries will provide private fund management services to Shougang Fund and/or its associates, be and is hereby approved, confirmed and ratified;
- (b) the annual cap amounts in respect of the New Fund Management Service Agreement as set out in the circular of the Company dated 28 November 2019 for each of the five financial years ending 31 December 2024 be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the New Fund Management Service Agreement and the transactions contemplated hereunder.”

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

Hong Kong, 28 November 2019

NOTICE OF GM

Notes:

1. Any member of the Company entitled to attend and vote at the GM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the GM (i.e., at or before 10:00 a.m. on Monday, 16 December 2019 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the GM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the GM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.
6. The record date for determining the entitlement of the shareholders of the Company to attend and vote at the GM will be Thursday, 12 December 2019. In order to qualify for the entitlement to attend and vote at the above GM, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 12 December 2019 for registration.