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Shougang Concord Century Holdings Limited

首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 103)

**MEMORANDUM OF UNDERSTANDING
RELATING TO
A POSSIBLE DEEMED DISPOSAL OF EQUITY INTEREST
IN A WHOLLY-OWNED SUBSIDIARY
AND VERY SUBSTANTIAL DISPOSAL
AND
THE PROPOSED STRATEGIC COOPERATION
WITH ZAOZHUANG MINING GROUP**

The announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that on 13 July 2014, the Company and Zaozhuang Mining entered into the MOU in relation to the Proposed Capital Injection into Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) by Zaozhuang Mining as well as the proposed strategic cooperation between the Group and Zaozhuang Mining Group after completion of the Proposed Capital Injection.

Pursuant to Rule 14.29 of the Listing Rules, the Proposed Capital Injection will dilute the Company's equity interest in Tengzhou Eastern and this may be regarded as a deemed disposal of the Company and may constitute a very substantial disposal of the Company under the Listing Rules.

The Board wishes to emphasise that no legally-binding agreement in relation to the Proposed Capital Injection and the proposed strategic cooperation between the Group and Zaozhuang Mining Group has been entered into as at the date of the announcement. The final terms of the Formal Agreement (including but not limited to the amount of capital to be injected by Zaozhuang Mining) and the CCT Agreements have yet to be determined and finalised. As the Proposed Capital Injection may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

This announcement is made by Shougang Concord Century Holdings Limited (the "**Company**"), together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined under the Listing Rules) (the "**Inside Information Provisions**") under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 13 July 2014, the Company and 棗莊礦業(集團)有限責任公司 (Zaozhuang Mining (Group) Co., Ltd.*) (“**Zaozhuang Mining**”, together with its subsidiaries, “**Zaozhuang Mining Group**”) entered into a non-legally binding memorandum of understanding (the “**MOU**”).

Date: 13 July 2014

Parties: (a) the Company
(b) Zaozhuang Mining

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Zaozhuang Mining and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

Principal Terms of the MOU

The Proposed Capital Injection

Pursuant to the MOU, it is proposed that Zaozhuang Mining shall inject certain capital into 滕州東方鋼簾線有限公司 (Tengzhou Eastern Steel Cord Co., Ltd.*) (“**Tengzhou Eastern**”) (an indirect wholly-owned subsidiary of the Company) (the “**Proposed Capital Injection**”) so that upon completion thereof, the Group and Zaozhuang Mining will each own 50% of the enlarged registered capital of Tengzhou Eastern. The amount of the capital to be injected by Zaozhuang Mining shall be determined based on the asset valuation of Tengzhou Eastern approved by 山東省人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shandong Provincial Government*) and subject to the Company’s confirmation. Particulars of the Proposed Capital Injection will be set out in the Formal Agreement (as defined below).

The capital injected by Zaozhuang Mining will be utilised to fund the phase II construction of Tengzhou Eastern’s steel cord production facilities with an annual production capacity of 100,000 tonnes. No payment is required to be made by either party to the MOU upon the signing of the MOU.

Pursuant to the MOU, Zaozhuang Mining will conduct and the Company will provide assistance to Zaozhuang Mining to conduct reasonable due diligence exercise on Tengzhou Eastern immediately following the signing of the MOU.

Pursuant to Rule 14.29 of the Listing Rules, the Proposed Capital Injection will dilute the Company’s equity interest in Tengzhou Eastern and this may be regarded as a deemed disposal of the Company and may constitute a very substantial disposal of the Company under the Listing Rules.

Completion of the Proposed Capital Injection shall be conditional upon, among other things:

- (1) the entering into and the delivery of the Formal Agreement (as defined below) and the CCT Agreements (as defined below);

- (2) the due performance by the Company of all applicable compliance obligations under the Listing Rules including the issuance of announcement and despatch of circular, and the convening of meeting of the shareholders of the Company (the “**Shareholders**”) to obtain the Shareholders’ approval of the Formal Agreement (as defined below) and the transactions as contemplated thereunder;
- (3) all necessary approvals, authorisations and consents in relation to the Formal Agreement (as defined below), the CCT Agreements (as defined below) and the transactions as contemplated thereunder having been obtained by the Company and Zaozhuang Mining; and
- (4) the conditions precedent as set out in the Formal Agreement (as defined below) having been fulfilled.

Proposed Strategic Cooperation between the Group and Zaozhuang Mining Group

Under the MOU, the Company and Zaozhuang Mining jointly expressed their intention to cooperate in the operation and management of Tengzhou Eastern after completion of the Proposed Capital Injection. It mainly involves the followings:-

- (1) The Company (and/or its subsidiary(ies)) and Zaozhuang Mining (and/or its subsidiary(ies)) will, on the same date on which the Formal Agreement (as defined below) is entered into, enter into a long-term procurement agreement (the “**Procurement Agreement**”) whereby Zaozhuang Mining Group shall in principle agree to purchase steel cord from Tengzhou Eastern with an annual transaction volume not less than 70% of Zaozhuang Mining Group’s total procurement volume for each calendar year. Zaozhuang Mining Group will grant the priority development rights of new steel cord products to Tengzhou Eastern.
- (2) The parties agreed to further negotiate and agree upon the terms of the Procurement Agreement, the long-term agreement (the “**Supply Agreement**”) for supply of electricity and steam by Zaozhuang Mining Group to Tengzhou Eastern and other long-term agreement(s) for supply of other goods and services between the parties (the “**Other Agreements**”, together with the Procurement Agreement and the Supply Agreement, collectively, the “**CCT Agreements**”).

As Zaozhuang Mining and its subsidiaries will become connected persons of the Company upon completion of the Proposed Capital Injection, the CCT Agreements will constitute continuing connected transactions of the Company. The Company will ensure full compliance with all applicable requirements under Chapter 14A of the Listing Rules in connection therewith.

- (3) The parties agreed that the particulars of the outstanding shareholder’s loan and other loans owed by Tengzhou Eastern to the Group will be set out in the Formal Agreement. Zaozhuang Mining agreed that following completion of the Proposed Capital Injection, the Group and Zaozhuang Mining (each being a 50% equity holder of Tengzhou Eastern) will jointly provide guarantee in respect of additional bank or other borrowings obtained by Tengzhou Eastern on a pro rata basis in accordance with their respective equity holdings in Tengzhou Eastern.
- (4) The Group and Zaozhuang Mining, each holding 50% equity interest in Tengzhou Eastern upon completion of the Proposed Capital Injection, will jointly manage Tengzhou Eastern. Each of the Company and Zaozhuang Mining will have the right to nominate half of the members of the board of directors of Tengzhou Eastern. The chairman of the board of directors and the legal representative of Tengzhou Eastern will be a director

nominated by Zaozhuang Mining while the vice chairman will be a director nominated by the Company. The general manager of Tengzhou Eastern will be appointed by the Company. Details of the composition of the board of directors and senior management of Tengzhou Eastern will be set out in Tengzhou Eastern's joint venture contract and articles of association.

Formal Agreement

The Company and Zaozhuang Mining will proceed to negotiate and enter into a definitive and legally-binding formal agreement (the "**Formal Agreement**") within 360 days from the date of the MOU (or such other later date as agreed by the parties). The MOU will be terminated (i) in the event that the Formal Agreement is not entered into within the said period of time or (ii) upon the execution of the Formal Agreement.

INFORMATION ABOUT THE PARTIES AND REASONS FOR ENTERING INTO THE MOU

The Group is principally engaged in the manufacturing of steel cords and processing and trading of copper and brass products.

Tengzhou Eastern, established under the laws of the PRC on 15 October 2008, is a wholly foreign-owned enterprise. Tengzhou Eastern is principally engaged in the production and sales of steel cord. The registered capital of Tengzhou Eastern amounts to US\$82 million which has been fully paid and is indirectly wholly owned by the Company as at the date hereof.

Zaozhuang Mining is a subsidiary of 山東能源集團有限公司 (Shandong Energy Group Co., Ltd.*). To the best knowledge and belief of the Directors, the scope of business of Zaozhuang Mining covers (including but not limited to) coal mining and processing, mine construction, production of coal and rubber chemicals, production of machineries, modern logistics, production of construction materials and power generation from coal gangue.

The Board considers that the Proposed Capital Injection would enhance the capital base of and provide additional financial resources to Tengzhou Eastern, which will be utilised to fund the phase II construction of Tengzhou Eastern's steel cord production facilities with an annual production capacity of 100,000 tonnes. In addition, the proposed strategic cooperation between the Group and Zaozhuang Mining Group after completion of the Proposed Capital Injection as outlined in the MOU, in particular, the proposed transactions under the CCT Agreements, will enable the Group to further develop its steel cord production business by expanding the production capacity and establishing new synergistic partnership with Zaozhuang Mining Group.

It is anticipated that Tengzhou Eastern will cease to be a subsidiary of the Company and be reclassified as a joint operation of the Group upon completion of the Proposed Capital injection and, the assets, liabilities, income and expenses of Tengzhou Eastern will be accounted for in the Group's consolidated financial statements to the extent of the Company's equity interest in Tengzhou Eastern subject to Hong Kong Financial Reporting Standard.

Given the significance of the Zaozhuang Mining's sizeable capital injection and the future strategic collaboration between the Group and Zaozhuang Mining Group as described above, the Board is of the view that the terms of the MOU are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The MOU does not constitute legally-binding commitment on the part of the parties therein in relation to the Proposed Capital Injection or the proposed strategic cooperation between the Group and Zaozhuang Mining Group after completion of the Proposed Capital Injection.

The Board wishes to emphasise that no legally-binding agreement in relation to the Proposed Capital Injection and the proposed strategic cooperation between the Group and Zaozhuang Mining Group has been entered into as at the date of the announcement. The final terms of the Formal Agreement (including but not limited to the amount of capital to be injected by Zaozhuang Mining) and the CCT Agreements have yet to be determined and finalised. As the Proposed Capital Injection may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

In the event that the Proposed Capital Injection materialises, the Proposed Capital Injection may be regarded as a deemed disposal by the Group and may constitute a very substantial disposal under the Listing Rules. The Company will comply with the relevant disclosures and/or Shareholders' approval requirements of the Listing Rules. Further announcement will be made, if appropriate or required under the Listing Rules.

By order of the Board
Shougang Concord Century Holdings Limited
Li Shaofeng
Chairman

Hong Kong, 13 July 2014

As at the date of this announcement, the Board comprises the following Directors:

Mr. Li Shaofeng (Chairman), Mr. Yang Kaiyu (Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Wenhui (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Zhang Zhong (Executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Chan Chung Chun (Independent Non-executive Director).

** For identification purposes only*