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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
FINANCE LEASE ARRANGEMENT**

FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 29 June 2016 (after trading hours), Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) and South China Leasing entered into the Finance Lease Arrangement comprising, among others, (i) the Sale and Purchase Agreement and (ii) the Finance Lease Agreement, whereby Tengzhou Eastern, being the owner of the Machineries and Equipment, agreed to sell the Machineries and Equipment to South China Leasing at the Purchase Consideration of RMB70,000,000 (equivalent to approximately HK\$81,620,000) and South China Leasing agreed to lease back the Machineries and Equipment to Tengzhou Eastern for the Lease Consideration of approximately RMB78,158,000 (equivalent to approximately HK\$91,132,228), comprising the rental principal of RMB70,000,000, the lease interest of approximately RMB6,058,000 and the lease handling fee of RMB2,100,000, for a term of thirty-six (36) months.

On the same date, the Company entered into the Guarantee Agreement in favour of South China Leasing as security for the payment obligations of Tengzhou Eastern under the Finance Lease Agreement. The Finance Lease Arrangement is also secured by a letter of comfort to be signed by Shougang Holding.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Arrangement is/are more than 5% but less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date hereof, Shougang Holding is entitled to exercise or control the exercise of the voting rights in respect of 217,984,000 Shares, representing approximately 11.34% of the number of issued shares of the Company, and is a substantial Shareholder and a connected person of the Company. South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand, which is in turn held as to approximately 50.53% by Shougang Holding. As such, South China Leasing is an associate of Shougang Holding and is also a connected person (at the issuer level) of the Company. The Finance Lease Arrangement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

GENERAL

The GM will be held for the Independent Shareholders to consider, and if thought fit, approve, by way of poll, the Finance Lease Arrangement and the transactions contemplated thereunder. Shougang Holding and its associates are considered to have material interests in the Finance Lease Arrangement, and they will abstain from voting on the resolutions relating to the Finance Lease Arrangement and the transactions contemplated thereunder at the GM. Mr. Li Shaofeng (Chairman of the Company and an executive Director) holds the directorship in Shougang Holding and/or certain of its subsidiaries, abstained from voting on the relevant Board resolutions for the approval of the Finance Lease Arrangement. Save as the aforesaid, none of the Directors has a material interest in the Finance Lease Arrangement and therefore none of them abstained from voting on the relevant Board resolutions approving the same.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law Yui Lun and Mr. Lam Yiu Kin, each of whom has no material interest in the transactions under the Finance Lease Arrangement, has been formed to consider and advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the Finance Lease Agreement.

Quam Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Finance Lease Arrangement and the transactions as contemplated thereunder.

A circular containing, among other things, (i) further details of the Finance Lease Arrangement; (ii) recommendations from the Independent Board Committee; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the GM is expected to be despatched to the Shareholders on or before 21 July 2016 in accordance with the Listing Rules.

FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 29 June 2016 (after trading hours), Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) and South China Leasing entered into the Finance Lease Arrangement comprising, among others, (i) the Sale and Purchase Agreement and (ii) the Finance Lease Agreement, whereby Tengzhou Eastern agreed to sell the Machineries and Equipment to South China Leasing at the Purchase Consideration of RMB70,000,000 (equivalent to approximately HK\$81,620,000) and South China Leasing agreed to lease back the Machineries and Equipment to Tengzhou Eastern for the Lease Consideration of approximately RMB78,158,000 (equivalent to approximately HK\$91,132,228) for a term of thirty-six (36) months.

A summary of the salient terms of the Sale and Purchase Agreement, the Finance Lease Agreement and the Guarantee Agreement is set out below:

(I) SALE AND PURCHASE AGREEMENT

Date: 29 June 2016

Parties: Tengzhou Eastern (as seller)

South China Leasing (as purchaser)

Subject matter

Pursuant to the Sale and Purchase Agreement, Tengzhou Eastern, being the owner of the Machineries and Equipment, agreed to sell, and South China Leasing agreed to purchase from Tengzhou Eastern the Machineries and Equipment at the Purchase Consideration of RMB70,000,000 (equivalent to approximately HK\$81,620,000).

The Machineries and Equipment consist of certain machineries and equipment primarily used by Tengzhou Eastern for manufacturing of steel cord.

The Purchase Consideration of RMB70,000,000 (equivalent to approximately HK\$81,620,000), which is equivalent to the rental principal under the Finance Lease Agreement as detailed below, was determined after arm's length negotiations between Tengzhou Eastern and South China Leasing with reference to the carrying value of the Machineries and Equipment of approximately RMB91,930,000 as reflected in the Group's consolidated financial statements as at the date of the Sale and Purchase Agreement, the lease term and similar prevailing finance lease arrangements.

Conditions

South China Leasing agreed to pay the Purchase Consideration to a designated bank account of Tengzhou Eastern upon fulfillment of all conditions set out as follows:

- (i) the Finance Lease Agreement having been duly executed and become effective;
- (ii) the letter of comfort having been signed by Shougang Holding;
- (iii) insurance having been taken out to cover the Machineries and Equipment pursuant to the Finance Lease Agreement with the original of the insurance policy having been delivered to South China Leasing; and
- (iv) Tengzhou Eastern having paid the first instalment of the lease handling fee and the security deposit (for details of each of the lease handling fee and the security deposit, please refer to the paragraph headed "(II) Finance Lease Agreement – Lease Consideration" below to South China Leasing pursuant to the Finance Lease Agreement).

Ownership of the Machineries and Equipment

The ownership of the Machineries and Equipment will be passed from Tengzhou Eastern to South China Leasing upon payment of the Purchase Consideration by South China Leasing in full in accordance with the Sale and Purchase Agreement.

(II) FINANCE LEASE AGREEMENT

Date: 29 June 2016

Parties: Tengzhou Eastern (as lessee)
South China Leasing (as lessor)

Subject matter

Pursuant to the Finance Lease Agreement, South China Leasing agreed to lease back the Machineries and Equipment to Tengzhou Eastern for the Lease Consideration of approximately RMB78,158,000 (equivalent to approximately HK\$91,132,228) for a term of thirty-six (36) months.

Condition

The Finance Lease Agreement is subject to approval by the shareholders of the Company and/or Shougang Concord Grand (the holding company of South China Leasing) (if required) in accordance with the requirements of the Listing Rules.

In the event that the above condition cannot be fulfilled on or before 31 December 2016, the Finance Lease Agreement will lapse and become null and void forthwith. Since it is one of the conditions precedent under the Sale and Purchase Agreement that the Finance Lease Agreement shall have become effective, the Sale and Purchase Agreement will also lapse and become null and void if the condition under the Finance Lease Agreement is not fulfilled by the said long stop date.

Lease term

The lease term for the Machineries and Equipment shall be thirty-six (36) months commencing from the fifth (5th) day after the date on which the Finance Lease Agreement shall become effective.

Lease Consideration

Pursuant to the Finance Lease Agreement, South China Leasing agreed to lease back the Machineries and Equipment to Tengzhou Eastern for the Lease Consideration of approximately RMB78,158,000 (equivalent to approximately HK\$91,132,228), comprising (i) the rental principal of RMB70,000,000; (ii) the lease interest of approximately RMB6,058,000; and (iii) the lease handling fee of RMB2,100,000.

The lease interest of approximately RMB6,058,000 is calculated based on the fixed interest rate of 5.13% per annum.

The Lease Consideration shall be payable by Tengzhou Eastern in accordance with the payment schedule as follows:

- (i) the rental principal of RMB70,000,000 and lease payments shall be payable by Tengzhou Eastern on a quarterly basis with the lease interest at an interest rate of 5.13% per annum over thirty-six (36) months; and
- (ii) the lease handling fee of RMB2,100,000 shall be payable by Tengzhou Eastern on a yearly basis in three (3) instalments of RMB700,000 each with the first payment date falling on a date within five (5) days prior to the commencement of the lease term, while the second and third instalments shall be payable on the second and third anniversary date of the first payment date, respectively.

The lease interest rate and the lease handling fee were agreed after arm's length negotiations between the parties to the Finance Lease Agreement with reference to the prevailing market rates for finance leases of comparable assets.

The Lease Consideration is expected to be settled by cash out of the internal resources of Tengzhou Eastern and/or the Group.

Guarantee and security deposit

Guarantee

The Company, the holding company of Tengzhou Eastern, entered into the Guarantee Agreement with South China Leasing whereby the Company agreed to provide a guarantee in favour of South China Leasing as security for the payment obligations of Tengzhou Eastern under the Finance Lease Agreement. The Guarantee Agreement will become effective upon execution and expire two years from the last due date of Tengzhou Eastern's payment obligations under the Finance Lease Agreement.

Security deposit

Tengzhou Eastern shall pay South China Leasing RMB7,000,000, representing 10% of the rental principal of RMB70,000,000, as the security deposit in respect of its obligations under the Finance Lease Agreement prior to the commencement of the lease term. The security deposit bears no interest and will be applied to make up part of the Lease Consideration payable by Tengzhou Eastern to South China Leasing.

Insurance

Within five (5) working days from the effective date of the Finance Lease Agreement, insurance shall have been taken out to cover the Machineries and Equipment with insured sum representing 110% of the rental principal. All insurance premium and related expenses shall be borne by Tengzhou Eastern.

Option to purchase

At the end of the lease term, Tengzhou Eastern shall have the right to purchase the Machineries and Equipment at a nominal purchase price of RMB1,000 which shall be payable together with the last instalment of the rental principal and lease interest.

INFORMATION ON THE COMPANY AND THE PARTIES TO THE FINANCE LEASE ARRANGEMENT

The Company

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of steel cord and the processing and trading of copper and brass products.

Tengzhou Eastern

Tengzhou Eastern is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sales of steel cord.

South China Leasing

South China Leasing is a company established in the PRC with limited liability and an indirect 75% owned subsidiary of Shougang Concord Grand. It is principally engaged in the business of finance lease in the PRC.

REASONS FOR AND BENEFIT OF THE FINANCE LEASE ARRANGEMENT

The Board is of the view that the Finance Lease Arrangement would (i) enhance the working capital position of Tengzhou Eastern; (ii) allow Tengzhou Eastern as well as the Group to optimise its asset and debt structure through increasing the percentage of medium-term financing, which will also improve the liquidity position of the Group; (iii) increase the ratio of RMB denominated borrowings of the Group to minimise exchange risk on potential

depreciation of RMB exchange rate in the foreseeable future; and (iv) diversify the financing source of the Group. It is expected that the Finance Lease Arrangement has no material impact on the actual operations of the Group.

There will not be any gain or loss accrued to the Group in its consolidated financial statements pursuant to the sale of the Machineries and Equipment under the Sale and Purchase Agreement, as the Finance Lease Arrangement will be accounted for as a collateralised borrowing in the Group's consolidated financial statements without recognition of any sale of Machineries and Equipment in accordance with Hong Kong Financial Reporting Standards. The Purchase Consideration received by Tengzhou Eastern is expected to be used to supplement the general working capital and repay HK\$ denominated bank borrowings of the Group.

The Directors (except Mr. Li Shaofeng (Chairman of the Company and an executive Director) who holds the directorship in Shougang Holding and/or certain of its subsidiaries and abstained from voting and all independent non-executive Directors who will form their views after considering the advice of the independent financial adviser) considered that the Finance Lease Arrangement was entered into on normal commercial terms after arm's length negotiations between the parties and the terms of each of the Sale and Purchase Agreement, the Finance Lease Agreement and the Guarantee Agreement are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders taken as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Arrangement is/are more than 5% but less than 25%, the Finance Lease Arrangement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date hereof, Shougang Holding is entitled to exercise or control the exercise of the voting rights in respect of 217,984,000 Shares, representing approximately 11.34% of the number of issued shares of the Company, and is a substantial Shareholder and a connected person of the Company. South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand, which is in turn held as to approximately 50.53% by Shougang Holding. As such, South China Leasing is an associate of Shougang Holding and is also a connected person (at the issuer level) of the Company. The Finance Lease Arrangement also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements thereunder.

GENERAL

The GM will be held for the Independent Shareholders to consider, and if thought fit, approve, by way of poll, the Finance Lease Arrangement and the transactions contemplated thereunder. Shougang Holding and its associates are considered to have material interests in the Finance Lease Arrangement and they will abstain from voting on the resolutions relating to the Finance Lease Arrangement and the transactions contemplated thereunder at the GM. Mr. Li Shaofeng (Chairman of the Company and an executive Director) holds the directorship in Shougang Holding and/or certain of its subsidiaries, abstained from voting on the relevant Board resolutions for the approval of the Finance Lease Arrangement. Save as the aforesaid, none of the Directors has a material interest in the Finance Lease Arrangement and therefore none of them abstained from voting on the relevant Board resolutions approving the same.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law Yui Lun and Mr. Lam Yiu Kin, each of whom has no material interest in the transactions under the Finance Lease Arrangement, has been formed to consider and advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the Finance Lease Agreement.

Quam Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Finance Lease Arrangement and the transactions as contemplated thereunder.

A circular containing, among other things, (i) further details of the Finance Lease Arrangement; (ii) recommendations from the Independent Board Committee; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the GM is expected to be despatched to the Shareholders on or before 21 July 2016 in accordance with the Listing Rules.

DEFINITIONS

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 103)
“connected person”	has the same meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“GM”	the general meeting to be convened by the Company for seeking the approval of the Independent Shareholders on the Finance Lease Arrangement and the transactions contemplated thereunder
“Finance Lease Agreement”	the finance lease agreement dated 29 June 2016 between Tengzhou Eastern and South China Leasing whereby South China Leasing agreed to lease back the Machineries and Equipment to Tengzhou Eastern for a term of thirty-six (36) months
“Finance Lease Arrangement”	the finance lease arrangement and transactions contemplated under the Sale and Purchase Agreement, the Finance Lease Agreement and the Guarantee Agreement
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement dated 29 June 2016 between the Company and South China Leasing whereby the Company agreed to provide a guarantee in favour of South China Leasing as security for the payment obligations of Tengzhou Eastern under the Finance Lease Agreement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board, comprising all independent non-executive Directors, which has been formed by the Board to advise the Independent Shareholders on the Finance Lease Arrangement
“Independent Shareholders”	the Shareholders other than Shougang Holding and its associates

“Lease Consideration”	the total lease consideration payable by Tengzhou Eastern under the Finance Lease Agreement as detailed under the paragraph headed “Finance Lease Arrangement – (II) Finance Lease Agreement – Lease Consideration” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machineries and Equipment”	certain machineries and equipment primarily used by Tengzhou Eastern for manufacturing of steel cord
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchase Consideration”	the amount of RMB70,000,000 (equivalent to approximately HK\$81,620,000) payable by South China Leasing to Tengzhou Eastern for the purchase of the Machineries and Equipment pursuant to the Sale and Purchase Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 29 June 2016 between Tengzhou Eastern and South China Leasing whereby South China Leasing agreed to purchase the Machineries and Equipment from Tengzhou Eastern at the Purchase Consideration
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shougang Concord Grand”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock code: 730)

“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong and a substantial Shareholder
“South China Leasing”	South China International Leasing Co., Ltd., a company established in the PRC with limited liability and an indirect 75% owned subsidiary of Shougang Concord Grand
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tengzhou Eastern”	滕州東方鋼簾線有限公司 (Tengzhou Eastern Steel Cord Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

In this announcement, unless otherwise indicated, amounts in RMB have been converted into HK\$ at the rate of RMB1 = HK\$1.166 for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.

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

Hong Kong, 29 June 2016

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

Mr. Li Shaofeng (Chairman), Mr. Yang Kaiyu (Managing Director), Mr. Su Fanrong (Executive Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Liao Jun (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Lam Yiu Kin (Independent Non-executive Director).