
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker or their registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shougang Concord Century Holdings Limited, you should at once hand this circular with the enclosed proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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 IN RELATION TO
FINANCE LEASE ARRANGEMENT
AND
NOTICE OF GENERAL MEETING**

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



Capitalised terms used on this cover have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 of this circular. A letter from Quam Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 35 of this circular. A notice convening the GM to be held at 10:00 a.m. on Wednesday, 10 August 2016 at 2nd Floor, The Function Room, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong is set out on pages 43 to 45 of this circular. A proxy form for use at the GM is enclosed.

Whether or not you are able to attend the GM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the appointed time for holding of the GM or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the GM or any adjournment thereof (as the case may be) if you so wish.

21 July 2016

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 29 June 2016 in relation to the Finance Lease Arrangement
“associate”	has the meaning as ascribed to it in the Listing Rules
“BeijingWest Industries”	BeijingWest Industries International Limited (Stock code: 2339), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined in the Listing Rules)
“Board”	the board of Directors
“Company”	Shougang Concord Century Holdings Limited (首長寶佳集團有限公司), 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 meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“GM”	the general meeting of the Company to be held at 2nd Floor, The Function Room, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Wednesday, 10 August 2016, the notice of which is set out on pages 43 to 45 of this circular, or where the context so admits, any adjournment of such meeting
“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

DEFINITIONS

“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 board committee of the Board comprising all independent non-executive Directors established by the Board to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement, the Finance Lease Agreement, the Guarantee Agreement and how to vote in respect of the Finance Lease Arrangement at the GM
“Independent Shareholders”	the Shareholders other than Shougang Holding and its associates
“Latest Practicable Date”	15 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 the Letter from the Board in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Loco Hong Kong”	Loco Hong Kong Holdings Limited (Stock code: 8162), a company incorporated in Hong Kong, the shares of which are listed on the Growth Enterprise Market of 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
“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
“Quam Capital”	Quam Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Finance Lease Arrangement and the transactions as contemplated thereunder
“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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 7 June 2002
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Shougang Concord Grand”	Shougang Concord Grand (Group) Limited (首長四方(集團)有限公司*), 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 (as defined in the Listing Rules)
“South China Leasing”	South China International Leasing Co., Ltd. (南方國際租賃有限公司), 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”	Tengzhou Eastern Steel Cord Co., Ltd. (滕州東方鋼簾線有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“USD”	United States dollar, the lawful currency of the United States of America
“%”	per cent.

In this circular, 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.

* For identification purposes only

LETTER FROM THE BOARD



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)

Directors:

Mr. Li Shaofeng (*Chairman*)
Mr. Yang Kaiyu (*Managing Director*)
Mr. Su Fanrong
(Executive Deputy Managing Director)
Mr. Leung Shun Sang, Tony[#]
Mr. Tang Cornor Kwok Kau
(Deputy Managing Director)
Mr. Liao Jun[#]
Mr. Yip Kin Man, Raymond^{*}
Mr. Law, Yui Lun^{*}
Mr. Lam Yiu Kin^{*}

Registered Office:

5th Floor
Bank of East Asia Harbour View Centre
51-57 Gloucester Road
Wanchai
Hong Kong

[#] *Non-executive Director*

^{*} *Independent Non-executive Director*

21 July 2016

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
FINANCE LEASE ARRANGEMENT
AND
NOTICE OF GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement dated 29 June 2016 in relation to the Finance Lease Arrangement.

The purpose of this circular is to provide you with information in respect of, among other things, (i) further details of the Finance Lease Arrangement; (ii) the recommendation of the Independent Board Committee; (iii) the letter of advice from Quam Capital to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the GM.

LETTER FROM THE BOARD

FINANCE LEASE ARRANGEMENT

On 29 June 2016, the Board announced that Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) and South China Leasing entered into the Finance Lease Arrangement comprising (i) the Sale and Purchase Agreement; (ii) the Finance Lease Agreement; and (iii) the Guarantee Agreement.

Under the Finance Lease Agreement, 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. The Company, as the holding company of Tengzhou Eastern, agreed to enter into the Guarantee Agreement with South China Leasing to guarantee 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.

The salient terms of the Sale and Purchase Agreement, the Finance Lease Agreement and the Guarantee Agreement are set out below:

(I) Sale and Purchase Agreement

Date

29 June 2016

Parties

- (1) Tengzhou Eastern (as seller); and
- (2) 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 70 units of machineries and equipment primarily used by Tengzhou Eastern for manufacturing of steel cord including but not limited to steel wire drawing machines, cabling machines and brass electroplating production lines. Tengzhou Eastern acquired the Machineries and Equipment between 2009 and 2012 at the total

LETTER FROM THE BOARD

acquisition cost of approximately RMB205,072,330. As at the Latest Practicable Date, the Machineries and Equipment were operating in normal conditions and have an expected remaining useful life of 8 to 11 years.

Purchase Consideration

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. While the Purchase Consideration represents approximately 23.9% discount to the carrying value of the Machineries and Equipment as at the date of the Sale and Purchase Agreement, taking into account (i) the age, current condition and expected depreciation of the Machineries and Equipment; and (ii) the specialised usage of the Machineries and Equipment, the Directors consider that the Purchase Consideration (and its 23.9% discount to the carrying value of the Machineries and Equipment as at the date of the Sale and Purchase Agreement) is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Conditions

South China Leasing agreed to pay the Purchase Consideration to a designated bank account of Tengzhou Eastern upon fulfillment of all the 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.

As at the Latest Practicable Date, the above condition (ii) has been fulfilled.

LETTER FROM THE BOARD

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

- (1) Tengzhou Eastern (as lessee); and
- (2) 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 the approval by the Independent Shareholders at the GM 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.

LETTER FROM THE BOARD

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 handling fee of RMB2,100,000 represents 1.0% of the Purchase Consideration per annum over the lease term.

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 of 5.13% per annum and the lease handling fee of 1.0% per annum add up to the effective cost under the Finance Lease Arrangement of 6.13% per annum. The rates were determined after arm's length negotiations between the parties to the Finance Lease Agreement with reference to the prevailing market rates of comparable finance lease transactions. The management of the Group reviewed the finance lease transactions covering the period between October 2015 and June 2016 with a lease amount not exceeding RMB100 million and a lease term of 24 to 60 months prior to entering into the Finance Lease Arrangement. The effective cost (interest rates plus handling fees) of the said market comparables range from 6.9% to 10.6% with an average of 8.75%. The effective cost under the Finance Lease Arrangement of 6.13% (interest rate of 5.13% plus handling fee of 1.0%) is lower than the effective cost range of the market comparables.

In respect of lease interest rate, the parties also made reference to the benchmark lending rate published by the People's Bank of China for loan period of 1 to 5 years which is currently 4.75%. To the best knowledge of the

LETTER FROM THE BOARD

Company after reasonable enquiry, finance leasing companies in the PRC normally charge an effective cost in the range of 10% to 100% on top of the benchmark lending rate to lessees which depends on factors including but not limited to their size, profitability and financial position and the lending policies of the respective finance leasing companies. The interest rates of the market comparables identified by the Group range from 5.2% to 9.4%, representing a premium of 9.5% to 97.9% over the benchmark lending rate. The lease interest rate of 5.13% under the Finance Lease Arrangement is lower than the said interest rate range.

Tengzhou Eastern approached certain finance leasing companies and banks in the PRC which are independent third parties of the Company but in vain as they were prudent to offer finance lease or loan to a loss-making company in accordance with their internal policies. As such, the Group was only able to make reference to the market comparables when negotiating the lease interest and handling fee rates with South China Leasing.

On the bases that (i) the lease effective cost under the Finance Lease Arrangement is lower than the effective cost range of the market comparables; (ii) Tengzhou Eastern is a loss-making company and has encountered difficulty in obtaining financing from independent finance leasing companies and banks; and (iii) the lease interest rate is in line with the market comparables for charging at a 9.5% to 97.9% premium over the benchmark lending rate, the Directors consider that the Lease Consideration is on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

Default

In the event that Tengzhou Eastern fails to pay any sum payable under the Finance Lease Agreement when due, penalty shall be charged for each day of late repayment at the rate of 0.1% per day of any sum due and unpaid.

Guarantee and Security deposit

Guarantee

The Company, as the holding company of Tengzhou Eastern, entered into the Guarantee Agreement with South China Leasing on 29 June 2016 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 became effective upon execution and expire two years from the last due date of Tengzhou Eastern's payment obligations under the Finance Lease Agreement, which is in line with the maximum guarantee term as prescribed under Article 32 of the

LETTER FROM THE BOARD

Judicial Interpretation of the Supreme People's Court on Some Issues Regarding the Application of the Guarantee Law of the PRC* (最高人民法院關於適用《中國人民共和國擔保法》若干問題的解釋).

The scope of the Guarantee shall cover all amounts payable by Tengzhou Eastern under the Finance Lease Agreement, including the rental principal, interest, handling fee, penalty, liquidated damages and relevant expenses incurred by South China Leasing for realising its rights under the Finance Lease Agreement. On the assumption that Tengzhou Eastern shall not default in making any payment under the Finance Lease Agreement, the maximum exposure to liabilities of the Company under the Guarantee Agreement is RMB78,158,000, that is, the Lease Consideration.

It is expected that the Company's cash will be reduced by the amount paid by the Company under the Guarantee Agreement, which amount will be set off by the same amount of receivable from Tengzhou Eastern in respect of the payment made on its behalf. As such, the transaction as contemplated under the Guarantee Agreement will not have any financial impact on the Company. However, in the event that Tengzhou Eastern fails to repay the said amount to the Company, then the maximum financial impact on the Company will be a loss on written-off of the amount due from Tengzhou Eastern.

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. Tengzhou Eastern intends to exercise the option to purchase the Machineries and Equipment upon expiry of the lease term under the Finance Lease Agreement.

LETTER FROM THE BOARD

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

The Company

The Company is incorporated in Hong Kong with limited liability and its Shares are listed on the Main Board of the Stock Exchange. 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 is principally engaged in the business of finance lease in the PRC. South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand. As at the date hereof, Shougang Concord Grand is held as to approximately 50.53% by Shougang Holding, which is 100% held by Shougang Corporation (首鋼總公司). Shougang Corporation is a PRC state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會).

Shougang Corporation is one of the largest steel production enterprises in the PRC and is principally engaged in a wide range of business including steel and iron production, overseas business, property development, mining resources and other businesses.

REASONS FOR AND BENEFITS 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

LETTER FROM THE BOARD

Financial Reporting Standards. It is expected that RMB63,000,000 out of the Purchase Consideration received by Tengzhou Eastern will be used to repay HK\$ denominated bank borrowings of the Group while the remaining RMB7,000,000 will be used to supplement Tengzhou Eastern's general working capital.

The Directors (including the independent non-executive Directors who have given their view after receiving the advice from Quam Capital and excluding 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) 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 Latest Practicable Date, 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 (as defined in the Listing Rules) 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.

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.

GM

The GM will be held at 2nd Floor, The Function Room, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Wednesday, 10 August 2016 at 10:00 a.m. to consider and, if thought fit, approve, by way of poll, the Finance Lease Arrangement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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. Save as disclosed above and to the best knowledge of the Directors after having made all reasonable enquiries, no other Shareholder would be required to abstain from voting to approve the Finance Lease Arrangement and the transactions contemplated thereunder.

The notice of GM is set out on pages 43 to 45 of this circular. Whether or not you are able to attend the GM, please complete and return the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the GM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the GM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands. Accordingly, the resolutions set out in the notice of the GM will be put to vote by way of poll at the GM. An announcement on the poll vote results will be made by the Company after the GM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATIONS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 16 of this circular; and
- (b) the letter from Quam Capital, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Finance Lease Arrangement and the transactions contemplated thereunder, the text of which is set out on pages 17 to 35 of this circular.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the GM.

The Independent Board Committee, having taken into account the advice of Quam Capital, considers that the terms 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 as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the GM to approve the Finance Lease Arrangement and the transactions as contemplated thereunder.

LETTER FROM THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors (including the independent non-executive Directors who have given their view after receiving the advice from Quam Capital and excluding 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) are of the view that the terms 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. As such, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the GM to approve the Finance Lease Arrangement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Shougang Concord Century Holdings Limited
Li Shaofeng
Chairman

* *For identification purposes only*



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)

21 July 2016

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
FINANCE LEASE ARRANGEMENT**

We have been appointed as members of the Independent Board Committee to advise you on the Finance Lease Arrangement and the transactions as contemplated thereunder, details of which are set out in the "Letter from the Board" in the circular of the Company dated 21 July 2016 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Your attention is drawn to the letter of advice from Quam Capital, as set out on pages 17 to 35 of the Circular, which contains its advice and recommendations to us and the Independent Shareholders in respect of the Finance Lease Arrangement and the transactions as contemplated thereunder, as well as the principal factors and reasons for its advice and recommendation.

Having considered the factors and reasons considered by, and the opinions of, Quam Capital as stated in the aforementioned letter of advice, we are of the opinion that the terms of the Sale and Purchase Agreement, the Finance Lease Agreement and the Guarantee Agreement are not in the ordinary and usual course of business of the Company, on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the GM to approve the Finance Lease Arrangement and the transactions as contemplated thereunder.

Yours faithfully,

**Independent Board Committee
Shougang Concord Century Holdings Limited**

Mr. Yip Kin Man, Raymond

Mr. Law, Yui Lun

Mr. Lam Yiu Kin

LETTER FROM QUAM CAPITAL

The following is the full text of a letter of advice from Quam Capital, 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 Finance Lease Arrangement and the transactions contemplated thereunder.



Quam Capital Limited

A Member of The Quam Group

21 July 2016

To the Independent Board Committee and the Independent Shareholders

5/F Bank of East Asia
Harbour View Centre
51-57 Gloucester Road
Wanchai, Hong Kong

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION FINANCE LEASE ARRANGEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Finance Lease Arrangement and the transactions contemplated thereunder, 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 21 July 2016 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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.

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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.

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.

As at the Latest Practicable Date, Shougang Holding was entitled to exercise or control the exercise of the voting rights in respect of 217,984,000 Shares, representing 11.34% of the number of issued share capital of the Company. Therefore, Shougang Holding 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. Accordingly, 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.

The GM will be held for the Independent Shareholders to consider, and if thought fit, approve the Finance Lease Arrangement and the transactions contemplated thereunder. Shougang Holding and its associates will abstain from voting on the resolutions relating to the Finance Lease Arrangement and the transactions contemplated thereunder at the GM. Save as aforementioned, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the GM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Lam Yiu Kin, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement, the Finance Lease Agreement and the Guarantee Agreement are on normal commercial terms and fair and reasonable, whether the Finance Lease Arrangement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote in respect of the relevant resolutions to be proposed at the GM to approve the Finance Lease Arrangement and the transactions contemplated thereunder. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

LETTER FROM QUAM CAPITAL

As at the Latest Practicable Date, Quam Capital did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Quam Capital. In the last two years, there was no engagement between the Group and Quam Capital. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Finance Lease Arrangement and the transactions contemplated thereunder.

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 Directors and 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 or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof 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 Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and 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 Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors 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 Directors and 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 Circular.

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 Directors and 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, its subsidiaries and associates as well as South China Leasing.

LETTER FROM QUAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have taken into account the following principal factors and reasons set out below:

1. Information on the Group and the parties to the Finance Lease Arrangement

1.1 Information on the Group

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 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 sale of steel cord.

The following table summarises the consolidated statements of profit or loss of the Group for the two years ended 31 December 2014 and 2015 as extracted from the annual report of the Company for the year ended 31 December 2015 (the “Annual Report”):

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	1,480,507	1,787,444
Gross profit	19,034	133,785
Loss for the year	(376,985)	(275,774)

The Group's revenue decreased by approximately 17.2% or HK\$306.9 million from approximately HK\$1,787.4 million for the year ended 31 December 2014 to approximately HK\$1,480.5 million for the year ended 31 December 2015. Such decrease was mainly due to the decrease in revenue in the steel cord segment of approximately HK\$253.3 million. The decrease in revenue from steel cord segment was mainly because of an approximately 2.5% decrease in sales volume of steel cords during 2015 and the significant decline in average selling price of steel cords by approximately 14.1% as compared to previous year as pricing pressure had not relieved in light of the persistent overcapacity situation of the steel cord industry and the reduced demand in the PRC.

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Gross profit of the Group decreased significantly by approximately 85.8% or HK\$114.8 million from approximately HK\$133.8 million for the year ended 31 December 2014 to approximately HK\$19.0 million for the year ended 31 December 2015. Such decrease was mainly due to the reduced revenue arising from the drop in average selling price of steel cords which caused the gross profit of this segment sharply decreased by approximately 92.6% from approximately HK\$123.0 million for the year ended 31 December 2014 to approximately HK\$9.1 million for the year ended 31 December 2015.

The Group's loss for the year increased by approximately 36.7% or HK\$101.2 million from approximately HK\$275.8 million for the year ended 31 December 2014 to approximately HK\$377.0 million for the year ended 31 December 2015. Such increase was mainly attributable to the decrease in gross profit as mentioned above.

The following table sets out certain financial figures in the consolidated statement of financial position of the Group as at 31 December 2014 and 2015 as extracted from the Annual Report:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
	(audited)	(audited)
Bank balances and cash	209,889	68,789
Total assets	3,006,147	3,610,120
Bank borrowings	1,065,867	1,293,837
Total liabilities	1,610,277	1,748,238
Net assets	1,395,870	1,861,882

Total assets of the Group mainly comprised property, plant and equipment, trade receivables, and bills receivable. Total liabilities of the Group mainly comprised bank borrowings. Net asset value was approximately HK\$1,395.9 million as at 31 December 2015, representing a decrease of approximately 25.0% or HK\$466.0 million from approximately HK\$1,861.9 million as at 31 December 2014. Such decrease was mainly attributable to the decrease in property, plant and equipment as a result of depreciation, impairment and exchange realignment.

1.2 Information on the parties to the Finance Lease Arrangement

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. South China Leasing is principally engaged in the business of finance lease in the PRC.

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Shougang Concord Grand

Shougang Concord Grand is a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock code: 730). Shougang Concord Grand is principally engaged in finance leasing and other financial services, property leasing and provision of building management services and assets management. South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand. As at the Latest Practicable Date, Shougang Concord Grand was held as to approximately 50.53% by Shougang Holding, which was 100% held by Shougang Corporation (首鋼總公司).

Shougang Holding

Shougang Holding is a company incorporated in Hong Kong and a substantial Shareholder of the Company. Shougang Holding is a wholly-owned subsidiary of Shougang Corporation. Shougang Corporation is a PRC state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會). Shougang Corporation is one of the largest steel production enterprises in the PRC and is principally engaged in a wide range of business including steel and iron production, overseas business, property development, mining resources and other businesses.

2. Reasons for and benefits of entering into the Finance Lease Arrangement

As stated in the Letter from the Board, 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. The Group expects that the Finance Lease Arrangement has no material impact on the actual operations of the Group. The Company expects that RMB63,000,000 out of the Purchase Consideration to be received by Tengzhou Eastern will be used to repay HK\$ denominated bank borrowings of the Group while the remaining balance of RMB7,000,000 will be used to supplement Tengzhou Eastern's general working capital.

As set out in the Letter from the Board, the Machineries and Equipment consist of 70 units of machineries and equipment primarily used by Tengzhou Eastern for manufacturing of steel cord including but not limited to steel wire drawing machines, cabling machines and brass electroplating production lines. We understand from the management of the Company that most of the Machineries and Equipment have been in use for more than three to six years. Therefore, the Finance Lease Arrangement would enable Tengzhou Eastern to obtain financing and continue to use the Machineries and Equipment for operation.

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As at 31 December 2015, the Group had approximately HK\$1,065.9 million of bank borrowings and gearing ratio of approximately 65.1%. We noted from the Annual Report that the percentage of bank borrowings due within one year accounted for approximately 81.3% of total bank borrowings of the Group. As mentioned in the Annual Report, the Group is expected to service the debt repayments due in 2016 by utilising cash generated from its operations and refinancing from banks. The Group's ability to generate cash to service its outstanding debts and obligations will depend on the operating performance of its various business segments in the future which will be affected by various factors including prevailing economic and market conditions and its ability to obtain refinancing from banks will be affected by, among other things, its liquidity condition. It is stated in the Annual Report that if the Group is unable to service any of its borrowings due in 2016, this may result in a default and will have significant adverse impact on the financial position of the Group as the Group will be requested to repay full or part of its outstanding borrowings on an accelerated basis. By entering into the Finance Lease Arrangement which is with a term of three years, we concur with the management of the Company that this would allow Tenzhou Eastern and the Group to improve the liquidity position and diversify the financing source of the Group.

As advised by the management of the Company, Tenzhou Eastern has approached and requested for financing from several banks in the PRC. However, given that Tenzhou Eastern is loss making, the banks were reluctant to provide loans to Tenzhou Eastern. As a result, the Finance Lease Arrangement represents a viable option for Tenzhou Eastern to obtain financing.

We were further advised by the management of the Company that the Company has also considered various means of financing including equity financing, such as rights issue, open offer and placing of new Shares. Taking into account (i) the strenuous steel cord market condition; (ii) the current financial performance as well as financial position of the Group; (iii) the substantial dilution to the net asset value per Share given the prevailing market price of the Shares represented approximately 70% discount to its net asset value; (iv) the costs to be incurred on commission payment in relation to the underwriting and placing of new Shares; and (v) the potential dilution effect on the shareholding interests of the Shareholders by way of share placement, the Company considered it is not appropriate at this stage to raise additional funds through such financing methods to supplement the general working capital and repay HK\$ denominated bank borrowings of the Group.

As mentioned in the Annual Report, the Group mainly raise borrowings in RMB, HK\$ and USD to minimise the risk of significant mismatch between the sources of revenue with bank borrowings. In anticipation of the depreciation of RMB exchange rate since 2014, the Group started to increase the proportion of borrowings in RMB during 2015 to minimise the impact on the depreciation of RMB exchange rate on the Group's results. In recent years, the Chinese central bank has shifted its policy to allow RMB to undergo successive devaluation. As advised by the management of the Company, the revenue of the Group mainly denominated in RMB. As a result, the Group recorded foreign exchange losses of approximately HK\$39.2 million for the year ended 31 December 2015. As at 31 December 2015, the proportion of RMB denominated interest bearing borrowings of the Group was approximately 28.5%, which was much lower than that of HK\$ denominated

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interest bearing borrowings of the Group of approximately 68.6%, as disclosed in the Annual Report. Pursuant to the sensitivity analysis for non-derivative financial instruments of the Annual Report, a 5% depreciation of RMB against the HK\$ indicates an increase in pre-tax loss of approximately HK\$36.5 million for the year ended 31 December 2015. In view of the fact that (i) RMB has depreciated against HK\$ by approximately 9% since RMB peaked in January 2014 up to the Latest Practicable Date; (ii) majority of the revenue of the Group is denominated in RMB instead of HK\$; and (iii) the relatively small portion of RMB denominated borrowings in the currency composition of interest bearing borrowings as at 31 December 2015, we concur with the Directors that the Finance Lease Arrangement would increase the ratio of RMB denominated borrowings of the Group to minimise the exchange risk on potential unfavorable movement in RMB exchange rate in the foreseeable future.

Based on the aforesaid, we consider that the Finance Lease Arrangement is in the interests of the Company and the Shareholders as a whole.

3. The Finance Lease Arrangement

3.1 Principal terms of the Finance Lease Arrangement

The following sets forth a summary of the principal terms of the Finance Lease Arrangement comprising, among others, the Sale and Purchase Agreement and the Finance Lease Agreement:

Sale and Purchase Agreement

Date:	29 June 2016
Seller:	Tengzhou Eastern
Purchaser:	South China Leasing
Subject matter:	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).
Conditions:	Please refer to paragraph headed "Conditions" of "(I) Sale and Purchase Agreement" in the Letter from the Board for details of the conditions of the Sale and Purchase Agreement.

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Finance Lease Agreement

- Date: 29 June 2016
- Lessee: Tengzhou Eastern
- Lessor: South China Leasing
- Subject matter: 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.
- 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: The Lease Consideration of approximately RMB78,158,000 (equivalent to approximately HK\$91,132,228) comprise of (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 on a quarterly basis with the lease interest at an interest rate of 5.13% per annum over thirty-six (36) months; and

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- (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. The second and third instalments shall be payable on the second and third anniversary date of the first payment date, respectively.

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.

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.

Condition: Please refer to paragraph headed "Condition" of "(II) Finance Lease Agreement" in the Letter from the Board for details of the condition of the Finance Lease Agreement.

Guarantee Agreement

The Company, as 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 became effective upon execution and expire two years from the last due date of Tengzhou Eastern's payment obligations under the Finance Lease Agreement.

3.2 Assessment of the terms of the Finance Lease Arrangement

We have enquired and were informed by the management of the Company that there is no other finance lease transaction entered into by the Company or any of its subsidiaries (including Tengzhou Eastern) as lessee. In assessing the fairness and reasonableness of the terms of the Finance Lease Arrangement, we have compared the principal terms of the Finance Lease Arrangement with recent precedents of other companies listed on the Stock Exchange.

In order to assess the fairness and reasonableness of the terms of the Finance Lease Arrangement, and in particular, the interest rate, handling fee, leasing amount to book value of assets and provision of guarantee, we have compared these terms with other comparable transactions (the “**Lease Comparables**”) based on the following selection criteria:

- (i) Finance leasing announced by companies listed on the Stock Exchange between 24 October 2015, being the date of the latest reduction of standard lending rate published by the People’s Bank of China, and 29 June 2016, being the date of the Sale and Purchase Agreement, Finance Lease Agreement and Guarantee Agreement;
- (ii) The lease term is more than one year but not more than five years, which is the period that same benchmark lending rate published by the People’s Bank of China applies and the lease term of the Finance Lease Arrangement falls within the period;
- (iii) The leasing amount is denominated in RMB and not more than RMB300 million; and
- (iv) The underlying assets are fixed assets.

As the finance leasing market is continuously affected by, among other things, general economic condition and liquidity condition in the PRC, we consider that the selective period reflects the then market conditions at the time of entering into the Finance Lease Arrangement, which in turn affect terms of the Finance Lease Arrangement. The businesses, underlying assets and leasing amount of the Lease Comparables vary. However, in our opinion, the above selection criteria provide a meaningful comparison of the terms of the Finance Lease Arrangement with those of the Lease Comparables.

We have identified, to the best of our knowledge and as far as we are aware of, based on the public information available on the website of the Stock Exchange, 16 Lease Comparables set out below. We consider that the Lease Comparables can provide a general reference for common market practice of recent finance leasing transactions.

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Announcement date	Stock code	Company name	Lessor	Principal activities of the listed company and its subsidiaries (its "group")/lessee(s)	Underlying assets	Lease term	Leasing amount (RMB million)	Interest rate	Handling fee	Effective Cost	Leasing amount	Whether guarantee provided	
								(per annum)	(per annum)	(per annum)	to book value of assets		
								a	b	a+b			
24/6/2016	1893	Sinoma China National Materials Company Limited	Greatwall Guoxing Finance Leasing Company Limited	The lessee is principally engaged in opencast working of shale used as cement ingredient, as well as manufacturing and sale of cement clinker and cement.	Production equipment owned by the lessee	36 months	300.0	4.8%	1.1%	5.9%	89.8%	Yes	
23/6/2016	2886	Binhai Investment Company Limited	Bank of Communications Financial Leasing Co., Ltd.	The group is principally engaged in the construction of gas pipeline networks, provision of connection services and sale of liquefied petroleum gas and piped gas.	The second gas pipelines main network of a distance of 47.606km, located in the Binhai New Area in Tianjin, the PRC, together with its ancillary equipment and facilities	60 months	230.0	4.2%	0.5%	4.7%	Not applicable (Note 2)	Yes	
27/5/2016	2014	Ozner Water International Holding Limited	慶匯租賃有限公司 (Qinghui Leasing Co., Ltd*)	The lessees are principally engaged in the provision of water purification services in the PRC.	Approximately 100,000 water purifying machines owned by the lessees	24 months	75.0	9.0%	1.0%	10.0%	47.5%	Yes (Note 1)	
26/5/2016	451	GCL New Energy Holdings Limited	芯鑫融資租賃有限公司 (Xinxin Finance Leasing Company Limited*)	The group is principally engaged in the development, construction, operation and management of solar power stations as well as the manufacturing and selling of printed circuit boards.	Photovoltaic power generation equipment	36 months	98.0	6.0%	0.9%	6.9%	Not applicable (Note 2)	Yes	
28/4/2016	670	China Eastern Airlines Corporation Limited	Subsidiaries of CES International Financial Leasing Corporation Limited	The lessee is principally engaged in the business of civil aviation.	Part of proposed purchase aircrafts in the lessee's introduction plan in 2017-2019	36 months	Not disclosed (Note 3)	Not disclosed (Note 3)	Not disclosed (Note 3)	Not applicable (Note 4)	Not applicable (Note 2)	Not disclosed (Note 3)	

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Announcement date	Stock code	Company name	Lessor	Principal activities of the listed company and its subsidiaries (its "group")/lessee(s)	Underlying assets	Lease term	Leasing amount (RMB million)	Interest rate	Handling fee	Effective Cost	Leasing amount	Whether guarantee provided
								(per annum)	(per annum)	(per annum)	to book value of assets	
								<i>a</i>	<i>b</i>	<i>a+b</i>		
1/4/2016	8045	Jiangsu Nandasoft Technology Company Limited	蘇興金融租賃股份有限公司 (Suxing Financial Leasing Co., Ltd.*)	The lessee is principally engaged in the development, manufacture and promotion of network security software, internet application software, education software, business application software, and provision of system integration services, which include consultancy services in relation to information technology	Certain facilities (including elevators, air-conditioning plants and light-current systems, etc.) owned by the lessee	36 months	70.0	Not disclosed (Note 3)	0.8%	Not applicable (Note 4)	Not applicable (Note 2)	Yes
27/1/2016	1053	Chongqing Iron & Steel Company Limited	China Huarong Financial Leasing Co., Ltd.	The lessee is principally engaged in the manufacture and sale of steel products such as medium-gauge steel plates, steel sections and wire rods.	One set of 6# coke oven, one set of water treatment system equipment, one set of equipment for electricity supply and transmission, one set of instrument, one set of tele-communication, one batch of equipment including rolled steel 110KV sewage pump for power stations and another batch of equipment including integrated pipe network high-pressure valve copper shut-off valve located in No. 1 of Gangcheng Avenue, Economic & Technological Development Zone, Changshou District, Chongqing, PRC	36 months	230.0	4.0% disclosed (Note 3)	Not applicable (Note 4)	Not applicable (Note 2)	Yes	
25/12/2015	1893	China National Materials Company Limited	Bank of Communications Financial Leasing Co., Ltd.	The lessee is principally engaged in R&D, manufacturing, sale and technical service of cement and relevant products.	Certain fixed assets of Xinjiang Tianshan Cement Co., Ltd.	36 months	300.0	4.3%	0.9%	5.2%	80.0%	Not disclosed (Note 3)

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Announcement date	Stock code	Company name	Lessor	Principal activities of the listed company and its subsidiaries (its "group"/lessee(s))	Underlying assets	Lease term	Leasing amount (RMB million)	Interest rate	Handling fee	Effective Cost	Leasing amount	Whether
								(per annum)	(per annum)	(per annum)	to book value of assets	guarantee provided
								a	b	a+b		
25/12/2015	1893	China National Materials Company Limited	Zhongyuan Financial Leasing (Shanghai) Co., Ltd.	Xinjiang Tianshan Cement Co., Ltd. is principally engaged in R&D, manufacturing, sale and technical service of cement and relevant products. Xinjiang Fukang Tianshan Cement Co., Ltd. is principally engaged in opencast working of shale used as cement ingredient, as well as manufacturing and sale of cement clinker and cement.	Certain fixed assets of Xinjiang Fukang Tianshan Cement Co., Ltd.	24 months	270.0	5.2%	Not disclosed (Note 3)	Not applicable (Note 4)	99.6%	Not disclosed (Note 3)
21/12/2015	1938	Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited	金沃國際融資租賃有限公司 (Jin Wo International Finance Leasing Company Limited*)	The group is principally engaged in the manufacturing and sales of welded steel pipes.	Production equipment and facilities of Panyu Chu Kong Steel Pipe Co., Ltd. located in the group's production base at Jiangyin, PRC	60 months	60.0	9.4%	1.2%	10.6%	94.3%	Yes
23/11/2015	1938	Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited	橫琴金投國際融資租賃有限公司 (Hengqin Jintou International Finance Leasing Company Limited*)	The group is principally engaged in the manufacturing and sales of welded steel pipes.	Production equipment and facilities of 番禺珠江鋼管(珠海)有限公司 (Panyu Chu Kong Steel Pipe (Zhuhai) Co., Ltd.*) located in the group's production base at Zhuhai, the PRC	36 months	100.0	5.2%	1.8%	7.0%	110.5%	Yes
20/11/2015	3900	Greentown China Holdings Limited	中交建融租賃有限公司 (CCCC Financial Leasing Co., Ltd.*)	The lessee is principally engaged in property development in the PRC.	Certain furniture and equipment for the operation of a hotel owned by the lessee	36 months	25.0	Not disclosed (Note 3)	0.3%	Not applicable (Note 4)	97.6%	Yes
20/11/2015	3900	Greentown China Holdings Limited	中交建融租賃有限公司 (CCCC Financial Leasing Co., Ltd.*)	The lessee is principally engaged in property development in the PRC.	Certain furniture and equipment for the operation of a hotel owned by the lessee	36 months	140.0	Not disclosed (Note 3)	0.3%	Not applicable (Note 4)	98.4%	Yes
13/11/2015	2600	中國鋁業股份有限公司 (Aluminum Corporation of China Limited*)	中鋁融資租賃有限公司 (Chinalco Finance Lease Co., Ltd.*)	The group is principally engaged in the mining of bauxite, the production and sales of alumina and primary aluminum, the operation of coal and iron ore businesses as well as the trading of other non-ferrous metal products.	Production equipment in relation to alumina, electrolytic aluminum, mining and energy power, etc	36 months	Not disclosed (Note 3)	Not disclosed (Note 3)	Not disclosed (Note 3)	Not applicable (Note 4)	Not applicable (Note 2)	Not disclosed (Note 3)

LETTER FROM QUAM CAPITAL

Announcement date	Stock code	Company name	Lessor	Principal activities of the listed company and its subsidiaries (its "group")/lessee(s)	Underlying assets	Lease term	Leasing amount	Interest rate	Handling fee	Effective Cost	Leasing amount	Whether
							(RMB million)	(per annum)	(per annum)	(per annum)	to book value of assets	guarantee provided
29/10/2015	3900	Greentown China Holdings Limited	中交建融租賃有限公司 (CCCC Financial Leasing Co., Ltd.)*	The lessee is principally engaged in property development in the PRC.	Furniture and equipment for the operation of certain hotels owned by 海南綠城高地投資有限公司 (Hainan Greentown Gaodi Investment Co., Ltd.)*	32 months	278.8	Not disclosed (Note 3)	Not disclosed (Note 3)	Not applicable (Note 4)	100%	Yes
29/10/2015	3900	Greentown China Holdings Limited	中交建融租賃有限公司 (CCCC Financial Leasing Co., Ltd.)*	The lessee is principally engaged in property development in the PRC.	Furniture and equipment for the operation of a hotel and certain residential properties owned by 青島綠城膠州灣房地產開發有限公司 (Qingdao Greentown Jiaozhouwan Real Estate Development Co., Ltd.)*	32 months	103.1	Not disclosed (Note 3)	Not disclosed (Note 3)	Not applicable (Note 4)	100%	Yes
			Maximum				9.4% (Note 5)	1.8% (Note 5)	10.6% (Note 5)	110.5% (Note 5)		
			Minimum				4.0% (Note 5)	0.3% (Note 5)	4.7% (Note 5)	47.5% (Note 5)		
			Average				5.8% (Note 5)	0.9% (Note 5)	7.2% (Note 5)	91.8% (Note 5)		
103	The Company	South China Leasing				36 months	70.0	5.13%	1.0%	6.13%	76.1%	Yes

Notes:

1. No handling fee is disclosed in the relevant announcements and a consultancy fee is payable by the lessee pursuant to the finance lease agreement of the relevant Lease Comparables. Such consultancy fee has been used in the above analysis.
2. Book value of the underlying assets is not disclosed in the relevant announcement.
3. Leasing amount, interest rate, handling fee or whether guarantee provided is not disclosed in the relevant announcement.
4. Interest rate and/or handling fee is not disclosed in the relevant announcement.
5. The figure is calculated by excluding those Lease Comparables with information shown as "Not disclosed" or "Not applicable".

* For identification purposes only

Source: Website of the Stock Exchange

LETTER FROM QUAM CAPITAL

Our analysis to the Finance Lease Arrangement with reference to the information available and disclosed in the relevant announcement of the Lease Comparables as summarised above is as follows:

Assessment to the Purchase Consideration

As advised by the Company, the Purchase Consideration of RMB70,000,000 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. The Purchase Consideration represents approximately 76.1% (or 23.9% discount) to the carrying value of the Machineries and Equipment.

As shown in the table above, the leasing amount to book value of assets of the Lease Comparables ranged from approximately 47.5% to 110.5% with an average of approximately 91.8%. The Purchase Consideration to the carrying value of the Machineries and Equipment under the Finance Lease Arrangement is approximately 76.1%, which falls within the range of the Lease Comparables. As such, we consider the Purchase Consideration to be fair and reasonable.

Assessment to the interest rate and handling fee

As mentioned in the Letter from the Board, the lease interest rate and the lease handling fee were determined after arm's length negotiations between the parties to the Finance Lease Agreement with reference to the prevailing market rates of comparable finance lease transactions.

The lease interest of approximately RMB6,058,000 is calculated based on the fixed interest rate of 5.13% per annum. The lease handling fee of RMB2,100,000, being 3% of the Purchase Consideration, is payable by Tengzhou Eastern on a yearly basis in three instalments of RMB700,000 each over the three years lease term. Taking into account the lease handling fee, which represents 1% per annum over the lease term (i.e. handling fee of RMB700,000 per year over the rental principal of RMB70,000,000), the effective costs (the "Effective Cost") represents approximately 6.13% per annum.

As shown in the table above, the interest rates of the Lease Comparables ranged from approximately 4.0% to 9.4% with an average of approximately 5.8%. The interest rate of the Finance Lease Arrangement of 5.13% falls within the range of the Lease Comparables.

LETTER FROM QUAM CAPITAL

The handling fee per annum (the “**Handling Fee Percentage**”) is calculated by dividing the handling fee as a percentage of the leasing amount over number of years of the lease term. The Handling Fee Percentage of the Lease Comparables ranged from approximately 0.3% to 1.8% with an average of approximately 0.9%. The Handling Fee Percentage of the Finance Lease Arrangement of 1.0% falls within the range of the Lease Comparables.

To further analyse the fairness and reasonableness of the costs to be incurred by Tengzhou Eastern arising from the Finance Lease Arrangement, the Effective Cost of the Finance Lease Arrangement is compared to that of the Lease Comparables. The Effective Cost of the Lease Comparables is the sum of (i) Handling Fee Percentage and (ii) the interest rate per annum of the Lease Comparables. Based on the Lease Comparables with both interest rate and handling fee disclosed in their relevant announcements published on the website of the Stock Exchange, the Effective Costs of the Lease Comparables ranged from approximately 4.7% to 10.6% with an average of approximately 7.2%. The Effective Cost of the Finance Lease Arrangement of approximately 6.13% falls within the range of the Lease Comparables.

Based on the above, we consider the interest rate and handling fee of the Finance Lease Agreement are fair and reasonable.

Assessment to the guarantee

Pursuant to the Guarantee Agreement, the Company, as the holding company of Tengzhou Eastern, agreed to guarantee the payment obligations of Tengzhou Eastern under the Finance Lease Agreement. Based on our discussion with the management of the Company, such guarantee is required to ensure payments by Tengzhou Eastern under the Finance Lease Agreement in view of the continued losses incurred by Tengzhou Eastern in recent years and the demanding market condition of steel cord industry.

As shown in the table above, we noted 12 out of 16 of the Lease Comparables have disclosed that guarantees have been provided for the payment obligations of the finance leasing transaction of the Lease Comparables. We consider providing guarantee to a finance leasing transaction is not an uncommon market practice. As such, we consider the Guarantee Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

Based on the aforesaid, we are of the view that the terms of the Finance Lease Arrangement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

4. Financial effects of the Finance Lease Arrangement

Earnings

As mentioned in the Letter from the Board, 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.

From the date on which the Finance Lease Agreement becomes effective, interest expenses of approximately RMB6.1 million and lease handling fee of RMB2.1 million in aggregate arising from the Finance Lease Agreement are expected to be incurred every year over the three years lease term. The Directors consider that the interest expenses and lease handling fee are normal costs in conducting the Group's operational activities, and will not have material adverse impact on the Group's financial results.

Net assets

Upon completion of transactions contemplated under the Finance Lease Arrangement, it is expected that (i) the total assets of the Group will increase to reflect the sale proceeds of the Sale and Purchase Agreement and there will be no impact on the fixed assets of the Group as there is no recognition of sale of Machineries and Equipment as mentioned above; and (ii) the total liabilities of the Group will increase to reflect the payment obligation of the Group under the Finance Lease Agreement. Given that the Group's total assets and liabilities will be increased by the same amount immediately upon the completion of transactions contemplated under the Finance Lease Arrangement, the Directors consider that there will be no significant change to the Group's net asset value.

Gearing ratio

According to the Annual Report, the gearing ratio of the Group as at 31 December 2015, calculated as net interest bearing borrowings (being total interest bearing borrowings minus bank balances and cash) of approximately HK\$908.2 million divided by Shareholders' equity of approximately HK\$1,395.9 million, was approximately 65.1%. Immediately upon completion of transactions contemplated under the Finance Lease Arrangement, it is expected that the bank balances and cash and payment obligation will both increase by the rental principal, i.e. RMB70.0 million (equivalent to approximately HK\$81.6 million). Accordingly, both the net interest borrowings and the Shareholders' equity will remain unchanged and the Directors consider that the gearing ratio will remain unchanged.

LETTER FROM QUAM CAPITAL

Liquidity

Given the sale proceeds of the Sale and Purchase Agreement will be recorded as bank balances and cash which is accounted for as current assets and only part of the payment obligation, being the amount payable by the coming 12 months, will be recorded as current liabilities, the Directors consider that the liquidity position of the Group will be enhanced.

Comment

In view of the foregoing, the Finance Lease Arrangement would not have any material adverse impact on the financial position and results of the Group.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial results and financial position of the Group upon completion of the transactions contemplated under the Finance Lease Arrangement.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that the terms of the Sale and Purchase Agreement, the Finance Lease Agreement and the Guarantee Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Finance Lease Arrangement is in the interests of the Company and the Shareholders as a whole, though it is not in the ordinary and usual course of business of the Group. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the GM to approve the Finance Lease Arrangement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Noelle Hung
Managing Director

Ms. Noelle Hung is a licensed person and a responsible officer of Quam Capital registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. She has over 15 years of experience in corporate finance.

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company were as follows:

Name of Director	Nature of interest	Number of Shares (Note 4)	Approximate percentage of shareholding
Mr. Li Shaofeng	Beneficial owner	21,452,000 (L) (Note 3)	1.12%
Mr. Yang Kaiyu	Beneficial owner	18,000,000 (L) (Note 3)	0.94%
	Interest of spouse	3,596,000 (L) (Note 1)	0.19%
Mr. Leung Shun Sang Tony	Beneficial owner	19,652,000 (L) (Note 3)	1.02%
Mr. Tang Cornor Kwok Kau	Beneficial owner	20,000,000 (L) (Note 2 & 3)	1.04%
Mr. Yip Kin Man Raymond	Beneficial owner	2,052,000 (L) (Note 3)	0.11%
Mr. Law, Yui Lun	Beneficial owner	2,816,000 (L) (Note 3)	0.15%

Notes:

1. All these 3,596,000 Shares are beneficially owned by the spouse of Mr. Yang Kaiyu who is deemed to have the same interest in the Company pursuant to the SFO.
2. Those Shares were beneficially owned by Mr. Tany Cornor Kwok Kau and in which of 200,000 Shares were also jointly owned by his wife.
3. Such interest (including Mr. Li Shaofeng's interest in 13,800,000 Shares, Mr. Yang Kaiyu's interest in 18,000,000 Shares, Mr. Leung Shun Sang Tony's interest in 12,000,000 Shares, Mr. Tang Cornor Kwok Kau's interest in 10,000,000 Shares, Mr. Yip Kin Man Raymond's interest in 2,052,000 Shares and Mr. Law, Yui Lun's interest in 2,816,000 Shares) is held pursuant to the share options granted under the Share Option Scheme.
4. "L" stands for a long position in the Shares.

As at the Latest Practicable Date, none of the Directors, chief executive nor their associates had any short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the number of issued Shares carrying rights to vote in all circumstances at the general meetings of any other member of the Group or held any option in respect of such share capital were as follows:

Name of Shareholder	Nature of interest	Number of Shares <i>(Note 6)</i>	Approximate percentage of shareholding
Shougang Holding	Beneficial owner	2,096,000 (L)	0.11%
	Interest in controlled corporations	902,543,179 (L) <i>(Note 1 to 4)</i>	46.93%
Shougang Concord International Enterprises Company Limited <i>(Note 4)</i>	Interest in controlled corporations	686,655,179 (L)	35.70%
Fair Union	Beneficial owner	135,721,936 (L) <i>(Note 4)</i>	7.06%
	Interest in controlled corporations	550,933,243 (L) <i>(Note 4)</i>	28.64%
Casula Investments Limited	Beneficial owner	402,395,304 (L)	20.92%

Name of Shareholder	Nature of interest	Number of Shares (Note 6)	Approximate percentage of shareholding
Bekaert (Note 5)	Interest in a controlled corporation	250,000,000 (L)	13.00%
Bekaert Combustion Technology B.V.	Beneficial owner	250,000,000 (L)	13.00%
Richson	Beneficial owner	148,537,939 (L) (Note 4)	7.72%
Able Legend	Beneficial owner	126,984,000 (L) (Note 3)	6.60%
Li Ka Shing Foundation	Beneficial owner	100,000,000 (L)	5.20%

Notes:

- 14,870,000 Shares are held by Lyre Terrace Management Limited (“Lyre Terrace”) as a registered holder. The entire issued share capital of Lyre Terrace is wholly-owned by SCG Investment (BVI) Limited (“SCG Investment”). The entire issued share capital of SCG Investment is wholly-owned by Shougang Concord Grand. 50.53% of the issued share capital of Shougang Concord Grand is held by Wheeling Holdings Limited (“Wheeling Holdings”), the entire issued share capital of which is in turn wholly-owned by Shougang Holding. Therefore, Shougang Holding is deemed to be interested in such 14,870,000 Shares held by Lyre Terrace.
- 74,034,000 Shares are held by Prime Success Investments Limited (“Prime Success”) as a registered holder, the entire issued share capital of which is in turn wholly-owned by Shougang Holding. Therefore, Shougang Holding is deemed to be interested in such 74,034,000 Shares held by Prime Success.
- 126,984,000 Shares are held by Able Legend Investments Limited (“Able Legend”) as a registered holder, the entire issued share capital of which is in turn wholly-owned by Shougang Holding. Therefore, Shougang Holding is deemed to be interested in such 126,984,000 Shares held by Able Legend.
- 148,537,939 Shares are held by Richson Limited (“Richson”) as a registered holder. 402,395,304 Shares are held by Casula Investments Limited (“Casula Investments”) as a registered holder. 135,721,936 Shares are held by Fair Union Holdings Limited (“Fair Union”) as a registered holder. The entire issued share capital of each of Richson and Casula Investments is wholly-owned by Fair Union. The entire issued share capital of Fair Union is wholly-owned by Shougang Concord International Enterprises Company Limited (“Shougang Concord International”), 47.60% of the issued share capital of which is held by Shougang Holding. Therefore, Shougang Concord International is deemed to be interested in such 148,537,939 Shares held by Richson, 402,395,304 Shares held by Casula Investments and 135,721,936 Shares held by Fair Union. Shougang Holding is deemed to be interested in such 686,655,179 Shares held by Shougang Concord International.
- 250,000,000 Shares are held by Bekaert Combustion Technology B.V. as a registered holder, the entire issued share capital of which is in turn wholly-owned by Bekaert. Therefore, Bekaert is deemed to be interested in such 250,000,000 Shares held by Bekaert Combustion Technology B.V..
- “L” stands for a long position in the Shares.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the number of issued Shares carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company (or its subsidiary) which has an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and any proposed Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entity
Li Shaofeng (Note 1)	BeijingWest Industries	Manufacturing, sales and trading of automotive parts and components	Executive director
Tang Cornor Kwok Kau (Note 2)	Loco Hong Kong	Trading of metals	Independent non-executive director

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entity
Liao Jun (Note 3)	Bekaert	Manufacturing and sale of steel wire and/or cord products	Senior Vice President of Bekaert, General Manager of Rubber Reinforcement North Asia
Yip Kin Man, Raymond (Note 4)	BeijingWest Industries	Manufacturing, sales and trading of automotive parts and components	Independent non-executive director

Notes:

1. Mr. Li Shaofeng was appointed as an executive director of BeijingWest Industries on 27 January 2014. He is the chairman of the Company and shall perform his duties towards the interest of the Company.
2. Mr. Tang Cornor Kwok Kau was appointed as an independent non-executive director of Loco Hong Kong on 22 July 2014, a company listed on the Growth Enterprise Market of the Stock Exchange on 5 August 2014. He does not participate in any decision making on daily operation of Loco Hong Kong.
3. Pursuant to a subscription agreement entered into by the Company and Bekaert in September 2006 and further agreement between Bekaert and the Company in February 2015, Mr. Liao Jun was nominated by Bekaert as a non-executive Director and was appointed on 25 February 2015.
4. Mr. Yip Kin Man, Raymond was appointed as independent non-executive director of BeijingWest Industries on 27 January 2014 and does not participate in any decision making on daily operation of BeijingWest Industries.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Group subsisting as at the Latest Practicable Date which was significant in relation to the businesses of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Company were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or letter contained in this circular:

Name	Qualification
Quam Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Quam Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and reference to its name, in the form and context in which it is included.

As at the Latest Practicable Date, Quam Capital did not have any shareholding in any member of the Group and did not have the right to subscribe for or to nominate persons to subscribe for shares in any members of the Group.

As at the Latest Practicable Date, Quam Capital did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. GENERAL

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 situated at 5th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wan Chai, Hong Kong during normal business hours on any weekdays (except public holidays), from the date of this circular up to and including 10 August 2016:

- (a) the Sale and Purchase Agreement;
- (b) the Finance Lease Agreement;
- (c) the Guarantee Agreement;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 16 of this circular;
- (e) the letter from Quam Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 35 of this circular;
- (f) the written letter of consent from Quam Capital as referred to in the section headed "Expert and Consent" of this Appendix; and
- (g) this circular.



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)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a general meeting (the “Meeting”) of Shougang Concord Century Holdings Limited (the “Company”) will be held at 2nd Floor, The Function Room, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Wednesday, 10 August 2016 at 10:00 a.m. for the following purposes:

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 21 July 2016.

AS ORDINARY BUSINESS:

1. **“THAT:**

- (a) the Sale and Purchase Agreement entered into between (i) Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) as seller and (ii) South China Leasing as purchaser 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 the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Sale and Purchase Agreement and any of the transactions contemplated thereunder.”

2. **“THAT:**

- (a) the Finance Lease Agreement entered into between (i) Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) as lessee and (ii) South China Leasing as lessor whereby 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) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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(b) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Finance Lease Agreement and any of the transactions contemplated thereunder.”

3. “**THAT:**

(a) the Guarantee Agreement entered into between (i) the Company and (ii) 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 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) each of the Directors be and is hereby authorised to do all such acts and things and sign, ratify or execute all such documents and take all such steps as the Director in his discretion may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Guarantee Agreement and any of the transactions contemplated thereunder.”

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

Hong Kong, 21 July 2016

Notes:

1. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Any Shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the Meeting. A proxy need not be a Shareholder. To be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the Company’s share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude a member from attending and voting in person at the meeting.
2. Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

NOTICE OF GM

3. The Register of Members of the Company will be closed from Monday, 8 August 2016 to Wednesday, 10 August 2016, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 5 August 2016.
4. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect at the time of the Meeting, the Meeting will be held as scheduled unless further notice posted on the websites of the Company at <http://www.irasia.com/listco/hk/sccentury/> and the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and place of the rescheduled meeting.

Shareholders should make their own decision as to whether they would attend the Meeting under bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.

5. As at the date of this notice, the Board comprises 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).