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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)

**CONNECTED TRANSACTION  
FINANCE LEASE ARRANGEMENT**

**FINANCE LEASE AGREEMENT**

The Board is pleased to announce that, on 31 May 2021 (after trading hours), Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) and South China Leasing entered into the Finance Lease Agreement, pursuant to which 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 RMB20,000,000 (equivalent to approximately HK\$24,000,000) and South China Leasing agreed to lease back the Machineries and Equipment to Tengzhou Eastern for the Lease Consideration of approximately RMB21,800,000 (equivalent to approximately HK\$26,160,000), comprising the rental principal of RMB20,000,000, the lease interest of approximately RMB1,650,000 and the lease handling fee of RMB150,000, for a lease term of eighteen (18) months.

On the same date, the Company, as the holding company of Tengzhou Eastern, 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.

## **LISTING RULES IMPLICATIONS**

As at the date hereof, the Company is held as to approximately 47.76% by Shougang HK and its controlled corporations. Pursuant to the Listing Rules, Shougang HK is regarded as a substantial Shareholder. South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand, which is in turn held as to approximately 50.84% by Shougang HK. South China Leasing is also held as to 25% by the indirect wholly-owned subsidiaries of Shougang HK. As such, South China Leasing is an associate of Shougang HK and is also a connected person (at the issuer level) of the Company. The transaction contemplated under the Finance Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.76(2) of the Listing Rules, as all applicable percentage ratios (other than the profits ratio) in respect of the Finance Lease Agreement and the transaction contemplated therein exceed 0.1% but are less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **FINANCE LEASE AGREEMENT**

The Board is pleased to announce that, on 31 May 2021 (after trading hours), Tengzhou Eastern (an indirect wholly-owned subsidiary of the Company) and South China Leasing entered into the Finance Lease Agreement, pursuant to which 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 RMB20,000,000 (equivalent to approximately HK\$24,000,000) and South China Leasing agreed to lease back the Machineries and Equipment to Tengzhou Eastern for the Lease Consideration of approximately RMB21,800,000 (equivalent to approximately HK\$26,160,000), comprising the rental principal of RMB20,000,000, the lease interest of approximately RMB1,650,000 and the lease handling fee of RMB150,000, for a lease term of eighteen (18) months.

The salient terms of the Finance Lease Agreement are set out below:

<b>Date:</b>	31 May 2021
<b>Parties:</b>	South China Leasing (as purchaser and lessor) Tengzhou Eastern (as seller and lessee)

### **Subject matter**

The Finance Lease Agreement comprised (I) the sale and purchase arrangement; and (II) the finance lease arrangement, details of which are set out below.

## **(I) Sale and purchase arrangement**

Pursuant to the Finance Lease 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 RMB20,000,000 (equivalent to approximately HK\$24,000,000).

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

### ***Purchase Consideration***

The Purchase Consideration of RMB20,000,000 (equivalent to approximately HK\$24,000,000), 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 (i) the age, current condition and expected depreciation of the Machineries and Equipment; (ii) the specialised usage of the Machineries and Equipment; (iii) the lease term; and (iv) similar prevailing finance lease arrangements.

### ***Conditions***

South China Leasing agreed to pay the Purchase Consideration to a designated bank account of Tengzhou Eastern within three (3) working days after fulfillment of certain conditions set out in the Finance Lease Agreement which include but not limited to:

- (i) the Finance Lease Agreement and other related legal documents having been duly executed and become effective;
- (ii) the letter of comfort of Shougang HK and the Guarantee Agreement having been received by South China Leasing; and
- (iii) Tengzhou Eastern having paid the lease handling fee to South China Leasing pursuant to the Finance Lease Agreement.

### ***Ownership of the Machineries and Equipment***

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

## **(II) Finance lease arrangement**

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 RMB21,800,000 (equivalent to approximately HK\$26,160,000) for a lease term of eighteen (18) months.

### ***Lease term***

The lease term for the Machineries and Equipment shall be eighteen (18) months commencing from the date on which the Purchase Consideration is paid by South China Leasing.

### ***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 RMB21,800,000 (equivalent to approximately HK\$26,160,000), comprising (i) the rental principal of RMB20,000,000; (ii) the lease interest of approximately RMB1,650,000; and (iii) the lease handling fee of RMB150,000.

The lease interest of approximately RMB1,650,000 is calculated based on the fixed interest rate of 5.5% per annum.

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

- (i) the lease interest of approximately RMB1,650,000 shall be payable quarterly in arrears by Tengzhou Eastern over eighteen (18) months and the rental principal of RMB20,000,000 shall be payable in equal amounts in the last two (2) installments; and
- (ii) the lease handling fee of RMB150,000 shall be payable by Tengzhou Eastern in one lump sum on a date within two (2) working days prior to the commencement of the lease term.

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

The Lease Consideration is expected to be settled by the Group with internal resources and/or other financing.

### ***Early repayment***

Tengzhou Eastern will have an option at any time to make early repayment of the whole or part of the rental principal of RMB20,000,000 after six (6) months from the date on which the Purchase Consideration is paid by South China Leasing subject to Tengzhou Eastern giving South China Leasing at least thirty (30) calendar days' advance notice in writing.

### ***Guarantee***

The Company, as the holding company of Tengzhou Eastern, entered into the Guarantee Agreement with South China Leasing on 31 May 2021 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 or repayment of the rental principal of RMB20,000,000 and other payables, Tengzhou Eastern shall have the right to purchase the Machineries and Equipment at a nominal purchase price of RMB2,000.

## **INFORMATION OF THE COMPANY AND THE PARTIES TO THE FINANCE LEASE AGREEMENT**

### **The Company**

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing of steel cords for radial tyres, sawing wires and hose wires.

### **Tengzhou Eastern**

Tengzhou Eastern is a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sales of steel cords, sawing wires and hose wires.

### **South China Leasing**

South China Leasing is a company established in the PRC and an indirect 75% owned subsidiary of Shougang Concord Grand, which is in turn held as to approximately 50.84% by Shougang HK. South China Leasing is also held as to 25% by the indirect wholly-owned subsidiaries of Shougang HK. It is principally engaged in the business of finance lease in the PRC.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT**

The Board considers that entering into the Finance Lease Agreement 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; and (iii) 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 Finance Lease Agreement, as it will be accounted for as a collateralised borrowing in the Group's consolidated financial statements without recognition of any sale of Machineries and Equipment in accordance with Hong Kong Financial Reporting Standards. The book value of the Machineries and Equipment as at 31 May 2021 was approximately RMB34,371,000 (equivalent to approximately HK\$41,245,000). The Group does not separately calculate the net profits (both before and after taxation) attributable to the Machineries and Equipment for the previous two financial years. The Purchase Consideration received by Tengzhou Eastern is expected to be used to repay the borrowed money or to acquire/develop the assets, so as to enhance manufacturing capacity and efficiency of Tengzhou Eastern.

The Directors (including independent non-executive Directors) considered that the Finance Lease Agreement was entered into on normal commercial terms after arm's length negotiations between the parties and the terms of each of 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.

Save for Messrs. Su Fanrong, Ye Qian and Li Jinping (being the deputy general manager of Shougang HK, an executive director of Shougang Fund and a financial controller of Shougang HK respectively), for the betterment of corporate governance practice, who are willing to abstain from voting on the resolutions at the Board meeting, none of the Directors has or is deemed to have a material interest in the Finance Lease Agreement and the transactions contemplated thereunder and was required to abstain from voting on the relevant Board resolutions approving the same.

## LISTING RULES IMPLICATIONS

As at the date hereof, the Company is held as to approximately 47.76% by Shougang HK and its controlled corporations. Pursuant to the Listing Rules, Shougang HK is regarded as a substantial Shareholder. South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand, which is in turn held as to approximately 50.84% by Shougang HK. South China Leasing is also held as to 25% by the indirect wholly-owned subsidiaries of Shougang HK. As such, South China Leasing is an associate of Shougang HK and is also a connected person (at the issuer level) of the Company. The transaction contemplated under the Finance Lease Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.76(2) of the Listing Rules, as all applicable percentage ratios (other than the profits ratio) in respect of the Finance Lease Agreement and the transaction contemplated therein exceed 0.1% but are less than 5%, such transaction is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 103)
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 31 May 2021 between Tengzhou Eastern and South China Leasing
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement dated 31 May 2021 between the Company and South China Leasing
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lease Consideration”	the total lease consideration payable by Tengzhou Eastern under the Finance Lease Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machineries and Equipment”	certain machineries and equipment primarily used by Tengzhou Eastern for manufacturing of steel cords
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“Purchase Consideration”	the amount of RMB20,000,000 (equivalent to approximately HK\$24,000,000) payable by South China Leasing to Tengzhou Eastern for the purchase of the Machineries and Equipment pursuant to the Finance Lease Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shougang Concord Grand”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange (Stock code: 730)
“Shougang Fund”	Beijing Shougang Fund Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of Shougang Group Co., Ltd., the holding company of Shougang HK
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a substantial Shareholder, is a wholly-owned subsidiary of Shougang Group Co., Ltd., a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission
“South China Leasing”	South China International Leasing Co., Ltd., a company established in the PRC and an indirect 75% owned subsidiary of Shougang Concord Grand, which is in turn held as to approximately 50.84% by Shougang HK. South China Leasing is also held as to 25% by the indirect wholly-owned subsidiaries of Shougang HK
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tengzhou Eastern” Tengzhou Eastern Steel Cord Co., Ltd., a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

“%” per cent

*In this announcement, unless otherwise indicated, amounts in RMB have been converted into HK\$ at the rate of RMB1 = HK\$1.2 for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.*

By order of the Board  
**Shougang Concord Century Holdings Limited**  
**SU Fanrong**  
*Chairman and Managing Director*

Hong Kong, 31 May 2021

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

*Mr. Su Fanrong (Chairman and Managing Director), Mr. Ye Qian (Executive Director), Mr. Li Jinping (Executive Director), Mr. Adam Touhig (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director) and Mr. Feng Yaoling (Independent Non-executive Director).*