
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in Shoucheng Holdings Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser(s) or the transferee(s), or to the licensed securities dealer, registered institution in securities, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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首程控股有限公司 SHOUCHENG HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE REVISED PROPOSED RESTRUCTURING; AND (2) NOTICE OF GENERAL MEETING

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



A notice convening the GM (as defined herein) of Shoucheng Holdings Limited to be held at 10:20 a.m. on Friday, 28 May 2021 or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, at Shougang Qiaomengyuan, 68 Shijingshan Road, Shijingshan District, Beijing, China is set out on pages GM-1 to GM-2 of this circular. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the GM (i.e., at or before 10:20 a.m. on Wednesday, 26 May 2021 (Hong Kong Time)) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

The Company would like to remind all Shareholders (as defined herein) that physical attendance at the GM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the Chairman of the GM as their proxy to vote on the relevant resolution at the GM instead of attending the GM in person. Completion and return of the proxy forms will not preclude the Shareholders from attending and voting in person at the meeting or any adjournment thereof should they subsequently so wish, and in such case, the proxy forms previously submitted shall be deemed to be revoked.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from Lego Corporation Finance, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 83 of this circular.

Hong Kong, 30 April 2021

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DEFINITIONS

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

| | |
|---|---|
| “Amended and Restated Sale and Purchase Agreement” | the amended and restated Sale and Purchase Agreement dated 15 January 2021 entered into between King Rich and the Vendor, as supplemented by a supplemental agreement dated 18 February 2021 |
| “Announcements” | the announcement of the Company dated 15 January 2021 as supplemented by a supplemental announcement of the Company dated 18 February 2021 |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | any day (excluding a Saturday, Sunday and any other public holidays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong, the PRC and the BVI |
| “BVI” | the British Virgin Islands |
| “Company” | Shoucheng Holdings Limited (首程控股有限公司), 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: 0697) |
| “Completion” | Completion of the Revised Proposed Restructuring |
| “Conditions” | has the meaning ascribed to it under the section headed “Conditions to the Amended and Restated Sale and Purchase Agreement” in this circular |
| “connected person(s)”, “connected transaction(s)” and “controlling shareholder” | have the meanings ascribed to them respectively under the Listing Rules |

DEFINITIONS

| | |
|------------------|--|
| “Director(s)” | the director(s) of the Company |
| “Disposal Group” | Excel Bond and its direct wholly-owned subsidiary, Ultimate Capital |
| “Excel Bond” | Excel Bond Investments Limited |
| “Executive” | the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director |
| “Fair Gain” | Fair Gain Investments Limited |
| “Fine Power” | Fine Power Group Limited |
| “FY 2018” | the financial year ended 31 December 2018 |
| “FY 2019” | the financial year ended 31 December 2019 |
| “FY 2020” | the financial year ended 31 December 2020 |
| “Group” | the Company and its subsidiaries |
| “GM” | the general meeting of the Company to be convened and held at Shougang Qiaomengyuan, 68 Shijingshan Road, Shijingshan District, Beijing, China on Friday, 28 May 2021 at 10:20 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, for the purpose of considering and, if thought fit, approving, among others things, the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKFRSs” | has the meaning as ascribed to it in the section headed “Waiver from Strict Compliance with Rule 14.68(2)(a)(i) of the Listing Rules” in this circular |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

DEFINITIONS

| | |
|--|---|
| “Independent Board Committee” | an independent board committee of the Board comprising all independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Dr. Qiao Yongyuan |
| “Independent Financial Adviser” or “Lego Corporate Finance” | Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder |
| “Independent Shareholders” | the Shareholders other than (i) any Shareholder who has a material interest in the Revised Proposed Restructuring other than its interest as a Shareholder and (ii) any close associate of such Shareholder referred to in (i) |
| “Internal Transfer” | the transfer of 50,954,000 Shougang Resources Shares (representing approximately 1.01% of all issued shares of Shougang Resources) from Ultimate Capital to Fair Gain |
| “Jingxi Holdings” | Jingxi Holdings Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Shougang Fund and an indirect wholly-owned subsidiary of Shougang Group and a substantial Shareholder as at the Latest Practicable Date |
| “King Rich” or “Purchaser” | King Rich Group Limited (京富集團有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Shougang Group |
| “Last Trading Date” | 14 January 2021, being the last full trading day of the Shares immediately preceding the date of the Sale and Purchase Agreement |

DEFINITIONS

| | |
|---|--|
| “Latest Practicable Date” | 28 April 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Long Stop Date” | 31 July 2021, or any other date as agreed in writing between King Rich and the Vendor |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | The People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Prime Success” | Prime Success Investments Limited, an indirect wholly-owned subsidiary of Shougang Group and also a Shareholder as at the Latest Practicable Date |
| “Proposed Restructuring” | the disposal by the Company of the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement |
| “Remaining Group” | the Group immediately after completion of the Revised Proposed Restructuring |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Revised Net Proceeds” | the net cash proceeds of approximately HK\$1,438.00 million from the Revised Proposed Restructuring |
| “Revised Proposed Restructuring” or “Disposal” | the disposal by the Company of the Revised Sale Share pursuant to the terms and conditions of the Amended and Restated Sale and Purchase Agreement |
| “Revised Sale Share” | the one (1) ordinary share in the issued share capital of Excel Bond, representing the entire issued share capital of Excel Bond |

DEFINITIONS

| | |
|-------------------------------|--|
| “Sale and Purchase Agreement” | a sale and purchase agreement dated 15 January 2021 entered into between King Rich and the Vendor in relation to the Proposed Restructuring of the Sale Shares |
| “Sale Shares” | collectively, the one (1) ordinary share in the issued share capital of Excel Bond; the one (1) ordinary share in the issued share capital of Fine Power; and the one (1) ordinary share in the issued share capital of Fair Gain, representing the entire issued share capital of each of the Subject Companies |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | the ordinary share(s) of the Company |
| “Shareholder(s)” | the holder(s) of Shares |
| “Shougang Fund” | 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*), a limited liability company established in the PRC and a wholly-owned subsidiary of Shougang Group |
| “Shougang Group” | 首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC and a controlling shareholder of the Company |
| “Shougang Holding” | Shougang Holding (Hong Kong) Limited (首鋼控股(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Group |
| “Shougang Resources” | Shougang Fushan Resources Group Limited (首鋼福山資源集團有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 0639) |
| “Shougang Resources Group” | Shougang Resources and its subsidiaries |

DEFINITIONS

| | |
|-------------------------------|---|
| “Shougang Resources Share(s)” | the ordinary share(s) of Shougang Resources |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subject Companies” | collectively, Excel Bond, Fine Power and Fair Gain |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Takeovers Code” | the Code on Takeovers and Mergers issued by the SFC |
| “Ultimate Capital” | Ultimate Capital Limited |
| “Vendor” | Shoujing Yifei Holdings Limited |
| “Waiver” | a waiver to dispense with the obligation to make a mandatory general offer for Shougang Resources Shares not already owned or agreed to be acquired by them pursuant to Rule 26.1 of the Takeovers Code in respect of the proposed indirect transfer of approximately 28.98% of all issued shares of Shougang Resources |
| “%” | per cent. |

* *In this circular, the English translation of certain Chinese names, entities and addresses is included for information purpose only and should not be regarded as official English translation of such Chinese names, entities and addresses.*

LETTER FROM THE BOARD



首程控股有限公司
SHOUCHENG HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

Executive Directors:

Mr. Zhao Tianyang (*Chairman*)
Mr. Xu Liang
Mr. Li Wei (*President*)
Ms. Zhang Meng

Registered Office:

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

Non-executive Directors:

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

Independent non-executive Directors:

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

30 April 2021

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
IN RELATION TO
THE REVISED PROPOSED RESTRUCTURING; AND
(2) NOTICE OF GM**

INTRODUCTION

References are made to the Announcements. The purposes of this circular are to provide you with:

- (i) a letter from the Board containing further details of the Revised Proposed Restructuring;

LETTER FROM THE BOARD

- (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder;
- (iii) the opinions of the Independent Financial Adviser in relation to the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder;
- (iv) a notice of convening the GM; and
- (v) other information as required under the Listing Rules.

THE REVISED PROPOSED RESTRUCTURING

The Sale and Purchase Agreement

On 15 January 2021, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with King Rich, a connected person of the Company, pursuant to which the Vendor has conditionally agreed to sell, and King Rich has conditionally agreed to purchase, the Sale Shares, which represented the entire issued share capital of each of the Subject Companies, at a consideration of HK\$3,513,509,976. The Subject Companies held a total of 28.98% equity interest in Shougang Resources.

The Amended and Restated Sale and Purchase Agreement

Subsequently on 18 February 2021, the Vendor and King Rich entered into a supplemental agreement to amend and restate the Sale and Purchase Agreement.

The principal terms of the Amended and Restated Sale and Purchase Agreement are summarized as follows:

Date

18 February 2021

LETTER FROM THE BOARD

Parties

- (1) the Vendor as vendor; and
- (2) King Rich as purchaser

King Rich is an indirect wholly-owned subsidiary of Shougang Group, the controlling shareholder of the Company. Accordingly, King Rich is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

Subject matter

The Vendor has conditionally agreed to sell, and King Rich has conditionally agreed to acquire, the Revised Sale Share, which represents the entire issued share capital of Excel Bond as at the Latest Practicable Date. As at the Latest Practicable Date, Excel Bond holds indirectly approximately 11.88% in aggregate of all issued shares of Shougang Resources.

Consideration

The consideration for the Revised Sale Share of HK\$1,440,000,000 was agreed after arms' length negotiations between the Vendor and King Rich and having taken into account the recent market price of Shougang Resources Shares and the trading liquidity of Shougang Resources Shares, which has been relatively low prior to the Last Trading Date.

The consideration is to be settled by way of cash upon completion of the Revised Proposed Restructuring.

Basis of determining the Consideration

The consideration of HK\$1,440,000,000 reflects an indirect transfer of 600,000,000 Shougang Resources Shares at a consideration of HK\$2.40 per Shougang Resources Share, representing:

- (i) a premium of approximately 29.73% over the closing price of HK\$1.850 per Shougang Resources Share as quoted on the Stock Exchange as at the Last Trading Date;
- (ii) a premium of approximately 29.59% over the average closing price of HK\$1.852 per Shougang Resources Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

LETTER FROM THE BOARD

- (iii) a premium of approximately 27.46% over the average closing price of HK\$1.883 per Shougang Resources Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 28.48% over the average closing price of HK\$1.868 per Shougang Resources Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Date;
- (v) a premium of approximately 38.33% over the average closing price of HK\$1.735 per Shougang Resources Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Date; and
- (vi) a discount of approximately 23.44% to the audited net assets value per Shougang Resources Share of HK\$3.135 as at 31 December 2020.

Despite the consideration represents a discount of approximately 23.44% to the audited net assets value per Shougang Resources Share as at 31 December 2020, in light of (i) the above comparison against the closing price of Shougang Resources Share; (ii) the historical market performance of Shougang Resources Share as elaborated above and at page 21 of this circular, the Directors (excluding Mr. Zhao Tianyang and Mr. Xu Liang, the executive Directors whom, by virtue of their respective connection with Shougang Group, have abstained from voting in respect of the Board resolutions approving the Revised Proposed Restructuring) consider that the consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions

Completion of the Revised Proposed Restructuring is subject to and conditional upon the fulfillment (or waiver thereof, if applicable) of following conditions precedent (the “**Conditions**”):

- (i) the approval from the Independent Shareholders of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder at the GM convened in accordance with the Listing Rules, and such approval remaining valid, effective and not having been rescinded or revoked;
- (ii) the filing, registration or approval, as applicable, with or by the State-Owned Assets Supervision and Administration Commission of the State Council of PRC, or its local authorities, and such other applicable PRC governmental approvals in respect of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder having been obtained or completed, and such filing, registration or approval, as applicable, remaining valid, effective and not having been rescinded or revoked;

LETTER FROM THE BOARD

- (iii) the Internal Transfer having been completed;
- (iv) the representations, warranties and undertakings made in respect of the Vendor, Excel Bond and the Revised Sale Share are true, accurate and not misleading in any material respects; and
- (v) the representations, warranties and undertakings made in respect of King Rich are true, accurate and not misleading in any material respects under the Amended and Restated Sale and Purchase Agreement.

Conditions (i), (ii) and (iii) are non-waivable. Conditions (iv) and (v) may be waived in whole or in part by King Rich and the Vendor respectively. If any of the Conditions are not fulfilled or waived (as the case may be) on or before the Long Stop Date or such later date as the parties may agree in writing, the Amended and Restated Sale and Purchase Agreement shall automatically lapse and be of no further force and effect; and neither party shall have any claim against the other save in respect of claims arising out of any antecedent breach of the Amended and Restated Sale and Purchase Agreement pursuant to the provisions expressly stated to continue without limit in time.

As at the Latest Practicable Date, Condition (iii) (i.e. the Internal Transfer) of the above conditions precedent has been fulfilled. Save as aforesaid, none of the above conditions precedent has been fulfilled (or waived, if applicable).

Completion

Completion shall take place on the twenty-first (21st) Business Day after the date (not being later than the Long Stop Date) on which the last of the Conditions is satisfied or waived (as the case may be), or such other date as King Rich and the Vendor may agree in writing.

SHAREHOLDING STRUCTURES BEFORE AND AFTER COMPLETION OF THE REVISED PROPOSED RESTRUCTURING

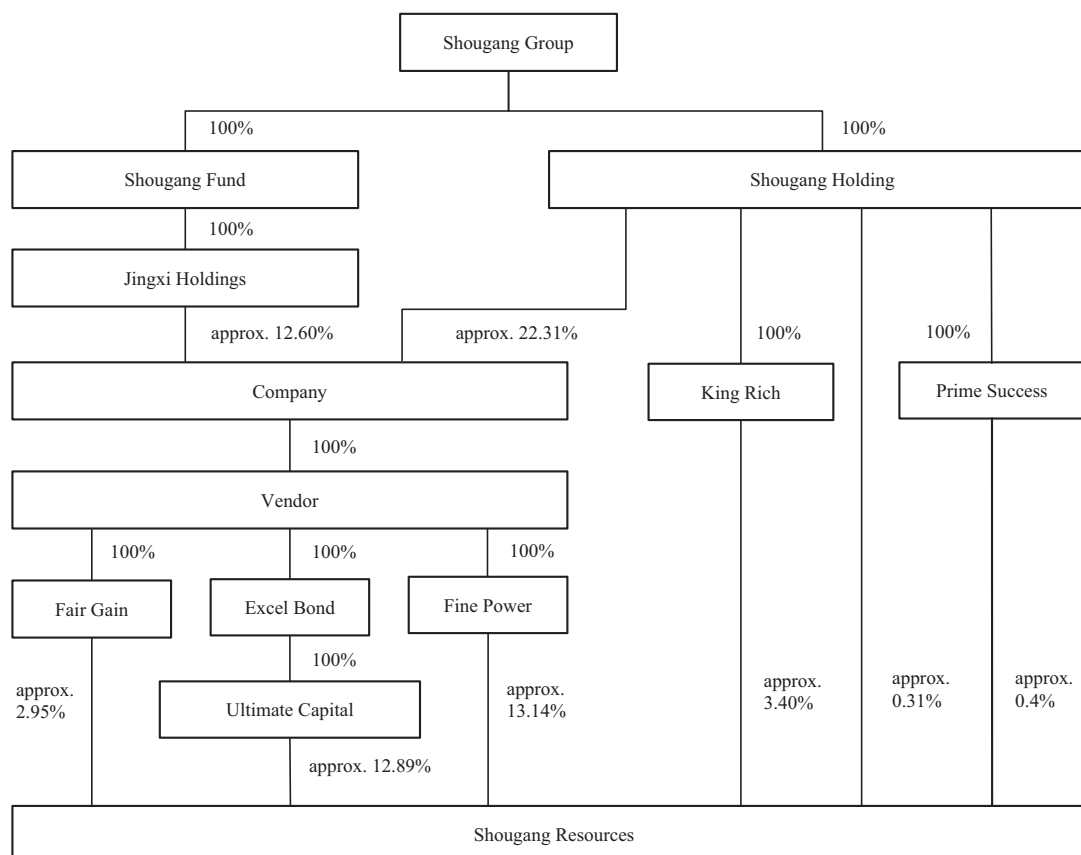
As at the Latest Practicable Date, given that the Internal Transfer has been completed, the Company indirectly holds approximately 28.98% in aggregate of all issued shares of Shougang Resources, out of which 11.88% of all issued shares of Shougang Resources is held by Excel Bond indirectly.

As Excel Bond will cease to be a subsidiary of the Company following Completion, the Company will only have indirect aggregate interest in approximately 17.10% of all issued shares of Shougang Resources upon completion of the Revised Proposed Restructuring.

LETTER FROM THE BOARD

The simplified shareholding structures of the Company, Excel Bond and Shougang Resources (i) prior to completion of the Internal Transfer; (ii) immediately after completion of the Internal Transfer and before completion of the Revised Proposed Restructuring (i.e. as at the Latest Practicable Date); and (iii) immediately after completion of the Revised Proposed Restructuring are set out below:

(i) Prior to completion of the Internal Transfer

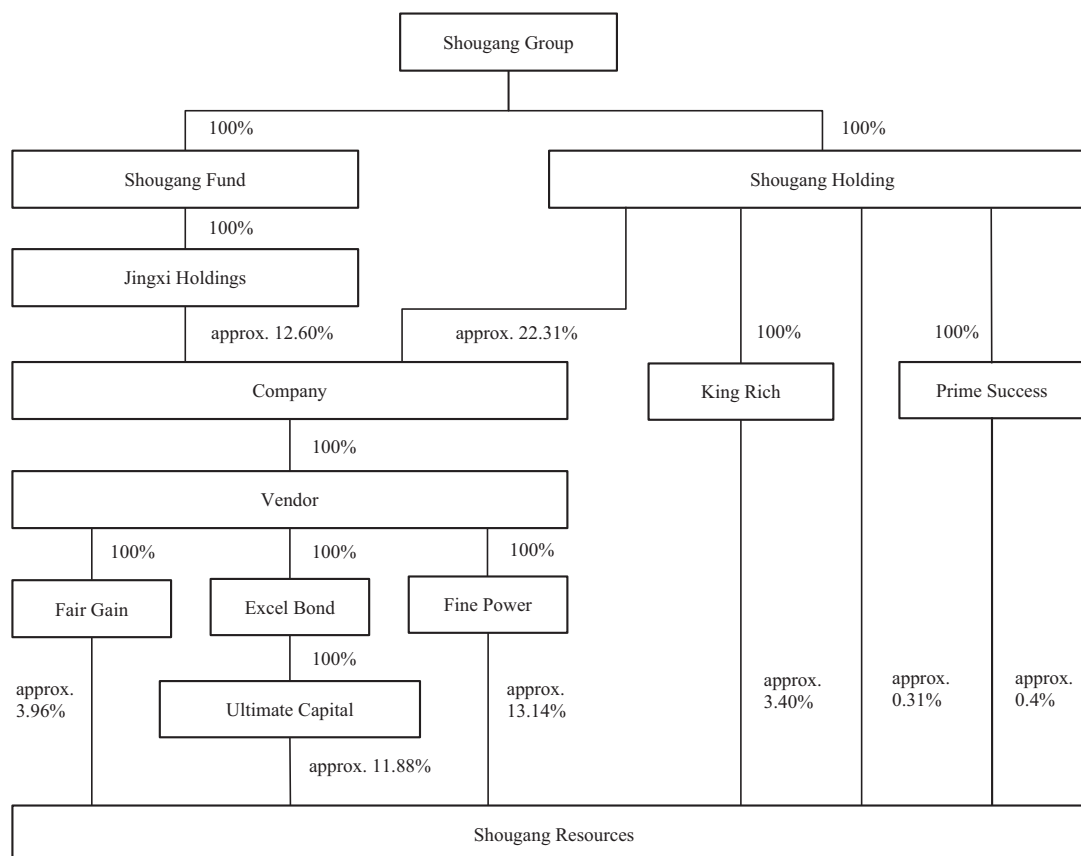


Note:

As at the Latest Practicable Date, the Company is held as to 34.91% by Shougang Group through its associated companies, of which 22.31% shareholdings in the Company is directly and indirectly held by Shougang Holding through a number of its subsidiaries.

LETTER FROM THE BOARD

(ii) Immediately after completion of the Internal Transfer and before completion of the Revised Proposed Restructuring (i.e. as at the Latest Practicable Date)

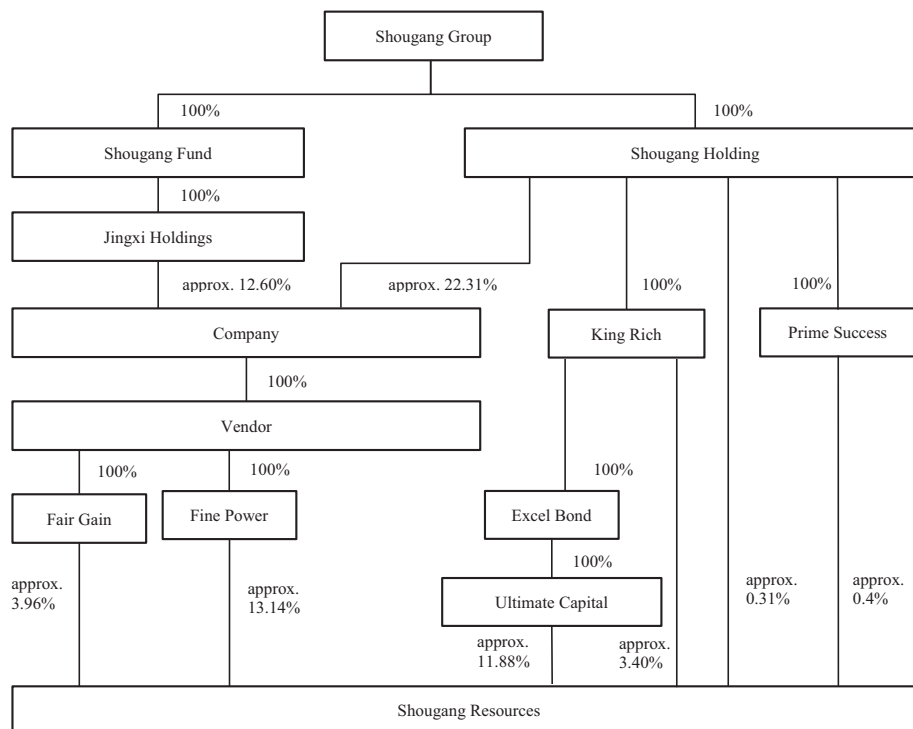


Note:

As at the Latest Practicable Date, the Company is held as to 34.91% by Shougang Group through its associated companies, of which 22.31% shareholdings in the Company is directly and indirectly held by Shougang Holding through a number of its subsidiaries.

LETTER FROM THE BOARD

(iii) Immediately after completion of the Revised Proposed Restructuring



Note:

As at the Latest Practicable Date, the Company is held as to 34.91% by Shougang Group through its associated companies, of which 22.31% shareholdings in the Company is directly and indirectly held by Shougang Holding through a number of its subsidiaries.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

King Rich and Shougang Group

King Rich is a company incorporated in the British Virgin Islands which is principally engaged in investment holding. It is an indirectly wholly-owned subsidiary of Shougang Group.

Shougang Group is a state-owned enterprise established in the PRC and a controlling shareholder of the Company.

The Group, Excel Bond and the Vendor

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

The Vendor is a company incorporated in Samoa which is principally engaged in investment holding and a wholly-owned subsidiary of the Company.

Excel Bond is a company incorporated in the BVI and is principally engaged in investment holding.

Financial Information of the Disposal Group

The key unaudited financial information of Excel Bond and Ultimate Capital related to Statements of Comprehensive Income for FY2019 and FY2020 and related to the Statement of Financial Position for FY2020 are set forth as follows:

| | Excel Bond (on a consolidated basis) | Ultimate Capital (on a standalone basis) |
|---|---|---|
| | For the year ended 31 December 2019 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net profit (before and after taxation) for the year | <u>110,377</u> | <u>110,379</u> |
| | For the year ended 31 December 2020 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net profit (before and after taxation) for the year | <u>105,155</u> | <u>105,157</u> |

LETTER FROM THE BOARD

| | As at 31 December 2020 | |
|---|-------------------------------|-------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Financial assets measured at fair value through other comprehensive income | 1,184,736 | 1,184,736 |
| Bank balances and cash | <u>11,274</u> | <u>11,274</u> |
| Total assets | <u>1,196,010</u> | <u>1,196,010</u> |
| Amounts due to group companies | <u>1,478,519</u> | <u>1,416,008</u> |
| Total liabilities | <u>1,478,519</u> | <u>1,416,008</u> |
| Share capital* | – | – |
| Reserves | <u>(282,509)</u> | <u>(219,998)</u> |
| Total equity | <u>(282,509)</u> | <u>(219,998)</u> |

* *Due to rounding, numbers presented throughout this financial information may not precisely reflect the absolute figures.*

The transfer of 50,954,000 Shougang Resources Shares (representing approximately 1.01% of all issued shares of Shougang Resources) from Ultimate Capital to Fair Gain (with each of Ultimate Capital and Fair Gain being a wholly-owned subsidiary of the Vendor) has been completed late March 2021. In addition, as at the Latest Practicable Date, the Group has completed the transfer of the dividend income attributable to Ultimate Capital's holding of Shougang Resources Shares to Fair Gain.

Based on the unaudited management accounts of Excel Bond and Ultimate Capital for FY2020, save for the direct and indirect holding of the relevant Shougang Resources Shares which was recorded as financial assets measured at fair value through other comprehensive income, the Disposal Group has recorded (i) bank balances and cash of approximately HKD11,274,000 ("Cash Balance"); and (ii) intra-group balance of approximately HKD1,478,519,000 ("Intra-group Balance") as at 31 December 2020:

- (a) the Cash Balance represents the cash received from Shougang Resources in relation to the dividend of Shougang Resources Shares held by the Disposal Group; whereas

LETTER FROM THE BOARD

- (b) the Intra-group Balance represents the net amount of the historical balance between the Disposal Group and another subsidiary of the Company, comprising of (a) the capital injection in the Disposal Group; (b) the loan provided to the Disposal Group which were used for acquiring the Shougang Resources Shares; and (c) the dividends payable by the Disposal Group, which will be distributed to the Company.

Both of the Cash Balance and Intra-group Balance are within the Group and will be handled by the Company internally. Save as disclosed above, the Disposal Group does not hold any other asset or have incurred any liability.

The net profits of the Disposal Group incurred for FY2020 and FY2019 amounted to approximately HK\$105,155,000 and HK\$110,377,000 respectively. As the Disposal Group does not carry on any business (or generate any income), the aforesaid net profits incurred for FY2020 and FY2019 entirely represent the net off balance of the dividend income received from Shougang Resources and the administrative expenses of holding Excel Bond and Ultimate Capital (the special purpose vehicles) and the Shougang Resources Shares.

The announcement of the Company dated 15 January 2021 previously disclosed that, as at 15 January 2021, save for the holding of approximately 28.98% in aggregate of all issued shares of Shougang Resources, none of Excel Bond or Ultimate Capital carry on any business, hold any other asset or have incurred any liability. In respect of the aforesaid disclosure, the Company wishes to clarify that, as at 15 January 2021, save for (i) the indirect and direct shareholding in Shougang Resources, (ii) the Cash Balance and (iii) the Intra-Group Balance, Excel Bond or Ultimate Capital do not carry on any business, hold any other asset or have incurred any liability.

Pursuant to the Amended and Restated Sales and Purchase Agreement, at Completion, the Vendor shall deliver the Disposal Group without any asset or liability save for the direct and indirect interest in Shougang Resources to the Purchaser. Accordingly, the Company will, prior to Completion, (i) procure the Disposal Group to distribute the existing Cash Balance to the parents; and (ii) settle the Intra-group Balance through waiver or assignment of balances. The distribution of the aforesaid Cash Balance and settlement of the Intra-group Balance between the Disposal Group and another subsidiary of the Company prior to the Completion Date will not have any financial effect on the consolidated accounts of the Company given it is purely an intra-group arrangement. As at the Latest Practicable Date, the aforementioned arrangement has been completed. Accordingly, as at the Latest Practicable Date and the Completion Date, there would be no Cash Balance nor Intra-Group Balance in the accounts of the Disposal Group, and the holding of approximately 11.88% in aggregate of all issued shares of Shougang Resources shall represent the sole asset of the Disposal Group.

Accordingly, as at the Latest Practicable Date:

- (i) each of Excel Bond and Ultimate Capital was a special purpose vehicle principally engaged in investment holding only;

LETTER FROM THE BOARD

- (ii) Excel Bond held, indirectly through Ultimate Capital, approximately 11.88% in aggregate of all issued shares of Shougang Resources, and its shareholding in Shougang Resources represented the sole asset held by it; and
- (iii) save for the indirect and direct shareholding in Shougang Resources referred to in subparagraph (ii) above, none of Excel Bond and Ultimate Capital carried on any business (or generate any income), held any other asset or have incurred any liability.

Shougang Resources

Shougang Resources is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0639). Shougang Resources is an integrated coking coal corporation in central-western China, principally engaged in mining of coking coal, production and sales of raw and clean coking coal.

For details on the financial information of Shougang Resources, please refer to the section headed “Waiver from Strict Compliance with Rule 14.68(2)(a)(i) of the Listing Rules” in this circular, and Appendix III – “Financial Information of Shougang Resources” to this circular for a summary of the financial information of Shougang Resources for each of FY2018, FY2019 and FY2020 which are extracted from the respective published audited financial statements of Shougang Resources for further details.

REASONS FOR AND BENEFITS OF THE REVISED PROPOSED RESTRUCTURING

The Group is principally engaged in management and operations of car parking assets business, management of private funds that are oriented towards urban redevelopment business.

The Group and its Principal Businesses

The Board undertakes strategic review of its businesses from time to time with a view to maximize returns to the Shareholders and to align with the business development strategy direction of the Group. Since late 2017 and 2018, the Group has shifted its focus from iron ore trading business to the management and operations of car parking assets business as well as the management of private funds that are oriented towards urban redevelopment. Following over three years of hard work, the principal businesses of the Group have been laid a solid foundation for sustainable development, with its respective business scales having maintained high growth rates. The Group has achieved significant improvement in its financial performance and has sustained continuous growth. The stock prices and the market capitalization of the Company have also increased continuously, which provide stable cash dividends and capital appreciation to the Shareholders. The Group is confident and optimistic for the future development of its car parking and urban renewal businesses.

LETTER FROM THE BOARD

With respect to management and operations of car parking assets business, the Group has initially established the four core business network which is spanned across Beijing, Tianjin, Hebei, Yangtze River Delta, Southwest Region and Greater Bay Regional Area. It has further polished core products, enriched business landscape, expanded cooperation model, and added the new business format – parking spaces with property rights based on the existing product format. Meanwhile, the Group has further increased investment in research and development, implemented technological innovations into parking spaces operations and management, and improved operational efficiency while creating new business growth point. While most of the new parking spaces signed in 2020 have not yet been put into operation and the revenue scale has not yet been fully released, revenue of this operating segment was HK\$481.0 million, resulting an increase of 171.7% compared to FY2019.

Management of private funds continues to take real estate infrastructure as the main direction. It covers urban redevelopment business and the infrastructure field. In 2020, the overall scale of fund management was growing steadily and continued to contribute a stable source of income to the Group. In 2020, this operating segment recorded revenue of HK\$213 million, representing an increase of 18% from last year and net profit of HK\$137 million, representing a decrease of 30% from last year, respectively. Excluding the impact of one-off income in 2019, the net profit of this operating segment has increased by 25% for this year as compared to last year.

The synergy between the fund management business and the car parking business has further emerged. The industrial funds deployed in key areas provide good relationships, business resources and industry chains collaboration for the expansion of the parking business. In addition, with the accumulation of the Group's business in the parking industry, funds with parking business as the main direction are also gradually implementing.

Investment in Shougang Resources

At the same time, as at the Latest Practicable Date, the Company holds investments in Shougang Resources, an associate company (as defined under the Hong Kong Financial Reporting Standards) whose shares are listed on the Stock Exchange.

Shougang Resources is principally engaged in the mining and sales of coking coal in Shanxi Province of the PRC. It possesses quality coal assets and has achieved stable profitability in the past. In 2009, the Company (previously known as Shougang Concord International Enterprises Company Limited) invested in Shougang Resources and became a major shareholder. Such equity investment was made in line with the Group's development strategy at that time to establish a more complete and valuable industrial chain by opening up the upstream and downstream links of the core businesses and bringing into synergetic effects.

LETTER FROM THE BOARD

The Group's Strategic Transformation in Recent Years

Since the Group shifted its focus to developing its current principal businesses, the development direction of its principal businesses and that of Shougang Resources have emerged to become different and non-complementary to each other, which makes it more challenging to achieve synergistic development effect. In the short term, Shougang Resources undoubtedly brings value to the financial performance of the Company. However, the Group is fully aware that its business development shall align with its long-term strategies which mainly focuses on car parking and urban renewal businesses.

In addition, despite the Company being a substantial shareholder of Shougang Resources of approximately 28.98% equity interests, the Company is unable to contribute funds and resources support to Shougang Resources to reign in further synergies. With limited contribution which the Group can offer to the development of Shougang Resources, the Company considers that the continued holding of this particular investment will not benefit its Shareholders in the long run. In addition, as at 31 December 2020, the Group's equity investment in Shougang Resources has accounted for approximately 36% of the total assets of the Group. To continue the holding of its equity interest in Shougang Resources significantly limits the Group's ability to optimize its asset structure. If the asset structure is unable to reflect the nature of the Group's principal businesses, it will be challenging for the Company to properly position itself in the capital markets, which may adversely affect the valuation and market perception of the Company.

Furthermore, the consideration for the Revised Proposed Restructuring shall be paid in cash. In 2020, despite the negative impact of COVID-19 on the Group's business expansion, the management and operations of car parking assets business still maintains a rapid growth rate. Apart from entering into arrangements for a number of large-scale parking projects in Baoding, Nanjing and other places, strategical cooperation agreements have also been entered into with a number of regional governments and enterprises in respect of the management and operations of car parking assets business. Compared to 2019 and 2018, the management and operations of car parking assets business has shown accelerated growth momentum. The cash consideration to be received from the Revised Proposed Restructuring not only supports the existing funding needs of the Group's car parking and urban renewal businesses and enhances the risk tolerance of the Group under complicated economic environment, but also allows the Group to seize the Mainland China car parking industry's developmental opportunity window and accelerate the business expansion based on the Group's current business foundation, and thereby contributing better returns to the Shareholders.

LETTER FROM THE BOARD

Having considered the Group's available assets, resources and future strategies, the Board is of the view that the Revised Proposed Restructuring, and the net proceeds arising therefrom, can facilitate the Group in utilizing its enhanced resources to optimize its current principal business structure. Through greater focus and specialization into the current two major business operating segments, the Board believes that the management and operations of car parking assets business and urban renewal business will continue to maintain a rapid growth trend in its next stage of development, allowing the Shareholders to further realize shareholder value from their long term investment in the Group.

The Revised Proposed Restructuring (i.e. the disposal of part, even not all, of the Company's indirect equity interests in Shougang Resources)

As disclosed in the Announcements, King Rich and Shougang Holding have applied to the Executive for a Waiver. Subsequent to the announcement on 15 January 2021, the Company has been informed that King Rich and Shougang Holding did not successfully obtain a Waiver from the Executive. In other words, Condition (iii) as set out in the section headed "Conditions" in the aforesaid announcement dated 15 January 2021 will not be fulfilled prior to the Long Stop Date.

Nonetheless, the Company maintains a firm vision in implementing its transformation strategies, and has full confidence in the prospects of its current principal businesses. On the one hand, the Company will continue to direct its efforts to develop the Group's management and operations of car parking assets business as well as the urban renewal business, on the other hand, the Company will carefully consider and progress with the divestiture of its traditional businesses and assets. On this basis, the Company considers that the disposal of part, even not all, of its indirect equity interests in Shougang Resources could further realize the implementation of its strategic transformation and shift of focus to the development of current principal businesses.

With the structure of the Revised Proposed Restructuring, the Company believes that the aforesaid goals can be realized while at the same time serving the purpose to replenish the financial resources of the Group, such that it can sustain its fast-growing businesses and necessary funding needs under an optimized asset structure, thereby maximizing returns to the Shareholders.

In view of the above, the Board (other than Mr. Zhao Tianyang and Mr. Xu Liang, the executive Directors whom, by virtue of their respective connection with Shougang Group, have abstained from voting in respect of the Board resolutions approving the Revised Proposed Restructuring) are of the view that although the Revised Proposed Restructuring is not conducted in the ordinary and usual course of business of the Company due to its transaction nature, the terms of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder are fair and reasonable and that the entering into of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

USE OF PROCEEDS

It is expected that the Company will receive net cash proceeds of approximately HK\$1,438.00 million from the Revised Proposed Restructuring. The Company intends to apply the Revised Net Proceeds on existing business expansion, strategic investment opportunities, as applicable, and general working capital, as follows:–

| | Proposed use of Revised Net Proceeds | Tentative allocation in proportion to total expected net cash proceeds arising from the Revised Proposed Restructuring |
|--|--|---|
| (i) Management and operations of car parking assets | The Group expects to apply part of the net cash proceeds towards payment for parking lot renovation expenses, operating system research and development expenses, rental payments and construction cost for new parking buildings. A portion of the net cash proceeds is also expected to be applied towards investment expenditure on the establishment of parking asset investment funds to allow the Group to continue seizing industry opportunities and leveraging on the Group's leading advantage in the field. | Approx. 30% to 40% |
| (ii) Urban redevelopment business and management of private funds that are oriented towards urban redevelopment | The Group expects to utilize part of its net cash proceeds towards its urban redevelopment business, part of which is intended to be applied on the development plan of the Shougang Park and the continuing establishment of private funds towards the urban redevelopment. Urban redevelopment REITs funds are strategic investment products which have been derived from the integration of the Group's principal businesses. It is expected that investments in the aforesaid funds can effectively enhance the Group's fund management scale and scale of asset under management. | Approx. 30% to 40% |

LETTER FROM THE BOARD

| | Proposed use of Revised Net Proceeds | Tentative allocation in proportion to total expected net cash proceeds arising from the Revised Proposed Restructuring |
|--------------------------------------|---|---|
| (iii) General working capital | As the scale of business and operations of the Group expands, the Company expects to utilize part of the net cash proceeds to replenish, and where appropriate supplement, the daily general working capital of the Group for the administration expenses of the management of the Group, business development expenses and the payment of dividends. | Approx. 20% to 40% |

The Company considers that such allocation basis (presented in percentages in proportion to the total expected net cash proceeds) for the Revised Net Proceeds remains fair and reasonable for the following reasons:

- (1) the Company's plan to continue to further develop its existing principal businesses and seize suitable strategic investment opportunities remains the same;
- (2) as such, the Company's demand for working capital (which will increase alongside the expansion to its principal businesses) remains the same; and
- (3) while the expected net cash proceeds arising from the Revised Proposed Restructuring is reduced, the Company will endeavor to improve efficiency and maximize utilization of the cash proceeds, and where appropriate, consider other financing means.

EFFECT OF THE REVISED PROPOSED RESTRUCTURING ON EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Upon completion of the Revised Proposed Restructuring, the Company's interest in the Revised Sale Share will no longer be accounted for under the non-current assets of the Group's financial statement. We set out below the analysis on the financial effects of the Revised Proposed Restructuring on the Group with reference to the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, which has been prepared for illustrative purposes based on the assumptions as set out therein.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Shougang Resources was accounted for as an associate of the Company in the consolidated financial statements of the Group. The sole asset of Excel Bond is its indirect shareholding in Shougang Resources. Upon Completion, the Company will cease to hold the indirect interest in approximately 11.88% of Shougang Resources Shares held by Ultimate Capital. In return, the Company will receive a cash of HK\$1,440.00 million as a result of the Revised Proposed Restructuring. Assuming the Completion had taken place on 31 December 2020, the total assets of the Remaining Group as at 31 December 2020 would have decreased from approximately HK\$14,125.6 million to HK\$13,470.9 million as a result of the Revised Proposed Restructuring. On the other hand, the Revised Proposed Restructuring will not have any effect on the total liabilities of the Group as at 31 December 2020, and the total equity as at 31 December 2020 would have decreased from approximately HK\$11,919.3 million to HK\$11,264.5 million as a result of the Revised Proposed Restructuring.

On the above basis, having considered the consideration under the Amended and Restated Sale and Purchase Agreement in the amount of HK\$1,440.00 million and assuming that Completion had taken place on 31 December 2020, the Company would have realized an unaudited loss on the disposal of the Revised Sale Share of approximately HK\$654.8 million (before the reclassification of exchange reserve), which will be debited to the profit and loss, being the difference of the cash proceeds from the disposal of the Revised Sale Share of approximately HK\$1,440.00 million and the unaudited carrying value of the Revised Sale Share as at 31 December 2020. The actual loss on the Revised Proposed Restructuring, which will be calculated based on the carrying value of the Group's investment in the Shougang Resources Shares as at the date of the Completion, may be different and is subject to determination.

On 15 January 2021 when the Sale and Purchase Agreement was first entered into, despite the Company were to expect to realize a one-off unaudited loss of approximately HK\$1,374.33 million from the disposal of the Sale Shares, the Company, at the time, believed that the terms of the Proposed Restructuring were fair and reasonable and were in the interests of the Company and its Shareholders as a whole for the following reasons:

- (1) The historical market prices of the Shougang Resources Shares had consistently fluctuated below HK\$2.00 over the seven years (save for the limited period in the first quarter of 2018) preceding 15 January 2021 (being the date of the Sale and Purchase Agreement). In addition, the stock liquidity for the Shougang Resources Shares had been relatively low, with its average daily turnover since 2020 maintained at a level less than HK\$8 million. Therefore, with the Group undertaking the significant disposal of the Revised Sale Share at a premium of approximately 29.73% over the closing price of HK\$1.850 per Shougang Resources Share as quoted on the Stock Exchange as at the Last Trading Date, the Revised Proposed Restructuring represents an excellent opportunity for the Company to offload its investments in Shougang Resources at a good price.

LETTER FROM THE BOARD

- (2) Despite the one-off unaudited loss brought about by the Revised Proposed Restructuring (being the disadvantage of the Revised Proposed Restructuring), as disclosed in the section headed “*Reasons For and Benefits of The Revised Proposed Restructuring*”, having considered the Group’s future strategies and the available assets and resources upon completion of the Revised Proposed Restructuring, the Company is of the view that the Revised Proposed Restructuring, and the net proceeds arising therefrom, can facilitate the Group in utilizing its enhanced resources to optimize its current principal business structure. Through greater focus and specialization into the current two major business operating segments, the Company believes that the Group can recover from the unaudited loss resulting from the disposal of the Revised Sale Share in the long run.

As disclosed in the section headed “*The Revised Proposed Restructuring (i.e. the disposal of part, even not all, of the Company’s indirect equity interests in Shougang Resources)*” in this circular, despite King Rich and Shougang Holding not having successfully obtained a Waiver from the Executive, after due and careful consideration, the Company believed the disposal of part, even not all, of its indirect equity interests in Shougang Resources could help to realize its firm vision of implementation of strategic transformation and shift of focus to the development of current principal businesses.

Particularly taking into account of the fact that stock prices and trading volume of the Shougang Resources Shares maintained minimal movement subsequent to the date of the Sale and Purchase Agreement and prior to the date of the Amended and Restated Sale and Purchase Agreement, the Company believes that the terms of the Revised Proposed Restructuring remain to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In addition, the Company expects to realize a decrease in the unaudited one-off loss from HK\$1,374.33 million to HK\$654.8 million as a result of the Disposal of the Revised Sale Share. On the above basis, the Company believes that, through the Revised Proposed Restructuring, the aforesaid goals can be realized while at the same time serving the purpose to replenish the financial resources of the Group, such that it can sustain its fast-growing businesses and necessary funding needs under an optimized asset structure, thereby maximizing returns to the Shareholders.

The remaining Shougang Resources Shares held by the Group (representing 17.10% of the total issued share capital of Shougang Resources) remains as investment in associate.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, Shougang Holding and King Rich have received a confirmation from the Executive that no obligation will arise on the parts of Shougang Holding and King Rich under Rule 26.1 of the Takeovers Code to make a mandatory offer for the Shougang Resources Shares as a result of the Revised Proposed Restructuring.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As King Rich is indirectly wholly-owned by Shougang Group, the controlling shareholder of the Company, King Rich is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules.

As the highest applicable percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Amended and Restated Sale and Purchase Agreement and the transactions contemplated thereunder exceeds 75%, the Revised Proposed Restructuring constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Revised Proposed Restructuring is therefore subject to reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules and the resolution(s) approving the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder will be voted on by the Independent Shareholders by poll at the GM.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.68(2)(A)(I) OF THE LISTING RULES

Rule 14.68(2)(a)(i) of the Listing Rules provides that a circular issued in relation to a very substantial disposal must contain on a disposal of a business, company or companies, financial information of either (A) the business, company or companies being disposed of, or (B) the listed issuer's group with the business, company or companies being disposed of shown separately as (i) disposal group(s) or (ii) discontinued operation(s) for the relevant period (as defined in the note to Rule 4.06(1)(a) of the Listing Rules). The financial information must be prepared by the directors of the listed issuer using accounting policies of the listed issuer and must contain at least the income statement, balance sheet, cash flow statement and statement of changes in equity. The financial information must be reviewed by the listed issuer's auditor or reporting accountant according to the relevant standards published by the Hong Kong Institute of Certified Public Accountants or the International Auditing and Assurance Standards Board of the International Federation of Accountants or the China Auditing Standards Board of the China Ministry of Finance. The circular must contain a statement that the financial information has been reviewed by the issuer's auditor or reporting accountant and details of any modifications in the review report. Further, Note 2 to Rule 14.68(2)(a)(i) of the Listing Rules provides that the Stock Exchange may be prepared to relax the requirements of the said rule if the assets of the company or companies being disposed of are not consolidated in the issuer's accounts before the disposal.

The Company has applied for, and the Stock Exchange has granted, the waiver from strict compliance with Rule 14.68(2)(a)(i) of the Listing Rules on the following grounds:-

LETTER FROM THE BOARD

Review of financial information by the Company's auditor

- (1) As disclosed in the Announcements, immediately before the Internal Transfer and the Revised Proposed Restructuring, the Company held an aggregate of 28.98% equity interest in Shougang Resources and the financial results of Shougang Resources had not been consolidated in the results of the Group. Following the completion of the Internal Transfer, the Revised Sale Share to be disposed of under the Amended and Restated Sale and Purchase Agreement will represent only 11.88% of all issued shares of Shougang Resources upon completion of the Internal Transfer. Accordingly, the aforementioned shareholding falls within Note 2 of the Rule 14.68(2)(a)(i) of the Listing Rules;
- (2) Shougang Resources is a company the shares of which are listed on the Main Board of the Stock Exchange and publishes its audited consolidated financial statements on the websites of the Stock Exchange and Shougang Resources. The audited consolidated financial statements of Shougang Resources Group for each of FY2018, FY2019 and FY2020 as disclosed in its respective annual reports and published by Shougang Resources have been audited by Shougang Resources's auditor in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").
- (3) The management of the Company does not have full access to the financial and other relevant information of the Disposal Group that is required to be disclosed in the review report which shall be included in the Circular. Extra time is required in order to prepare a circular that strictly complies with Rule 14.68(2)(a)(i) due to the additional time required for the preparation of the financial information of the Disposal Group as a result of the relevant review procedures to be conducted by the reporting accountant.
- (4) The Company has discussed with its reporting accountant in relation to the proposed review procedure of the financial information of Shougang Resources Group under Rule 14.68(2)(a)(i) of the Listing Rules, and in view of the fact that (a) completion of the review procedure by the reporting accountant foregoing mentioned will be highly dependent on the timing of provision of information from the management of the Shougang Resources Group or other relevant parties in response to the request(s) of the reporting accountant of the Company, and (b) there is no assurance that the Shougang Resources Group or other relevant parties would be able to provide the requested information to the satisfaction of the reporting accountant of the Company in a timely manner because the Shougang Resources Group or other relevant parties will take time to reply or provide the requested information to the reporting accountant of the Company, it would be practically difficult, time-consuming and unduly burdensome to conduct the review procedure foregoing mentioned and any unexpected delay in completion of the review procedure by the reporting accountant of the Company will cause delay on the part of the Company to despatch this circular.

LETTER FROM THE BOARD

- (5) Furthermore, it is not appropriate for Shougang Resources, being a listed company to provide full support and access for the Company's auditor to perform the review work, the Company has no control and cannot ensure to obtain all necessary information or documents for use by the reporting accountant. If so, the review procedures will take a longer period which cannot be estimated at the current stage, or (in the worst scenario) cannot be completed.
- (6) The Company has disclosed in this circular, as alternative disclosure, that, as at the Latest Practicable Date (i) each of Excel Bond and Ultimate Capital is a special purpose vehicle principally engaged in investment holding only; Excel Bond and Ultimate Capital hold, directly and indirectly, approximately 11.88% in aggregate of all issued shares of Shougang Resources, and their respective shareholding in Shougang Resources represents the sole asset held by each of them; and save as the aforesaid, none of Excel Bond and Ultimate Capital carry on any business (or generate any income), hold any other asset or have incurred any liability, (ii) a summary of the financial information of the Shougang Resources Group for each of FY2018, FY2019 and FY2020 as extracted from the respective annual reports of Shougang Resources, and (iii) the key financial information for FY2020 of Excel Bond (on a consolidated basis) and Ultimate Capital (on a standalone basis). The Board considers that the summary of the financial information of the Shougang Resources Group disclosed in such form and manner contains sufficient information to enable the Shareholders to make a properly informed assessment in respect of the Revised Proposed Restructuring. The audited financial information of the Shougang Resources Group for each of FY2018, FY2019 and FY2020 which are extracted from the respective annual reports of Shougang Resources are set out in the Appendix III to this circular.

Please refer to Appendix III – “*Financial Information of Shougang Resources*” in this circular for a summary of the financial information of Shougang Resources for each of FY2018, FY2019 and FY2020 which are extracted from the respective published audited financial statements of the Disposal Group and Shougang Resources and the section headed “*Financial Information of the Disposal Group*” in the Letter from the Board of this Circular for further details.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Dr. Qiao Yongyuan has been formed to advise the Independent Shareholders on the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder. A letter from the Independent Board Committee is set out on pages 32 to 33 of this circular.

LETTER FROM THE BOARD

Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. A letter from the Independent Financial Adviser is set out on pages 34 to 83 of this circular.

GM

The GM will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder.

A notice convening the GM to be held at Shougang Qiaomengyuan, 68 Shijingshan Road, Shijingshan District, Beijing, China on Friday, 28 May 2021 at 10:20 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, is set out on pages GM-1 to GM-2 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for use by the Shareholders at the GM is enclosed herewith. Whether or not you are able to attend the GM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the GM (i.e., at or before 10:20 a.m. on Wednesday, 26 May 2021 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to the 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 of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). Accordingly, the Company will procure that the chairman of the GM shall demand voting on the resolution set out in the notice of GM be taken by way of poll. The results of the poll will be published on the websites of the Company and the Stock Exchange in accordance with the Listing Rules following the GM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Shougang Group, King Rich and their respective associates held in aggregate 2,545,447,437 Shares, representing approximately 34.91% of the total number of issued Shares. Accordingly, Shougang Group, King Rich and their respective associates will be required to abstain from voting on the resolution approving the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder at the GM.

To the best knowledge of the Directors after having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder and therefore no other Shareholder will be required to abstain from voting on the resolution approving the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder at the GM.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 32 to 33 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 34 to 83 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular, but excluding Mr. Zhao Tianyang and Mr. Xu Liang) consider that the terms of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder are fair and reasonable and that the entering into of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring are in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the GM. Mr. Zhao Tianyang and Mr. Xu Liang have abstained from voting in respect of the Board resolutions approving the Revised Proposed Restructuring as Mr. Zhao Tianyang is a deputy general manager of Shougang Group, a director of Shougang Holding and a director and the general manager of Shougang Fund; whereas Mr. Xu Liang is the managing director of Shougang Holding.

ADDITIONAL INFORMATION

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

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge, information 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.

The information relating to Shougang Resources in this circular has been extracted from or based on the published information of Shougang Resources, including its annual reports for the years ended 31 December 2020, 31 December 2019 and 31 December 2018. The only responsibility accepted by the Directors in respect of such information is for the correctness and fairness of its reproduction or presentation.

WARNING

As Completion of the Revised Proposed Restructuring is subject to the satisfaction of the Conditions, the Revised Proposed Restructuring may or may not materialize. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

There is no assurance that any forward-looking statements regarding the business development of the Group in this circular or any of the matters or transactions set out herein are attainable, will actually occur or will be realized or are complete or accurate. The financial and other data relating to the Group as disclosed in this circular has also not been audited or reviewed by its auditor. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place any excessive reliance on the information disclosed herein. Any shareholder or potential investor who is in doubt is advised to seek advice from professional advisors.

Yours faithfully,
By order of the Board
Shoucheng Holdings Limited
Zhao Tianyang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



首程控股有限公司
SHOUCHENG HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

30 April 2021

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 30 April 2021 (the “**Circular**”), to which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder as set out on pages 34 to 83 of the Circular and the letter from the Board set out on pages 7 to 31 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder, though not in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and entry into the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder to be proposed at the GM.

Yours faithfully,

Independent Board Committee

Dr. Wang Xin

Mr. Choi Fan Keung Vic

Mr. Deng Yougao

Ms. Zhang Quanling

Dr. Qiao Yongyuan

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



30 April 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE REVISED PROPOSED RESTRUCTURING

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring 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 30 April 2021 (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 otherwise requires.

On 15 January 2021, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with King Rich, a connected person of the Company, pursuant to which the Vendor has conditionally agreed to sell, and King Rich has conditionally agreed to purchase, the Sale Shares, which represent the entire issued share capital of each of the Subject Companies, at a consideration of HK\$3,513,509,976. The Subject Companies held a total of approximately 28.98% equity interest in Shougang Resources.

Subsequently, on 18 February 2021, the Vendor and King Rich entered into a supplemental agreement to amend and restate the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and King Rich has conditionally agreed to purchase, the Revised Sale Share, which represents the entire issued share capital of Excel Bond, at a consideration of HK\$1,440,000,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, given that the Internal Transfer has been completed, the Company indirectly held approximately 28.98% in aggregate of all issued shares of Shougang Resources, out of which approximately 11.88% of all issued shares of Shougang Resources was held by Excel Bond indirectly. As Excel Bond will cease to be a subsidiary of the Company following Completion, the Company will only have indirect aggregate interest in approximately 17.10% of all issued shares of Shougang Resources upon completion of the Revised Proposed Restructuring. The remaining Shougang Resources Shares held by the Group (representing 17.10% of the total issued share capital of Shougang Resources) remains as investment in associate.

As King Rich is indirectly wholly-owned by Shougang Group, the controlling shareholder of the Company, King Rich is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Also, as the highest applicable percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Amended and Restated Sale and Purchase Agreement and the transactions contemplated thereunder exceeds 75%, the Revised Proposed Restructuring constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules. The Revised Proposed Restructuring is therefore subject to reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules and the resolution approving the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder will be voted on by the Independent Shareholders by poll at the GM.

Shougang Group, King Rich and their respective associates, which together owned and controlled approximately 34.91% of the issued Shares as at the Latest Practicable Date, will be required to abstain from voting on the resolution approving the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder at the GM. To the best knowledge of the Directors after having made all reasonable enquiries, save for disclosed above, no other Shareholder has a material interest in the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder and therefore no other Shareholder will be required to abstain from voting on the resolution approving the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder at the GM.

The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Amended and Restated Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant ordinary resolution to be proposed at the GM to approve the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring 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 THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or any party to the Amended and Restated Sale and Purchase Agreement, or close associate or core connected person of the Company or any party to the Amended and Restated Sale and Purchase Agreement that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, Lego Corporate Finance had acted as independent financial adviser to the Company in relation to the (i) continuing connected transactions in relation to fund management service agreement; (ii) connected transaction in relation to subscription of new Shares under specific mandate; and (iii) continuing connected transactions in relation to parking lots cooperation agreement, details of which were disclosed in the circulars of the Company dated 28 November 2019 and 23 December 2019 and the announcement of the Company dated 28 October 2020, respectively. Apart from normal professional fees paid or payable to us in connection with the aforementioned appointments and this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company. Given that remuneration for our engagement to opine on the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder is on normal commercial terms and not conditional upon successful passing of the resolution at the GM, we are independent of the Company. Based on the foregoing and notwithstanding we had acted as independent financial adviser to the Company in the last two years, we are qualified to give independent advice in respect of the terms of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder as described above.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information, including but not limited to the annual reports of the Company for the years ended 31 December 2018 (the “**2018 Annual Report**”), 2019 (the “**2019 Annual Report**”) and 2020 (the “**2020 Annual Report**”), and the annual reports of Shougang Resources for the years ended 31 December 2018 (the “**2018 Shougang Resources Annual Report**”), 2019 (the “**2019 Shougang Resources Annual Report**”) and 2020 (the “**2020 Shougang Resources Annual Report**”). We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as 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 date of the GM. We have also assumed that all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the GM.

We consider that we have reviewed the 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, conducted any independent investigation into the business and affairs of the Group and Shougang Resources and its subsidiaries (the “**Shougang Resources Group**”), nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

(a) *Principal business of the Group*

The Group is principally engaged in management and operations of car parking assets business (“**Car Parking Business**”) and management of private funds that are oriented towards urban redevelopment business (“**Fund Management Business**”). As advised by the management of the Group, the Group is the first batch of listed company in the PRC that focuses on the investment and operation of car parking assets, and the management of private funds that are oriented towards urban redevelopment business.

The Revised Sale Share represents the entire issued share capital of Excel Bond, the sole asset of which is its investment in Shougang Resources. Together with the shares of Shougang Resources held by Fair Gain and Fine Power, each of which are an indirectly wholly-owned subsidiary of the Group, Shougang Resources became an associated corporation (as defined under HKFRSs) of the Company, and the investment in Shougang Resources held by the Group is classified as investment in an associate in the financial statements of the Group and the results and assets and liabilities of the Shougang Resources Group have been accounted for as share of results of an associate in the financial statements of the Group under equity method of accounting. Further details of the Shougang Resources Group are set out in the section headed “2. Information of the Disposal Group and the Shougang Resources Group” of this letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Financial performance of the Group*

Set out in the table below is a summary of the Group's financial performance for the years ended 31 December 2017, 2018, 2019 and 2020, as extracted from the 2018 Annual Report, the 2019 Annual Report and the 2020 Annual Report, respectively.

Consolidated statement of profit or loss

| | For the year ended 31 December | | | | |
|---|--------------------------------|------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2018 | 2019 | 2020 |
| | ("FY2017") | ("FY2018") | ("FY2018") | ("FY2019") | ("FY2020") |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Audited) | (Audited) | (Audited) | (Audited) | (Audited) |
| | | | (Restated) | | |
| | | | (Restated) | | |
| | | | (Note) | | |
| Continuing operations | | | | | |
| Revenue | | | | | |
| – Car Parking Business | – | 62,038 | 62,038 | 177,018 | 481,002 |
| – Fund Management Business | – | 102,665 | 102,665 | 180,867 | 212,711 |
| – Others (Provision of management service and leasing income) | 3,816 | 11,801 | 11,801 | 38,206 | 12,141 |
| – Trading Business (Note) | 3,812,329 | 1,499,792 | – | – | – |
| Total revenue from continuing operations/ Total revenue | <u>3,816,145</u> | <u>1,676,296</u> | <u>176,504</u> | <u>396,091</u> | <u>705,854</u> |
| Gross profit | 9,110 | 160,537 | 108,180 | 202,396 | 174,394 |
| Gross profit margin (%) | 0.2% | 9.6% | 61.3% | 51.1% | 24.7% |
| Operating profit/(loss) | (173,847) | 93,865 | 49,595 | 43,723 | 61,814 |
| Finance costs | (17,392) | (5,699) | (5,699) | (27,358) | (77,168) |
| Share of results of associates | 248,525 | 275,363 | 275,363 | 295,502 | 343,320 |
| Share of result of a joint venture/results of joint ventures | – | 3,253 | 3,253 | 89 | 344,069 |
| Profit before income tax | 57,286 | 366,782 | 322,512 | 311,956 | 672,035 |
| Income tax credit/(expense) | – | (10,011) | (10,011) | 129,205 | (36,565) |
| Profit from continuing operations/Profit for the year | 57,286 | 356,771 | 312,501 | 441,161 | 635,470 |
| Discontinued operation | | | | | |
| Profit from discontinued operation | | | | | |
| – Trading Business (Note) | – | – | 44,270 | 904 | – |
| Profit for the year | <u>57,286</u> | <u>356,771</u> | <u>356,771</u> | <u>442,065</u> | <u>635,470</u> |
| Profit attributable to: | | | | | |
| Owners of the Company | 57,286 | 353,097 | 353,097 | 443,003 | 658,613 |
| Non-controlling interests | – | 3,674 | 3,674 | (938) | (23,143) |
| | <u>57,286</u> | <u>356,771</u> | <u>356,771</u> | <u>442,065</u> | <u>635,470</u> |

Note:

According to the 2019 Annual Report, revenue from the trading of iron ore and other steel products (the "Trading Business") is regarded as discontinued operation. As such, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for FY2018 has been re-presented to show the discontinued operation separately from the continuing operations.

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For FY2017 and FY2018

The Group was principally engaged in Trading Business during FY2017 and in the same year, the Group expanded its business to (i) Car Parking Business through its acquisition of 驛停車(北京)投資管理有限公司 (E Park) Investment Management Co., Ltd.*, formerly known as 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.*)), which, together with subsidiaries, are principally engaged in the provision of design, architecture, operation and management services of car parking lots with a focus on smart car parking system in the PRC; and (ii) Fund Management Business through its acquisition of 京冀天成(北京)基金管理有限公司 (Jingji Tiancheng (Beijing) Fund Management Co., Ltd.*, formerly known as 京冀協同發展示範區(唐山)基金管理有限公司 (Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.*)), which, together with subsidiaries, are principally engaged in provision of private fund management services in the PRC.

The total revenue of the Group for FY2017 and FY2018, which were mainly generated from the discontinued operation of the Trading Business, amounted to approximately HK\$3,816.1 million for FY2017 and decreased by 56.1% to approximately HK\$1,676.3 million for FY2018. Such decrease was mainly due to the decrease in the revenue generated from Trading Business, which was discontinued subsequently. As disclosed in the 2018 Annual Report, in view of the challenging future faced by Trading Business, the Group gradually reduced the revenue from Trading Business as well as the sales volume of iron ore transactions in order to strictly control the risks of iron ore trading. Car Parking Business and Fund Management Business did not make any contribution to the revenue and results of the Group for FY2017 as they were acquired by the Group approaching to the end of FY2017. The Group started to generate revenue from Car Parking Business and Fund Management Business in FY2018, which amounted to approximately HK\$62.0 million and HK\$102.7 million and accounted for approximately 3.7% and 6.1% of the total revenue the Group for FY2018, respectively.

The gross profit of the Group amounted to approximately HK\$9.1 million and HK\$160.5 million for FY2017 and FY2018, respectively and the gross profit margin of the Group was approximately 0.2% and 9.6% for FY2017 and FY2018, respectively. According to the 2018 Annual Report, the increase in gross profit margin was attributable to the improvement in the overall risk management and operation capability of the Trading Business on one hand, and to the newly introduction of Car Parking Business and Fund Management Business in December 2017 on the other hand. The gross profit margin of both businesses was much higher than that of Trading Business, especially the Fund Management Business.

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For FY2018, the Group has shared a profit of approximately HK\$278 million from Shougang Resources and shared a loss of approximately HK\$3 million from Shougang Concord Century Holdings Limited (“**Shougang Century**”), whereas for FY2017, the share of profit from Shougang Resources and loss from Shougang Century were approximately HK\$273 million and approximately HK\$24 million respectively.

As a result of the above, the Group recorded an increase in profit attributable to the owners of the Company from approximately HK\$57.3 million for FY2017 to approximately HK\$353.1 million for FY2018, respectively.

For FY2018 (Restated) and FY2019

As disclosed in the 2019 Annual Report, the Group has shifted its business focus to the Car Parking Business and Fund Management Business and gradually reduced the sales volume of iron ore transactions for its Trading Business since 2018. The Group further reduced the scale of Trading Business in FY2019 and upon completion of the transfer of the iron ore offtake agreements with Mount Gibson Iron Limited to Newton Resources Limited in August 2019, the Group ceased the Trading Business and re-classified the relevant business as discontinued operation.

The revenue of the Group from the continuing operations amounted to approximately HK\$396.1 million for FY2019, representing an increase of approximately HK\$219.6 million or 124.4%, as compared to that of approximately HK\$176.5 million for FY2018 (Restated). Such increase was mainly due to the increase in the revenue generated from Car Parking Business and Fund Management Business.

Revenue generated from Car Parking Business increased by approximately HK\$115.0 million, or approximately 185.5%, from approximately HK\$62.0 million for FY2018 (Restated) to approximately HK\$177.0 million for FY2019, which was mainly attributable to the increase in the cumulative management scale of contracted parking spaces of the Group expanded from more than 30,000 units for FY2018 (Restated) to more than 70,000 units for FY2019.

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Revenue generated from Fund Management Business increased by approximately HK\$78.2 million, or approximately 76.1%, from approximately HK\$102.7 million for FY2018 (Restated) to approximately HK\$180.9 million for FY2019, which was mainly attributable to the increase in the management fee income and return on investment brought by the increased number and size of funds under management of the Group. The number of funds under management of the Group increased from 17 funds as of 31 December 2018 to 25 funds as of 31 December 2019, and the cumulative fund management scale of the Group increased from approximately RMB 30.0 billion as of 31 December 2018 to approximately RMB 42.9 billion as of 31 December 2019.

The gross profit of the Group from the continuing operations amounted to approximately HK\$202.4 million for FY2019, representing an increase of approximately HK\$94.2 million or 87.1%, as compared to that of approximately HK\$108.2 million for FY2018 (Restated). The gross profit margin of the Group from the continuing operations was approximately 51.1% for FY2019, representing a decrease of approximately 10.2%, as compared to that of approximately 61.3% for FY2018 (Restated). According to the 2019 Annual Report, such decrease was mainly attributable to the stabilisation of the gross profit margin as a result of significant growth in the business size and revenue scale of the Car Parking Business.

The share of results from associates represented primarily the profit contribution from Shougang Resources. The Group's share of result from Shougang Resources for FY2019 was approximately HK\$290 million, representing an increase of approximately HK\$12 million as compared to that of approximately HK\$278 million for FY2018 (Restated).

The profit attributable to the owners of the Company from the continuing operations was approximately HK\$442.1 million for FY2019, representing an increase of approximately HK\$133.3 million or 43.2%, as compared to that of approximately HK\$308.8 million for FY2018 (Restated). Such increase was mainly attributable to (i) the increase in revenue from the continuing operations as mentioned above; (ii) the recognition of an income tax credit of approximately HK\$129.2 million for FY2019 as compared with an income tax expense of approximately HK\$10.0 million for FY2018 (Restated); and (iii) the recognition of an one-off gain on bargain purchase before taxation of approximately HK\$86.2 million for FY2019, mitigated by the recognition of an one-off loss before taxation from disposal of the Group's equity interest in Shougang Century of approximately HK\$124.6 million for FY2019.

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For FY2019 and FY2020

According to the 2020 Annual Report, the revenue of the Group from the continuing operations amounted to approximately HK\$705.9 million for FY2020, representing a tremendous growth of approximately HK\$309.8 million or 78.2%, as compared to approximately HK\$396.1 million for FY2019, which was mainly due to the increase in the revenue of Car Parking Business.

The revenue generated from Car Parking Business for FY2020 amounted to approximately HK\$481.0 million, representing an increase of approximately HK\$304.0 million or 171.8%, from approximately HK\$177.0 million for FY2019. Such increase was mainly attributable to (i) revenue derived from the Beijing Daxing International Airport and the Beijing Capital International Airport projects which was put into operation in the second half of FY2019 and the first half of FY2020 respectively; and (ii) multi-storey parking lots have been constructed in a number of cities and have begun to be replicated in multiple locations in the PRC. Moreover, the Fund Management Business of the Group underwent steady growth during FY2020. The revenue generated from Fund Management Business amounted to approximately HK\$212.7 million for FY2020, representing an increase of approximately HK\$31.8 million or 17.6%, as compared to approximately HK\$180.9 million for FY2019, which was mainly due to the increased fund management scale of the Group which has expanded steadily with urban redevelopment projects progressing smoothly at different stages of construction and promotion.

The gross profit of the Group from the continuing operations amounted to approximately HK\$174.4 million for FY2020, representing a decrease of approximately HK\$28.0 million or 13.8%, as compared to that of approximately HK\$202.4 million for FY2019, and the gross profit margin of the Group from the continuing operations decreased from approximately 51.1% for FY2019 to approximately 24.7% for FY2020. Such decline in gross profit was mainly attributable to (i) the fundamental change to cost structure as result of the significant growth in the business size and revenue scale of the Car Parking Business; and (ii) the impact on certain parking projects such as those situated at airport(s) which were adversely affected by the COVID-19 epidemic.

The share of results from associates represented primarily the profit contribution from Shougang Resources. The Group's share of result from Shougang Resources for FY2020 was approximately HK\$348 million, amongst which, approximately HK\$71 million was derived as gain on deemed acquisition of shares of Shougang Resources as Shougang Resources completed a share repurchase in September 2020 which led to an increase in the Company attributable interest in Shougang Resources from approximately 27.61% to 28.98%. According to the 2020 Annual Report, after excluding such gain on deemed acquisition, the Group's share of result from Shougang Resources for FY2020 was relatively similar to that of approximately HK\$290 million for FY2019.

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The profit attributable to the owners of the Company from the continuing operations was approximately HK\$658.6 million for FY2020, representing an increase of approximately HK\$216.5 million or 49.0%, as compared to that of approximately HK\$442.1 million for FY2019. Such increase was mainly attributable to (i) the turnaround in the performance of Car Parking Business, from net loss of approximately HK\$43 million for FY2019 to net profit of approximately HK\$180 million for FY2020; and (ii) the steady growth in the net profit of Fund Management Business after excluding the impact of one-off income in FY2019.

(c) Financial position of the Group

Set out below is a summary of the financial position of the Group as at 31 December 2017, 2018, 2019 and 2020.

| | As at 31 December | | | |
|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| Total non-current assets | 5,682,675 | 6,064,198 | 7,187,479 | 9,311,175 |
| Total current assets | <u>2,503,634</u> | <u>3,366,187</u> | <u>3,809,545</u> | <u>4,814,457</u> |
| Total assets | <u>8,186,309</u> | <u>9,430,385</u> | <u>10,997,024</u> | <u>14,125,632</u> |
| Total non-current liabilities | 25,174 | 30,772 | 884,438 | 1,506,479 |
| Total current liabilities | <u>917,483</u> | <u>404,157</u> | <u>289,962</u> | <u>699,855</u> |
| Total liabilities | <u>942,657</u> | <u>434,929</u> | <u>1,174,400</u> | <u>2,206,334</u> |
| Net assets | <u><u>7,243,652</u></u> | <u><u>8,995,456</u></u> | <u><u>9,822,624</u></u> | <u><u>11,919,298</u></u> |

The assets base of the Group has been continuously growing strong from approximately HK\$8,186.3 million as at 31 December 2017 to approximately HK\$14,125.6 million as at 31 December 2020 with its continual increase in bank balances and cash over the years and the increase in right-of-use assets of car parking assets of the Group since the commencement of the Car Parking Business, whilst the total liabilities of the Group of approximately HK\$942.7 million as at 31 December 2017 had dropped significantly to approximately HK\$434.9 million as at 31 December 2018 and rebounded to an amount of approximately HK\$1,174.4 million as at 31 December 2019 and approximately HK\$2,206.3 million as at 31 December 2020. Such increase in the total liability of the Group as at 31 December 2019 and 2020 was mainly attributable to the increased bank borrowings and non-current lease liabilities. As at 31 December 2019 and 2020, the Group's balance of term loan financing from bank was approximately HK\$457 million and HK\$483 million respectively, which was for investing in the 25 years of operation rights of the parking

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building of the new airport in Beijing (i.e. Beijing Daxing International Airport). As a result, according to the 2019 Annual Report and the 2020 Annual Report, the Group's debt to equity ratio increased from approximately 1% as at 31 December 2018 to approximately 5% as at 31 December 2019 and remained relatively stable at approximately 4% as at 31 December 2020.

(d) Industry overview and prospect of Car Parking Business

As disclosed in the 2020 Annual Report, the car parking assets of the Group has been classified into four major product lines, namely the municipal facilities car parking product segment, commercial car parking product segment, on-street car parking product segment, and parking spaces with property rights segment, established in four core business network which is spanned across Beijing-Tianjin-Hebei, Yangtze River Delta, Chengyu Region and Greater Bay Area.

For the municipal facilities car parking product segment, the Group is operating several airports parking lots in the PRC, including but not limited to, Beijing Daxing International Airport, Beijing Capital International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao Airport, Guiyang Longdongbao International Airport and Boao Airport.

According to the Civil Aviation Administration of China (中國民用航空局), the airport passenger throughput of Beijing Capital International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao Airport, Guiyang Longdongbao International Airport and Boao Airport reached approximately 100.0 million, 76.2 million, 45.6 million, 21.9 million and 0.6 million passengers in 2019, respectively. In addition, Beijing Daxing International Airport, being the second international airport of Beijing along with Beijing Capital International Airport, was put into operation in September 2019 and is expected to handle up to approximately 45.0 million passengers by 2021. The growth in the airport passenger throughput of these international airports in the PRC is expected to enable the Group to generate a stable source of income and further enhance the Company's brand recognition and pursue in Car Parking Business in the PRC.

For the commercial car parking product segment, as the concepts of smart city and intelligent transportation continue to develop, the Group will continue to deepen the research and development of the SONIC platform, which is featured with functions covering parking management, business innovation, facility management and AI + big data, so as to collect information on parking lots, set up information middle office, formulate information standards and establish parking management information system. The Group is positioned to cater for the growing demand for intelligent parking systems and solutions.

For the on-street car parking product segment, through the on-street parking projects of the Group in Beijing and Baoding, the management of dynamic traffic and static traffic of the Group is combined through intelligent operation means, which not only lessens the

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difficulty of parking in the core area, but also improves the efficiency of on-street parking and utilises the data generated by static traffic for big data analysis and assist in the management of dynamic traffic, so as to realise all-round smart traffic management in cities and regions.

For the parking spaces with property rights segment, the property rights of premium project parking spaces could be obtained by the Group through cooperation with leading domestic real estate companies. In the long-term operation process, in addition to earning rental income, the Group is also able to benefit from asset appreciation gain.

Moreover, according to the statistics published by the National Bureau of Statistics of the PRC (中華人民共和國統計局)(the “NBS”), the gross domestic product (“GDP”) of the PRC increased from approximately RMB 68.9 trillion for 2015 to approximately RMB 101.6 trillion for FY2020, representing a compound annual growth rate (“CAGR”) of approximately 8.1%. Meanwhile, the number of privately-owned vehicles in the PRC increased from approximately 205.7 million as of 31 December 2018 to approximately 225.1 million as of 31 December 2019, representing an increase of approximately 9.4%. The staggering number of cars within the PRC continues to affect the number of parking spaces available in major cities including Beijing, Guangzhou, Shanghai and Shenzhen. With an increasing number of privately-owned vehicles in the PRC, parking shortages, especially in major cities including Beijing, Guangzhou, Shanghai and Shenzhen, have become a significant issue across the country.

In addition, in view of the significant shortage of parking spaces, the PRC Central Government has proposed a series of guidance and notices in respect of the strengthening of the parking management and facilities since 2015, so as to cope with rapid development in urban areas. These guidance and notices include, but not limited to, (i) 《關於加強城市停車設施建設的指導意見》(Guidance Opinions on Strengthening the Construction of Urban Parking Facilities*) published by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)(the “NDRC”) in August 2015; (ii) 《加快城市停車場建設近期工作要點與任務分工》(Notice on the Key Points of Recent Work and the Division of Labour for Speeding up the Construction of Urban Parking Facilities*) published by the NDRC in January 2016; (iii) 《關於進一步完善城市停車場建設及用地政策的通知》(Notice on further improvements in respect of the Construction of Urban Parking Facilities and the Land-use Policy*) jointly published by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) in September 2016; (iv) 《關於開展城市停車場試點示範工作的通知》(Notice on the Commencement of Piloting and Demonstration of the Urban Parking Facilities*) published by the NDRC in April 2017; (v) 《數位交通發展規劃綱要》(Outline for the Development Plan of Digital Traffic*) published by the Ministry of Transport of the PRC (中華人民共和國交通運輸部) in July 2019; (vi) 《交通強國建設綱要》(Program of Building National Strength in Transportation*) published by the State Council of the PRC (中華人民共和國國務院) in

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September 2019; and (vii) 《國家綜合立體交通網規劃綱要》(Outline for the Development Plan of National Comprehensive Transportation Network*) published by the State Council of the PRC (中華人民共和國國務院) in February 2021.

According to the publication of Boston Consulting Group in December 2020 in relation to the COVID-19's impact on the automotive industry, it is expected that China's rebound in new vehicles sold will continue to accelerate with the potential to approximately 30.1 million by 2025 as compared to of approximately 23.4 million for 2020. We believed that such increase can be attributable to the outbreak of COVID-19 pandemic, with more commuters opting for personal transportation as opposed to public transportation due to health concerns. According to the recent publication of Deloitte named "COVID-19: Urban mobility's routes to recovery", COVID-19 will likely accelerate trends that had emerged pre-crisis, such as the growing tension between the trip personalisation offered by ride-sharing providers and the shared and somewhat more rigid experience of public transit, and make transit a competitive alternative to other forms of transport, especially personal vehicles. At the same time, because of the COVID-19 pandemic, the development of the e-commerce industry is expected to surge as the social distancing and travel restrictions boosted the online shopping and also dining delivery in the PRC, which both will benefit the demand of automobiles, trunks or motorbikes and in turn stimulate the demand of car parking lots.

In light of the above and taking into account (i) the growth in the airport passenger throughput of the international airports in the PRC, in which the Group owns operation rights of the parking spaces; (ii) the growth in the number of privately-owned vehicles in the PRC and the significant shortage of car parking spaces in the PRC; (iii) the guidance, notices and implementation plans from the PRC Central Government to strengthen urban parking management and facilities; and (iv) the stimulation of the demand of additional parking spaces for personal transportation as a result of the outbreak of COVID-19 pandemic, we concur with the view of the management of the Group that the net proceeds arising from the Revised Proposed Restructuring could allow the Group to capture the opportunities of the high-growth period of its Car Parking Business, which in general requires sufficient upfront capital, such as obtaining operating rights of the parking facilities so as to expand the scale of its Car Parking Business, thereby enhancing the revenue of the Group and delivering greater returns to the Shareholders.

(e) Industry overview and prospect of Fund Management Business

The Group mainly engaged in management of private funds that are oriented towards urban redevelopment for its Fund Management Business.

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Based on the data published by the Asset Management Association of China (中國證券投資基金業協會), which is a self-regulatory organisation of the mutual funds industry of China established with the approval of the State Council of the PRC (中華人民共和國國務院) in 2012 and subject to the guidance, supervision and administration of the China Securities Regulatory Commission (中國證券監督管理委員會) and the Ministry of Civil Affairs of the PRC (中華人民共和國民政部), (i) the number of private funds in the PRC increased from 66,418 as at 31 December 2017 to 81,710 as at 31 December 2019, representing a CAGR of approximately 10.9%, and further increased to 91,798 as at 30 September 2020; and (ii) the total value of assets under management of private funds in the PRC increased from approximately RMB 11.1 trillion as at 31 December 2017 to approximately RMB 14.1 trillion as at 31 December 2019, representing a CAGR of approximately 12.6%, and further increased to approximately RMB 15.8 trillion as at 30 September 2020.

According to the publication of KPMG International in June 2018 named “Celebrating 20 years of asset management in China”, it is expected that the total value of assets under management in the PRC asset management industry will further reach to approximately RMB 36.3 trillion in 2025. Such growth has been fueled by a number of factors that will continue to exert a positive influence over the coming years. Economic growth creates personal wealth among the population, who have become increasingly sophisticated consumers of financial products. At the same time, institutional investors, including sovereign wealth funds, insurers, pension funds and endowments, are not only growing in size, but also looking for more professional management for their assets. Although individual consumers and institutional investors are very different in terms of their needs, they both prompt the industry to innovate in product design, channel development and operational capabilities. The evolving structure of the financial system is another factor that will help nurture further growth among asset managers. Besides an accommodative regulatory framework, the PRC’s markets are becoming increasingly linked with the outside world, creating opportunities for fund management companies to provide an international platform for their clients.

The PRC Central Government and the provincial and municipal governments of the PRC have, from time to time, issued guidance and support policies on urban renewal especially the old towns, old factories and old villages (“**Three Olds**”), including 《關於推進“三舊”改造促進節約集約用地的若干意見》(Opinions on Promoting the Transformation of “Three Olds” to Promote the Economical and Intensive Use of Land*) published in 2009, 《國土資源部關於廣東省深入推進節約集約用地示範省建設工作方案的批復》(Approval of Ministry of Land and Resources of the PRC on the Construction Work Plan of Guangdong Province to Demonstrate Economical and Intensive Land Use*) published in 2013, 《廣東省人民政府關於提升“三舊”改造水平促進節約集約用地的通知》(Notice of the People’s Government of Guangdong Province on Promoting the Economical and Intensive use of Land by Upgrading the “Three Olds”*) published in 2016, 《國土資源部關於印發〈關於深入推進城鎮低效用地再開發的指導意見(試行)〉的通知》(Notice of Ministry of Land and

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Resources of the PRC on Printing and Distributing the <Notice on Guidance Opinions on Intensifying the Trial Redevelopment of Inefficient Land in Urban Areas>*) published in 2016 and 《關於深化改革加快推動“三舊”改造促進高質量發展的指導意見》(Guidance Opinions on Intensifying the Reform and Boosting the Promotion of the “Three Olds” to Facilitate High-Quality Development*) in September 2019 to promote and facilitate the urban redevelopment in the PRC. It is expected that existing land resources will be revitalised and therefore the efficiency of the use of existing land will be improved and optimised. Moreover, industrial transformation is moving forward so as to facilitate the integration of urban and rural development as well as high-quality economic and social development of the cities.

In light of the above and taking into account (i) the expansion in the number of private funds in the PRC; (ii) the increase in the total value of assets under management of private funds in the PRC; (iii) the increasing demand for professional management of assets; and (iv) the guidance and notices published by the PRC Central Government and the provincial and municipal governments of the PRC to promote and facilitate the urban redevelopment in the PRC, we consider that it is justifiable for the Group to pursue further in its Fund Management Business, which is expected to bring considerable management fee income and investment returns to the Group, thereby contributing better returns to the Shareholders.

2. Information of the Disposal Group and the Shougang Resources Group

(a) *Principal business of the Disposal Group*

Excel Bond is a company incorporated in the BVI and is principally engaged in investment holding. Its direct wholly-owned subsidiary, Ultimate Capital, is a company incorporated in Hong Kong and is principally engaged in investment holding.

For details of the key financial information of Excel Bond and Ultimate Capital, please refer to the section headed “Financial Information of the Disposal Group” in the Letter from the Board.

The transfer of 50,954,000 Shougang Resources Shares (representing approximately 1.01% of all issued shares of Shougang Resources) from Ultimate Capital to Fair Gain (with each of Ultimate Capital and Fair Gain being a wholly-owned subsidiary of the Vendor) has been completed late March 2021. In addition, as at the Latest Practicable Date, the Group has completed the transfer of the dividend income attributable to Ultimate Capital’s holding of Shougang Resources Shares to Fair Gain.

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Based on the unaudited management accounts of Excel Bond and Ultimate Capital for FY2020, save for the direct and indirect holding of the relevant Shougang Resources Shares which was recorded as financial assets measured at fair value through other comprehensive income, as at 31 December 2020, the Disposal Group has recorded:

- (i) bank balances and cash of approximately HK\$11,274,000 (“**Cash Balance**”), which represents the cash received from Shougang Resources in relation to the dividend of Shougang Resources Shares held by the Disposal Group; whereas
- (ii) intra-group balance of approximately HK\$1,478,519,000 (“**Intra-group Balance**”), which represents the net amount of the historical balance between the Disposal Group and another subsidiary of the Company, comprising of (a) the capital injection in the Disposal Group; (b) the loan provided to the Disposal Group which were used for acquiring the Shougang Resources Shares; and (c) the dividends payable by the Disposal Group, which will be distributed to the Company.

Both of the Cash Balance and the Intra-group Balance are within the Group and will be handled by the Company internally. Save as disclosed above, the Disposal Group does not hold any other asset or have incurred any liability.

The net profits of the Disposal Group incurred for FY2020 and FY2019 amounted to approximately HK\$105,155,000 and HK\$110,377,000 respectively. As the Disposal Group does not carry on any business (or generate any income), the aforesaid net profits incurred for FY2020 and FY2019 entirely represent the net off balance of the dividend income received from Shougang Resources and the administrative expenses of holding Excel Bond and Ultimate Capital (the special purpose vehicles) and the Shougang Resources Shares.

The announcement of the Company dated 15 January 2021 previously disclosed that, as at 15 January 2021, save for the holding of approximately 28.98% in aggregate of all issued shares of Shougang Resources, none of Excel Bond or Ultimate Capital carry on any business, hold any other asset or have incurred any liability. In respect of the aforesaid disclosure, the Company wishes to clarify that, as at 15 January 2021, save for (i) the indirect and direct shareholding in Shougang Resources, (ii) the Cash Balance and (iii) the Intra-group Balance, Excel Bond or Ultimate Capital do not carry on any business, hold any other asset or have incurred any liability.

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Pursuant to the Amended and Restated Sales and Purchase Agreement, at Completion, the Vendor shall deliver the Disposal Group without any asset or liability save for the direct and indirect interest in Shougang Resources to the Purchaser. Accordingly, the Company will, prior to Completion, (i) procure the Disposal Group to distribute the existing Cash Balance to the parents; and (ii) settle the Intra-group Balance through waiver or assignment of balances. The distribution of the aforesaid Cash Balance and the settlement of the Intra-group Balance between the Disposal Group and another subsidiary of the Company prior to the Completion Date will not have any financial effect on the consolidated accounts of the Company given it is purely an intra-group arrangement. As at the Latest Practicable Date, the aforementioned arrangements have been completed. Accordingly, as at the Latest Practicable Date and the Completion Date, there would be no Cash Balance nor Intra-group Balance in the management accounts of the Disposal Group, and the holding of approximately 11.88% in aggregate of all issued shares of Shougang Resources shall represent the sole asset of the Disposal Group.

Accordingly, as at the Latest Practicable Date:

- (i) each of Excel Bond and Ultimate Capital was a special purpose vehicle principally engaged in investment holding only;
- (ii) Excel Bond held, indirectly through Ultimate Capital, approximately 11.88% in aggregate of all issued shares of Shougang Resources, and its shareholding in Shougang Resources represented the sole asset held by it; and
- (iii) save for the indirect and direct shareholding in Shougang Resources referred to in sub-paragraph (ii) above, none of Excel Bond and Ultimate Capital carried on any business (or generate any income), held any other asset or have incurred any liability.

Having considered the above and given that:

- (i) (a) the Internal Transfer (which has been completed in late March 2021); and (b) the distribution of the Cash Balance and the settlement of the Intra-group Balance through waiver or assignment of balances (which have been completed as at the Latest Practicable Date), are purely intra-group arrangements within the Group and will not have any financial effect on the consolidated management accounts of the Company; and
- (ii) as at the Latest Practicable Date and the Completion Date, there would be no Cash Balance nor Intra-group Balance in the management accounts of the Disposal Group, and the holding of approximately 11.88% in aggregate of all issued shares of Shougang Resources shall represent the sole asset of the Disposal Group,

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we are of the view that the aforesaid intra-group arrangements had and will have no material impacts on the Revised Proposed Restructuring as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(b) Principal business of the Shougang Resources Group

Shougang Resources is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 639.HK). Shougang Resources is an integrated coking coal corporation in central-western China, principally engaged in mining of coking coal, production, and sales of raw and clean coking coal (“**Coal Business**”). Shougang Resources Group owns three operating coking coal mines (namely Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) and three preparation plants in Liulin County, Shanxi Province, the PRC.

(c) Financial information of the Shougang Resources Group

Set out in the table below is a summary of the Shougang Resources Group’s financial performance for FY2017, FY2018, FY2019 and FY2020, as extracted from the 2018 Shougang Resources Annual Report, the 2019 Shougang Resources Annual Report and the 2020 Shougang Resources Annual Report, respectively.

| | For FY2017 | For FY2018 | For FY2019 | For FY2020 |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | HK\$’000 | HK\$’000 | HK\$’000 | HK\$’000 |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| Revenue | | | | |
| – Sales of clean coking coal | 2,841,951 | 3,093,456 | 3,762,118 | 3,948,288 |
| – Sales of raw coking coal | <u>629,971</u> | <u>592,720</u> | <u>107,190</u> | <u>48,663</u> |
| Total revenue | <u>3,471,922</u> | <u>3,686,176</u> | <u>3,869,308</u> | <u>3,996,951</u> |
| Profit before tax | 1,647,618 | 1,639,709 | 1,632,815 | 1,612,614 |
| Profit for the year | 1,182,584 | 1,151,928 | 1,176,141 | 1,187,283 |
| Profit attributable to: | | | | |
| Owners of the Shougang Resources | 1,080,649 | 1,100,488 | 1,140,413 | 1,080,041 |
| Non-controlling interests | 101,935 | 51,440 | 35,728 | 107,242 |

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| | As at 31 December | | | |
|-------------------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2017 | 2018 | 2019 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Audited) | (Audited) | (Audited) | (Audited) |
| Total non-current assets | 14,063,540 | 13,855,750 | 14,047,556 | 14,532,147 |
| Total current assets | 7,631,105 | 7,395,292 | 7,425,154 | 6,901,499 |
| Total assets | 21,694,645 | 21,251,042 | 21,472,710 | 21,433,646 |
| | | | | |
| Total non-current liabilities | 1,657,562 | 1,606,536 | 1,580,444 | 1,654,381 |
| Total current liabilities | 2,661,400 | 2,868,700 | 2,845,954 | 2,488,195 |
| Total liabilities | 4,318,962 | 4,475,236 | 4,426,398 | 4,142,576 |
| | | | | |
| Net assets | 17,375,683 | 16,775,806 | 17,046,312 | 17,291,070 |

The total revenue of the Shougang Resources Group for FY2017 to FY2020 were mainly derived from sales of clean and raw coking coal, which increased from approximately HK\$3,471.9 million for FY2017 to approximately HK\$3,997.0 million for FY2020, representing a year-on-year growth of approximately 6.2%, 5.0% and 3.3% for FY2018, FY2019 and FY2020 respectively. In line with the long-term strategy of the Shougang Resources Group to concentrate on clean coking coal sales, the sales volume of raw coking coal dropped from approximately 0.93 million tonnes (“Mt”) for FY2017 to approximately 0.08 Mt for FY2020 and the sales volume of clean coking coal increased from approximately 2.07 Mt for FY2017 to approximately 3.26 Mt for FY2020, whereas the average realised selling prices of clean coking coal fluctuated during FY2017 to FY2020. With reference to the 2018 Shougang Resources Annual Report, the 2019 Shougang Resources Annual Report and the 2020 Shougang Resources Annual Report, the year-on-year increase in total revenue of the Shougang Resources Group for FY2018 was mainly driven by the rise in average realised selling prices of raw and clean coking coal during FY2018; and those for FY2019 and FY2020, was mainly attributable to the increase in the sales volume of clean coking coal, which was partially offset by the decrease in average realised selling prices of clean coking coal and the drop in average exchange rate of RMB to HK\$ during FY2019 and FY2020 respectively.

The profit after tax of the Shougang Resources Group for FY2017 to FY2020 were recorded at around HK\$1.2 billion and the profit attributable to the owners of Shougang Resources for FY2017 to FY2020 remained relatively stable at around HK\$1.1 billion.

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The total assets of the Shougang Resources Group remained relatively stable at approximately HK\$21.7 billion, HK\$21.3 billion, HK\$21.5 billion and HK\$21.4 billion as at 31 December 2017, 2018, 2019 and 2020, respectively. As at 31 December 2020, mining rights, property, plant and equipment, and cash and cash equivalents accounted for approximately 34.8%, 18.0% and 15.9% of total assets of the Shougang Resources Group, respectively. The total liabilities of the Shougang Resources Group also remained relatively stable at approximately HK\$4.3 billion, HK\$4.5 billion, HK\$4.4 billion and HK\$4.1 billion as at 31 December 2017, 2018, 2019 and 2020, respectively.

As disclosed in the 2019 Shougang Resources Annual Report, during FY2020, the unexpected COVID-19 epidemic casts a shadow over the stabilised Chinese economy and global economy. World economic activities have been severely suppressed, which caused greater disturbance to the global supply chain, weakening of the global economic growth and increase in downside risks. The recent rapid spread of the COVID-19 epidemic overseas has exceeded anticipation and its impact on the economies of other countries is likely to further affect the Chinese economy due to the effect of board linkage. The short-term market outlook is full of challenges and uncertainties.

Moreover, as disclosed in the 2020 Shougang Resources Annual Report, the overall GDP growth of the PRC was approximately 2.3% in 2020 which hit a record low since China's reform and opening-up in 1978 and China's economy experienced a GDP contraction of approximately 6.8% in the first quarter of 2020 due to COVID-19 epidemic disturbances at home and abroad. However, with the efficient national-wide control measures on the COVID-19 epidemic and a series of monetary and fiscal stimulus implemented by the PRC government, China's economy quickly recovered to normal and the growth rate of infrastructure, fixed assets, and real estate investments gradually returned to positive growth in FY2020. As a result of the rebound on downstream steel industry demand recovery and the import disruption due to COVID-19 and geopolitical issues, the domestic coking coal price in the PRC showed a trend of low to high throughout FY2020.

Nevertheless, the overall average market prices of coking coal dropped by approximately 9% to 14% year-on-year in FY2020. For FY2020, the Shougang Resources Group's average realised selling prices of raw coking coal and clean coking coal declined by approximately 31% and 13% year-on-year respectively, which was in line with the downside average market prices trend and had negative impact on the results of the Shougang Resources Group.

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(d) Industry overview and prospect of Coal Business

As mentioned above, the revenue of the Shougang Resources Group was mainly derived from sales of clean and raw coking coal.

With reference to the 2019 Shougang Resources Annual Report, the market price of coking coal products of the Shougang Resources Group was heavily dependent on (i) the demand of the downstream steel industry, as the Shougang Resources Group's coking coal products are mainly used for refining of coke which is the second largest raw materials for steel; (ii) the real estate industry, which is the major pillar to support the demand of steel; and (iii) the import volume of coking coal in the PRC.

According to the statistics published by the NBS, (i) the output of crude steel in the PRC increased from approximately 803.8 million tons in 2015 to approximately 1,053.0 million tons in 2020, representing a CAGR of approximately 5.5%; (ii) the output of rolled steel in the PRC increased from approximately 1.1 billion tons in 2015 to approximately 1.3 billion tons in 2020, representing a CAGR of approximately 3.4%; and (iii) the output of coke in the PRC increased from approximately 447.8 million tons in 2015 to approximately 471.2 million tons in 2020, representing a CAGR of approximately 1.0%. Notwithstanding the GDP growth in the PRC as mentioned in the sub-section headed "(d) Industry overview and prospect of Car Parking Business" in the section headed "1. Information of the Group" of this letter above, the PRC government reiterated the "Housing is not for Speculation" position, indicating the government would not boost the economy in the short-term by means of real estate industry. According to the statistics published by the NBS, the national real estate development investment was approximately RMB 11.0 trillion, RMB 12.0 trillion, RMB 13.2 trillion and RMB 14.1 trillion, representing a year-on-year growth of approximately 7.0%, 9.5%, 9.9% and 7.0% for FY2017, FY2018, FY2019 and FY2020 respectively, which indicated a slowdown growth of the real estate industry in the PRC. Meanwhile, the coking coal import in 2020 dropped by approximately 2.6% due to COVID-19 and geopolitical issues.

Notwithstanding the benefits on the coking coal sector brought by the economic stimulus and import restriction, with multiple factors intertwined with the current COVID-19 epidemic, such as the progress of vaccine rollout and its effectiveness and inflation rate, etc., there are still many uncertainties in the global economic development and investment sentiment in the coming year. Moreover, in September 2020, the Chinese government pledged to reach a carbon emission peak in 2030 and to achieve carbon neutral before 2060 in the United Nation climate summit.

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Despite the increase in the output of crude steel, rolled steel and coke in the PRC and the temporary disruption on the coking coal import due to COVID-19 and geopolitical issues, (i) the slowdown growth of the real estate industry in the PRC leading to a weakening demand along the steel and coking coal products supply chain; (ii) multiple factors intertwine with the current COVID-19 epidemic, such as the progress of vaccine rollout and its effectiveness and inflation rate, etc.; and (iii) the Chinese government pledged to reach a carbon emission peak in 2030 and to achieve carbon neutral before 2060 in the United Nation climate summit, have brought negative impacts to the demand and market price of the coking coal products of the Shougang Resources Group and hence uncertainties to the prospects of Coal Business of the Shougang Resources Group.

Having considered (i) the above-mentioned uncertainties of the prospects the Coal Business of the Shougang Resources Group; and (ii) the robust growth outlook of the Car Parking Business of the Group and the expected considerable funds management fee income and investment returns to the Group from the Fund Management Business of the Group as mentioned in the sub-sections headed “(d) Industry overview and prospect of Car Parking Business” and “(e) Industry overview and prospect of Fund Management Business” respectively in the section headed “1. Information of the Group” of this letter, we are of view that it is justifiable for the Group to pursue further in the Car Parking Business and the Fund Management Business with the net proceeds arising from the Revised Proposed Restructuring.

3. Information of the Purchaser

King Rich Group Limited (京富集團有限公司), a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Shougang Group. Shougang Group is a state-owned enterprise established in the PRC and a controlling shareholder of the Company. As at the Latest Practicable Date, the Company was held as to 34.91% by Shougang Group through its associated companies, of which 22.31% shareholdings in the Company is directly and indirectly held by Shougang Holding through a number of its subsidiaries.

4. Principal terms of the Amended and Restated Sale and Purchase Agreement

The principal terms of the Amended and Restated Sale and Purchase Agreement are summarised as follows:

Date

18 February 2021

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Parties

- (1) the Vendor as vendor; and
- (2) King Rich as purchaser

Subject matter

The Vendor has conditionally agreed to sell, and King Rich has conditionally agreed to acquire, the Revised Sale Share, which represents the entire issued share capital of Excel Bond as at the Latest Practicable Date. As at the Latest Practicable Date, Excel Bond held indirectly approximately 11.88% in aggregate of all issued shares of Shougang Resources.

Consideration

The consideration for the Revised Sale Share of HK\$1,440,000,000 (the “**Consideration**”) was agreed after arms’ length negotiations between the Vendor and King Rich and having taken into account the recent market price of Shougang Resources Shares and the trading liquidity of Shougang Resources Shares, which had been relatively low prior to the Last Trading Date.

The Consideration is to be settled by way of cash upon completion of the Revised Proposed Restructuring.

Conditions

Completion of the Revised Proposed Restructuring is subject to and conditional upon the fulfillment (or waiver thereof, if applicable) of following conditions precedent (the “**Conditions**”):

- (i) the approval from the Independent Shareholders of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder at the GM convened in accordance with the Listing Rules, and such approval remaining valid, effective and not having been rescinded or revoked;
- (ii) the filing, registration or approval, as applicable, with or by the State-Owned Assets Supervision and Administration Commission of the State Council of PRC, or its local authorities, and such other applicable PRC governmental approvals in respect of the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder having been obtained or completed, and such filing, registration or approval, as applicable, remaining valid, effective and not having been rescinded or revoked;

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- (iii) the Internal Transfer having been completed;
- (iv) the representations, warranties and undertakings made in respect of the Vendor, Excel Bond and the Revised Sale Share are true, accurate and not misleading in any material respects; and
- (v) the representations, warranties and undertakings made in respect of King Rich are true, accurate and not misleading in any material respects under the Amended and Restated Sale and Purchase Agreement.

Conditions (i), (ii) and (iii) are non-waivable. Conditions (iv) and (v) may be waived in whole or in part by King Rich and the Vendor respectively. If any of the Conditions are not fulfilled or waived (as the case may be) on or before the Long Stop Date or such later date as the parties may agree in writing, the Amended and Restated Sale and Purchase Agreement shall automatically lapse and be of no further force and effect; and neither party shall have any claim against the other save in respect of claims arising out of any antecedent breach of the Amended and Restated Sale and Purchase Agreement pursuant to the provisions expressly stated to continue without limit in time.

As at the Latest Practicable Date, Condition (iii) (i.e. the Internal Transfer) of the above conditions precedent has been fulfilled. Save as aforesaid, none of the above conditions precedent has been fulfilled (or waived, if applicable).

Completion

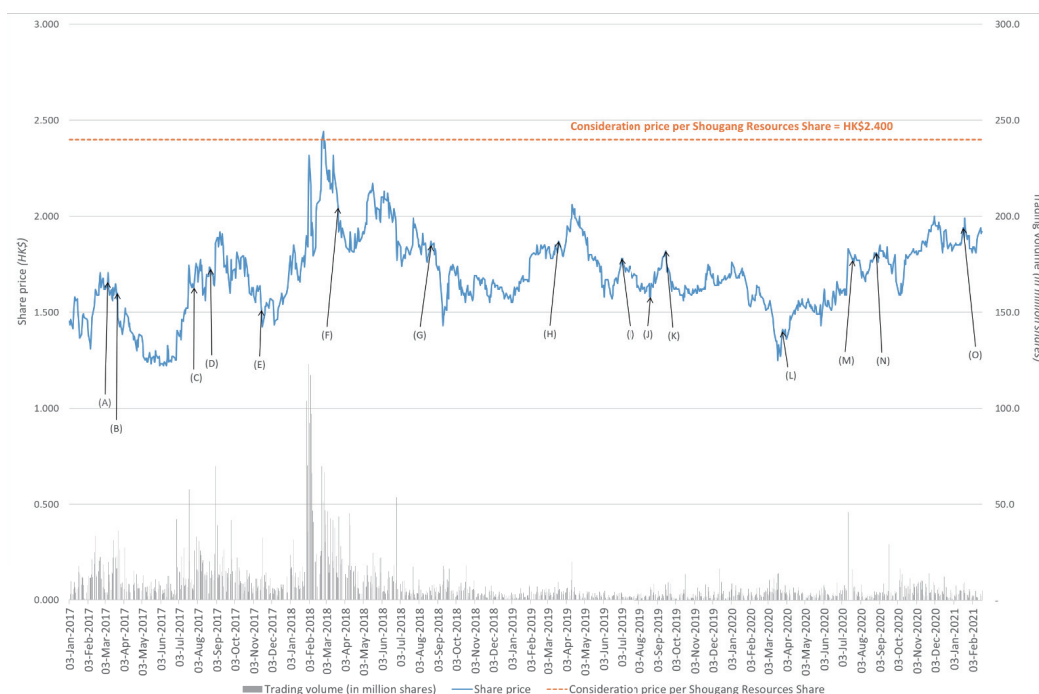
Completion shall take place on the twenty-first (21st) Business Day after the date (not being later than the Long Stop Date) on which the last of the Conditions is satisfied or waived (as the case may be), or such other date as King Rich and the Vendor may agree in writing.

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5. Assessment of the Consideration for the Revised Proposed Restructuring

(a) *Historical price performance of the Shougang Resources Shares*

Set out in the chart below is the daily closing price and trading volume of Shougang Resources Shares on the Stock Exchange during the period from 3 January 2017 up to and including the date of the Amended and Restated Sale and Purchase Agreement (the “**Review Period**”). During the Review Period, Shougang Resources published a number of announcements (as set out in events (A) to (O) in the chart below) that we considered to be crucial in shaping the market price of the Shougang Resources Shares (on the basis that the information in these announcements are related to interim and annual results, corporate actions and transactions of the Group that might be price sensitive and material to the Shougang Resources Group) and therefore we considered the Review Period a reasonable period of time for the purpose of our analysis below:



Source: Website of the Stock Exchange and Refinitiv (formerly known as Thomson Reuters)

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During the Review Period, Shougang Resources made several significant announcements, which are summarised below:

| Event | Date of announcement | Description of the event |
|--------------|-----------------------------|---|
| (A) | 07-Mar-2017 | Announcement of positive profit alert |
| (B) | 23-Mar-2017 | Announcement of annual results for the year ended 31 December 2016 |
| (C) | 27-Jul-2017 | Announcement of positive profit alert |
| (D) | 24-Aug-2017 | Announcement of interim results for the six months ended 30 June 2017 |
| (E) | 16-Nov-2017 | Announcement of continuing connected transactions in relation to supply of coking coal products to and purchase of steel materials from Shougang Group and/or its associates |
| (F) | 22-Mar-2018 | Announcement of annual results for FY2017 |
| (G) | 23-Aug-2018 | Announcement of interim results for the six months ended 30 June 2018 |
| (H) | 21-Mar-2019 | Announcement of annual results for FY2018 |
| (I) | 03-Jul-2019 | Announcement of continuing connected transactions in relation to supply of coal products (including the coal by-product) to Shanxi International Energy Group Hongguang Power Generation Co., Ltd. (山西國際能源集團宏光發電有限公司) |
| (J) | 22-Aug-2019 | Announcement of interim results for the six months ended 30 June 2019 |
| (K) | 16-Sep-2019 | Announcement of continuing connected transactions in relation to supply of coal products to 山西福龍煤化有限公司 (Shanxi Fulong Coal Chemical Co., Ltd*) |

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| Event | Date of announcement | Description of the event |
|--------------|---------------------------------------|---|
| (L) | 26-Mar-2020 | Announcement of annual results for FY2019 |
| (M) | 20-Jul-2020 (before trading hours) | Announcement of conditional cash offer to buy-back up to the maximum number of 250,000,000 shares for cancellation involving application for the whitewash waiver |
| (N) | 28-Aug-2020 | Announcement of interim results for the six months ended 30 June 2020 |
| (O) | 18-Jan-2021 | Announcement of inside information in relation to the Proposed Restructuring |

As set out in the chart above, the consideration price of HK\$2.40 per Shougang Resources Share (the “**Consideration Price**”) is higher than the closing prices of Shougang Resources Shares for all trading days within the Review Period, other than 26 February 2018.

The closing share price of Shougang Resources followed a general upward trend at the beginning of the Review Period and reached approximately HK\$2.44 on 26 February 2018, being the highest price in the Review Period. The closing share price of Shougang Resources then oscillated downward and dropped to HK\$1.43 on 11 September 2018 after Shougang Resources published its interim results announcement for the six months ended 30 June 2018 on 23 August 2018. The closing share price of Shougang Resources rebounded since beginning of 2019 and reached HK\$2.06 on 12 April 2019 after Shougang Resources published its annual results announcement for FY2018 on 21 March 2019. From mid-April 2019 to mid-June 2019, the closing price of Shougang Resources Shares followed a downward trend and hit HK\$1.57 on 17 June 2019. Since then, the closing share price of Shougang Resources was relatively stable until January 2020. From late-January 2020 to mid-March 2020, the closing share price of Shougang Resources followed a general downward trend and hit HK\$1.25 on 19 March 2020. The closing share price of Shougang Resources then rebounded and reached HK\$2.00 on 2 December 2020 and continued a sliding trend up to the Last Trading Date.

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It is noted that the Consideration Price was generally above the closing prices of Shougang Resources Share throughout the Review Period. Despite the Consideration Price represents a discount of approximately 23.44% to the net asset value per Shougang Resources Share attributable to the owners of Shougang Resources as at 31 December 2020, the Consideration Price represents (i) a premium of approximately 96.56% over the lowest daily closing price of Shougang Resources Share during the Review Period; and (ii) a premium of approximately 41.59% over the average daily closing price of Shougang Resources Share during the Review Period.

(b) Trading liquidity of the Shougang Resources Shares

Set out in the table below are the average daily trading volume (“Average Volume”) and the percentages of the Average Volume to the total number of the Shougang Resources Shares in issue held by the public and the total number of the Shougang Resources Shares in issue during the Review Period:

| | Number of trading days in each month/period | Average Volume <i>Number of shares</i> | % of the Average Volume to the total number of the Shougang Resources Shares in issue held by the public <i>(Note 1)</i> % | % of the Average Volume to the total number of the Shougang Resources Shares in issue <i>(Note 2)</i> % |
|-------------|---|---|--|---|
| 2017 | | | | |
| January | 19 | 7,382,279 | 0.56 | 0.14 |
| February | 20 | 15,570,383 | 1.17 | 0.29 |
| March | 23 | 14,331,209 | 1.08 | 0.27 |
| April | 17 | 8,761,636 | 0.66 | 0.17 |
| May | 20 | 6,269,207 | 0.47 | 0.12 |
| June | 22 | 7,627,312 | 0.58 | 0.14 |
| July | 21 | 15,354,743 | 1.16 | 0.29 |
| August | 22 | 16,165,998 | 1.22 | 0.30 |
| September | 21 | 19,508,273 | 1.47 | 0.37 |
| October | 20 | 10,328,708 | 0.78 | 0.19 |
| November | 22 | 8,921,769 | 0.67 | 0.17 |
| December | 19 | 5,466,431 | 0.41 | 0.10 |
| 2018 | | | | |
| January | 22 | 20,455,354 | 1.54 | 0.39 |
| February | 18 | 52,812,629 | 3.98 | 1.00 |
| March | 21 | 26,135,275 | 1.97 | 0.49 |
| April | 19 | 14,228,664 | 1.07 | 0.27 |
| May | 21 | 11,639,130 | 0.88 | 0.22 |
| June | 20 | 11,318,881 | 0.85 | 0.21 |
| July | 21 | 5,032,727 | 0.38 | 0.09 |
| August | 23 | 4,530,617 | 0.34 | 0.09 |
| September | 19 | 7,727,696 | 0.58 | 0.15 |
| October | 21 | 5,743,774 | 0.43 | 0.11 |
| November | 22 | 3,489,884 | 0.26 | 0.07 |
| December | 19 | 2,360,990 | 0.18 | 0.04 |

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| | Number of trading days in each month/period | Average Volume Number of shares | % of the Average Volume to the total number of the Shougang Resources Shares in issue held by the public (Note 1) % | % of the Average Volume to the total number of the Shougang Resources Shares in issue (Note 2) % |
|---|---|------------------------------------|---|--|
| 2019 | | | | |
| January | 22 | 2,454,443 | 0.19 | 0.05 |
| February | 17 | 4,393,582 | 0.33 | 0.08 |
| March | 21 | 3,895,095 | 0.29 | 0.07 |
| April | 19 | 4,936,449 | 0.37 | 0.09 |
| May | 21 | 2,472,016 | 0.19 | 0.05 |
| June | 19 | 2,381,327 | 0.18 | 0.04 |
| July | 22 | 1,663,984 | 0.13 | 0.03 |
| August | 22 | 2,946,326 | 0.22 | 0.06 |
| September | 21 | 3,300,035 | 0.25 | 0.06 |
| October | 21 | 2,589,884 | 0.20 | 0.05 |
| November | 21 | 2,907,985 | 0.22 | 0.05 |
| December | 20 | 3,497,836 | 0.26 | 0.07 |
| 2020 | | | | |
| January | 20 | 4,091,478 | 0.31 | 0.08 |
| February | 20 | 3,222,062 | 0.24 | 0.06 |
| March | 22 | 6,345,741 | 0.48 | 0.12 |
| April | 19 | 3,887,157 | 0.29 | 0.07 |
| May | 20 | 2,445,143 | 0.18 | 0.05 |
| June | 21 | 3,528,606 | 0.27 | 0.07 |
| July (Note 3) | 18 | 7,851,287 | 0.59 | 0.15 |
| August | 21 | 2,432,472 | 0.18 | 0.05 |
| September | 22 | 4,693,993 | 0.37 | 0.09 |
| October | 18 | 7,116,846 | 0.56 | 0.14 |
| November | 21 | 6,503,090 | 0.51 | 0.13 |
| December | 22 | 4,165,157 | 0.33 | 0.08 |
| 2021 | | | | |
| January | 20 | 4,387,669 | 0.35 | 0.09 |
| February (Up to the date of the Amended and Restated Sale and Purchase Agreement) | 12 | 2,499,725 | 0.20 | 0.05 |

Source: Website of the Stock Exchange and Refinitiv (formerly known as Thomson Reuters)

Notes:

- (1) Based on the minimum public float of 25% of the total number of Shougang Resources Shares in issue held by the public as at the end of each month/period during the Review Period.
- (2) Based on the total number of Shougang Resources Shares in issue as at the end of each month/period during the Review Period.
- (3) Trading in Shougang Resources Shares was halted from 14 July 2020 to 17 July 2020 (both days inclusive).

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Based on the above table, the liquidity of the Shougang Resources Shares, in our view, was generally thin during the Review Period. Given the relatively thin trading volume in the Shougang Resources Shares, if the Group wishes to sell a significant number of Shougang Resources Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shougang Resources Shares. Therefore, the Revised Proposed Restructuring provides an opportunity for the Group, especially it holds a large block of Shougang Resources Shares, to dispose of its holdings at a fixed cash price.

(c) Comparisons of the Consideration Price with historical price performance and net asset value of Shougang Resources

The Consideration Price, i.e. HK\$2.40 per Shougang Resources Share, represents:

- (i) a premium of approximately 29.73% over the closing price of HK\$1.850 per Shougang Resources Share as quoted on the Stock Exchange as at the Last Trading Date;
- (ii) a premium of approximately 29.59% over the average closing price of HK\$1.852 per Shougang Resources Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 27.46% over the average closing price of HK\$1.883 per Shougang Resources Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;
- (iv) a premium of approximately 28.48% over the average closing price of HK\$1.868 per Shougang Resources Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Date;
- (v) a premium of approximately 38.33% over the average closing price of HK\$1.735 per Shougang Resources Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Date;
- (vi) a premium of approximately 20.60% over the closing price of HK\$1.990 per Shougang Resources Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vii) a discount of approximately 23.44% to the audited consolidated net asset value of approximately HK\$3.135 per Shougang Resources Share as at 31 December 2020, calculated based on the consolidated net asset value attributable to the shareholders of Shougang Resources of approximately HK\$15,837,166,000 as at 31 December 2020 divided by the total number of 5,051,837,842 Shougang Resources Shares in issue as at 31 December 2020.

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In summary, the Consideration Price of HK\$2.40 per Shougang Resources Share represents premium in a range of approximately 27.46% to approximately 38.33% over the average closing prices of Shougang Resources Share for different periods before the Last Trading Date, which is considered favourable to the Independent Shareholders.

The Consideration Price also represents a discount of approximately 23.44% to the audited consolidated net asset value of approximately HK\$3.135 per Shougang Resources Share as at 31 December 2020. In assessing the fairness and reasonableness of the Consideration Price, we have also reviewed, as set out in the table below, the closing prices of Shougang Resources Share and the corresponding discounts of such closing prices to the net asset value per Shougang Resources Share from 24 March 2017, being the first trading day after Shougang Resources published its financial results during the Review Period, up to the Last Trading Date (i.e. 14 January 2021).

| Period (Note 1) | Net asset value per Shougang Resources Share (Note 2) (HK\$) | Closing price per Shougang Resources Share | | Discount of closing price to the net asset value per Shougang Resources Share | |
|--------------------------------------|---|--|--------|---|---------|
| | | Low | High | Low | High |
| | | (HK\$) | (HK\$) | (%) | (%) |
| 23 Mar 2017 to 24 Aug 2017 | 2.738 | 1.221 | 1.774 | (55.41) | (35.21) |
| 24 Aug 2017 to 22 Mar 2018 | 2.871 | 1.425 | 2.443 | (50.37) | (14.91) |
| 22 Mar 2018 to 23 Aug 2018 | 3.006 | 1.740 | 2.171 | (42.12) | (27.78) |
| 23 Aug 2018 to 21 Mar 2019 | 2.975 | 1.430 | 1.870 | (51.93) | (37.14) |
| 21 Mar 2019 to 22 Aug 2019 | 2.902 | 1.570 | 2.060 | (45.90) | (29.01) |
| 22 Aug 2019 to 26 Mar 2020 | 3.012 | 1.250 | 1.820 | (58.50) | (39.58) |
| 26 Mar 2020 to 28 Aug 2020 | 2.958 | 1.360 | 1.830 | (54.02) | (38.13) |
| 28 Aug 2020 to the Last Trading Date | 2.904 | 1.590 | 2.000 | (45.25) | (31.13) |
| The Consideration Price | 2.40 | | – | (23.44) | |

Source: Website of the Stock Exchange and the interim and annual results announcements and monthly returns of Shougang Resources

Notes:

- The beginning day of the relevant period represents the first trading day after Shougang Resources released its respective annual or interim results announcement during the Review Period.
- The net asset value per Shougang Resources Share is calculated based on the consolidated net asset value attributable to the shareholders of Shougang Resources as disclosed in the respective results announcements of Shougang Resources divided by the total number of the Shougang Resources Shares then in issue.

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As set out in the table above, during the period from 24 March 2017 to the Last Trading Date, being a period of approximately four years, the Shougang Resources Shares have been trading at discounts to the net asset value per Shougang Resources Share at all time ranging from approximately 14.91% to 58.50%. The closing price of Shougang Resources Shares of HK\$1.850 on the Last Trading Date represented a discount of approximately 40.99% to the audited consolidated net asset value of Shougang Resources as at 31 December 2020.

Based on the Consideration Price of HK\$2.40 per Shougang Resources Share and the audited consolidated net asset value of approximately HK\$3.135 per Shougang Resources Share as at 31 December 2020 (which is calculated based on the audited consolidated net asset value attributable to the shareholders of Shougang Resources of HK\$15,837,166,000 as at 31 December 2020 divided by the total number of 5,051,837,842 Shougang Resources Shares in issue as at the 31 December 2020), the Consideration Price represents a discount of approximately 23.44% to the net asset value per Shougang Resources Share as at 31 December 2020, which is less than the historical discounts of the Shougang Resources Shares during majority of the Review Period.

(d) Comparable Companies analysis

As stated in the section headed “2. Information of the Disposal Group and the Shougang Resources Group” of this letter, the Shougang Resources Group is principally engaged in Coal Business (i.e. coking coal mining, production and sales of coking coal products). Also, the Shougang Resources Group recorded a profit attributable to its owners for FY2019 and FY2020 and recorded a positive equity attributable to its owners as at 31 December 2019 and 2020. In order to assess the fairness and reasonableness of the Consideration, we have identified a list of comparable companies listed on the Main Board of the Stock Exchange (“**Comparable Companies**”) which: (i) are principally engaged in similar business as the Shougang Resources Group, being coking coal mining, production and/or sales of coking coal products, and generated a majority (i.e. over 50%) of their revenue from such business for their latest full financial year; (ii) owns operation/extractions/exploration rights of mines in the PRC; (iii) were profit making in the latest full financial year; (iv) net asset value attributable to owners of the company remained as positive as disclosed in their latest published financial information; and (v) shares were not suspended from trading for long (i.e. three months or more) as at the date of the Amended and Restated Sale and Purchase Agreement, for comparison. We have identified six Comparable Companies which met the aforementioned selection criteria and we consider them to be fair, representative and exhaustive samples of companies similar and comparable to the Shougang Resources Group.

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Although market capitalisations, profitability and financial positions of the Comparable Companies may not be the same as those of Shougang Resources, we consider that the Comparable Companies are fair and representative to provide information of the valuation of public companies principally engaged in similar Coal Business in the PRC as Shougang Resources.

Set out below are price-to-earnings ratios (“P/E”) and price-to-book ratios (“P/B”) of the Comparable Companies based on their closing share prices as at the date of the Amended and Restated Sale and Purchase Agreement, and their latest published financial information:

| Company name (Stock Code) | Nature of business | Market capitalisation (HK\$ million) (Note 1) | P/E (times) (Note 2) | P/B (times) (Note 2) |
|---|---|--|----------------------------|----------------------------|
| China Shenhua Energy Company Limited (Stock Code: 1088.HK) | Manufacture and sales of coal and electricity, railway and ship transportation, and coal to olefin business | 295,957.6 | 6.34 | 0.75 |
| Yanzhou Coal Mining Company Limited (Stock Code: 1171.HK) | Mining, washing, processing and distribution of coal through railway transportation | 32,076.0 | 3.05 | 0.52 |
| Kinetic Mines and Energy Limited (Stock Code: 1277.HK) | Extraction and sale of coal products | 3,624.9 | 3.88 | 1.37 |
| China Coal Energy Company Limited (Stock Code: 1898.HK) | Coal production and distribution businesses | 32,218.6 | 4.64 | 0.29 |
| Perennial Energy Holdings Limited (Stock Code: 2798.HK) | Mining business, including exploration and mining of coking coal and coal washing | 24,096.0 | 98.68 | 16.25 |
| Inner Mongolia Yitai Coal Co., Ltd. (Stock Code: 3948.HK) | Production, transportation and sale of coal, as well as the distribution of petroleum products | 14,578.0 | 3.43 | 0.38 |
| Maximum | | | 98.68 | 16.25 |
| Minimum | | | 3.05 | 0.29 |
| Median | | | 4.26 | 0.63 |
| Average | | | 20.00 | 3.26 |
| <i>Excluding outlier (i.e. Perennial Energy Holdings Limited):</i> | | | | |
| Maximum | | | 6.34 | 1.37 |
| Minimum | | | 3.05 | 0.29 |
| Median | | | 3.88 | 0.52 |
| Average | | | 4.27 | 0.66 |

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| Company name (Stock Code) | Nature of business | Market capitalisation (HK\$ million) (Note 1) | P/E (times) (Note 2) | P/B (times) (Note 2) |
|--|---|--|--|--|
| | | | FY2019 Implied P/E (times) | 6M2020 Implied P/B (times) |
| Shougang Resources (Stock Code: 639.HK) | Coking coal mining, and production and sales of coking coal products | 9,699.5 (Note 3) | 10.63 (Note 4) | 0.79 (Note 5) |
| | | | FY2020 Implied P/E (times) | FY2020 Implied P/B (times) |
| | | | 11.23 (Note 6) | 0.77 (Note 7) |

Notes:

1. The market capitalisations of the Comparable Companies are calculated based on the respective total number of shares in issue and closing share prices of the Comparable Companies as at the date of the Amended and Restated Sale and Purchase Agreement.
2. The P/E and P/B of the Comparable Companies are calculated based on their respective market capitalisations as at the date of the Amended and Restated Sale and Purchase Agreement and profit for the year and net asset value attributable to the owners, respectively, as disclosed in the latest published financial information of the respective Comparable Companies prior to the date of the Amended and Restated Sale and Purchase Agreement.
3. The market capitalisation of Shougang Resources is calculated based on the total number of Shougang Resources Shares in issue and the closing price of the Shougang Resources Share as at the date of the Amended and Restated Sale and Purchase Agreement.
4. The implied P/E (the “**FY2019 Implied P/E**”) of Shougang Resources is calculated based on the Consideration Price, the profit attributable to the owners of Shougang Resources of approximately HK\$1,140.4 million for FY2019, being the latest full financial year prior to the entering into of the Amended and Restated Sale and Purchase Agreement, and 5,051,837,842 Shougang Resources Shares in issue as at the date of the Amended and Restated Sale and Purchase Agreement.

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5. The implied P/B (the “**6M2020 Implied P/B**”) of Shougang Resources is calculated based on the Consideration Price, the net asset value attributable to the owners of Shougang Resources of approximately HK\$15,398.4 million as at 30 June 2020, being the latest financial information published by Shougang Resources prior to the entering into of the Amended and Restated Sale and Purchase Agreement, and 5,051,837,842 Shougang Resources Shares in issue as at the date of the Amended and Restated Sale and Purchase Agreement.
6. For illustrative purpose, the implied P/E (the “**FY2020 Implied P/E**”) of Shougang Resources is calculated based on the Consideration Price, the profit attributable to the owners of Shougang Resources of approximately HK\$1,080.0 million for FY2020, being the latest full financial year prior to the Latest Practicable Date, and 5,051,837,842 Shougang Resources Shares in issue as at 31 December 2020.
7. For illustrative purpose, the implied P/B (the “**FY2020 Implied P/B**”) of Shougang Resources is calculated based on the Consideration Price, the net asset value attributable to the owners of Shougang Resources of approximately HK\$15,837.2 million as at 31 December 2020, being the latest financial information published by Shougang Resources prior to the Latest Practicable Date, and 5,051,837,842 Shougang Resources Shares in issue as at 31 December 2020.

As shown in the table above, we noted that (i) the P/E of the Comparable Companies ranged from approximately 3.05 times to 98.68 times, with a median and an average of approximately 4.26 times and 20.00 times respectively; and (ii) the P/B of the Comparable Companies ranged from approximately 0.29 times to 16.25 times, with a median and an average of approximately 0.63 times and 3.26 times respectively.

Excluding Perennial Energy Holdings Limited (Stock Code: 2798.HK), which is considered as an outlier as its P/E and P/B are more than six times the average P/E and P/B of the Comparable Companies, respectively, the P/E of the Comparable Companies ranged from approximately 3.05 times to 6.34 times, with a median and an average of approximately 3.88 times and 4.27 times respectively; and (ii) the P/B of the Comparable Companies ranged from approximately 0.29 times to 1.37 times, with a median and an average of approximately 0.52 times and 0.66 times respectively. Both of (i) the FY2019 Implied P/E and 6M2020 Implied P/B, which are calculated based on the latest financial information published by Shougang Resources prior to the date of the Amended and Restated Sale and Purchase Agreement; and (ii) the FY2020 Implied P/E and FY2020 Implied P/B, which are calculated based on the latest financial information published by Shougang Resources prior to the Latest Practicable Date, are within the range and above the average of the P/E and P/B of the Comparable Companies (excluding the outlier) respectively, and thus we are of the view that the Consideration, which determined the implied P/E and implied P/B of Shougang Resources, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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(e) Comparable Transactions analysis

The Consideration for the Revised Proposed Restructuring reflects an indirect transfer of 600,000,000 Shougang Resources Shares and the Shougang Resources Group is principally engaged in Coal Business in the PRC as mentioned in the section headed “2. Information of the Disposal Group and the Shougang Resources Group” of this letter above. In order to assess the fairness and reasonableness of the Consideration, we have tried to identify precedent comparable transactions involving the disposal of Coal Business or companies principally engaged Coal Business in the PRC (the “**Comparable Transactions of Coal Business Disposal**”). We have conducted a research on the website of the Stock Exchange for the Comparable Transactions of Coal Business Disposal which: (i) were conducted by the companies currently listed on the Main Board of the Stock Exchange and announced during the period from 1 January 2020 up to the date of the Amended and Restated Sale and Purchase Agreement (the “**Relevant Period**”); (ii) constitute a major transaction or very substantial disposal (as defined in Chapter 14 of the Listing Rules); and (iii) involved disposal of Coal Business or companies principally engaged in Coal Business in the PRC. We consider that the Relevant Period is adequate to reflect the more recent market practice of disposing Coal Business or companies principally engaged Coal Business in the PRC, given the comparable transactions prior to the commencement of the Relevant Period were not considered update-to-date and up to the date of the Amended and Restated Sale and Purchase Agreement, being the latest practicable date for the management of the Group to finalise the terms and the Consideration for the Revised Proposed Restructuring. However, to the best of our knowledge and as far as we are aware of, no Comparable Transactions of Coal Business Disposal met the above criteria was identified.

However, we have compared the precedent comparable transactions conducted by the companies listed on the Main Board of the Stock Exchange which constitute both very substantial disposal (as defined in Chapter 14 of the Listing Rules) and also connected transactions and were announced during the Relevant Period (the “**VSD and CT Precedents**”). The VSD and CT Precedents set out below represent an exhaustive list of very substantial disposal and also connected transactions we identified from the website of the Stock Exchange satisfying the following selection criteria: (i) were conducted by the companies currently listed on the Main Board of the Stock Exchange and the initial announcements of which were published during the Relevant Period; (ii) constitute both very substantial disposal (as defined in Chapter 14 of the Listing Rules) and also connected transaction; and (iii) the disposal company(ies) was profit making in the latest full financial year and had positive net asset value attributable to the owners of the company, which was the financial position of Shougang Resources. The table below provide a comparison between the implied P/E and implied P/B for the Disposal and the P/E and P/B of the VSD and CT Precedents. Although the business nature, financial performance and position and scale of each company vary, and some aspects of pricing may be industry-specific, we consider that the VSD and CT Precedents are fair and representative and the below analysis is able to be a reference of the pricing of recent very substantial disposal and connected

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transactions conducted by the companies listed on the Main Board of the Stock Exchange under recent market sentiments towards very substantial disposal to connected person(s). We consider that the Relevant Period is adequate to reflect the more recent market practice of comparable transactions conducted by the companies listed on the Main Board of the Stock Exchange which constitute both very substantial disposal (as defined in Chapter 14 of the Listing Rules) and also connected transactions, given the comparable transactions prior to the commencement of the Relevant Period were not considered update-to-date and up to the date of the Amended and Restated Sale and Purchase Agreement, being the latest practicable date for the management of the Group to finalise the terms and the Consideration for the Revised Proposed Restructuring. As such, we consider the VSD and CT Precedents an appropriate basis in assessing the fairness and reasonableness of the Consideration.

| Date of initial announcement | Vendor company name (Stock Code) | Principal business of the disposal company(ies) and its/(their) subsidiaries (i.e. the disposal group) | Consideration for the disposal company(ies)/ group | P/E (times) (Note 1) | P/B (times) (Note 1) |
|------------------------------|---|--|--|----------------------------|----------------------------|
| 21 Feb 2020 | eSun Holdings Limited (Stock Code: 571.HK) | Property development for sale, property investment, and development and operation of and investment in cultural, leisure, entertainment and related facilities | HK\$1,517.4 million | 4.45 | 0.20 |
| 24 Feb 2020 | Eagle Legend Asia Limited (Stock Code: 936.HK) | Cultivation, research, processing and sale of exocarpium citri grandis, a Chinese herbal medicine, in the PRC | HK\$230.0 million | 6.89 | 1.18 |
| 11 Jun 2020 | Oriental Explorer Holdings Limited (Stock Code: 430.HK) | Trading of securities and property investment, and through its subsidiaries, holding of interest in certain properties in Hong Kong and the PRC | HK\$1,146.7 million | 29.26 | 1.23 |
| 30 Jul 2020 | China Electronics Huada Technology Company Limited (Stock Code: 85.HK) | Rental and sales of industrial parks, industrial park operation services, and industrial investment | HK\$1,785.0 million | 8.17 | 0.71 |
| 16 Nov 2020 | BGMC International Limited (Stock Code: 1693.HK) | Solely a project company holding the concession right of the campus of UiTM (a public university in Malaysia) during the initial three years since engagement and provided asset management services for such campus | RM93.8 million (Note 2) | 5.42 | 1.03 |
| | Maximum | | | 29.26 | 1.23 |
| | Minimum | | | 4.45 | 0.20 |
| | Median | | | 6.89 | 1.03 |
| | Average | | | 10.84 | 0.87 |

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| Date of initial announcement | Vendor company name (Stock Code) | Principal business of the disposal company(ies) and its/(their) subsidiaries (i.e. the disposal group) | Consideration for the disposal company(ies)/ group | P/E | P/B |
|------------------------------|-------------------------------------|---|--|---|---|
| | | | | <i>(times)</i> <i>(Note 1)</i> | <i>(times)</i> <i>(Note 1)</i> |
| | | | | FY2019 Implied P/E <i>(times)</i> | 6M2020 Implied P/B <i>(times)</i> |
| 15 Jan 2021 | The Disposal | Excel Bond held the sole asset of approximately 11.88% interest in Shougang Resources through Ultimate Capital as the Latest Practicable Date | HK\$1,440 million <i>(Note 3)</i> | 10.63 <i>(Note 4)</i> | 0.79 <i>(Note 5)</i> |
| | | | | FY2020 Implied P/E <i>(times)</i> | FY2020 Implied P/B <i>(times)</i> |
| | | | | 11.23 <i>(Note 6)</i> | 0.77 <i>(Note 7)</i> |

Notes:

1. The P/E and P/B of the VSD and CT Precedents are calculated based on consideration for the sale shares of the disposal company(ies) in aggregate and profit for the year and net asset value attributable to the owners of the disposal company/group, respectively, as disclosed in the respective initial announcements or circulars in relation to the VSD and CT Precedents.
2. "RM" means Malaysian ringgit, the lawful currency of Malaysia.
3. Being the Consideration, which reflects an indirect transfer of 600,000,000 Shougang Resources Shares at a consideration of HK\$2.40 per Shougang Resources Share.
4. The FY2019 Implied P/E for the Disposal is calculated based on the Consideration Price, the profit attributable to the owners of Shougang Resources of approximately HK\$1,140.4 million for FY2019, being the latest full financial year prior to the entering into of the Amended and Restated Sale and Purchase Agreement, and 5,051,837,842 Shougang Resources Shares in issue as at the date of the Amended and Restated Sale and Purchase Agreement.
5. The 6M2020 Implied P/B for the Disposal is calculated based on the Consideration Price, the net asset value attributable to the owners of Shougang Resources of approximately HK\$15,398.4 million as at 30 June 2020, being the latest financial information published by Shougang Resources prior to the entering into of the Amended and Restated Sale and Purchase Agreement, and 5,051,837,842 Shougang Resources Shares in issue as at the date of the Amended and Restated Sale and Purchase Agreement.

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6. For illustrative purpose, the FY2020 Implied P/E for the Disposal is calculated based on the Consideration Price, the profit attributable to the owners of Shougang Resources of approximately HK\$1,080.0 million for FY2020, being the latest full financial year prior to the Latest Practicable Date, and 5,051,837,842 Shougang Resources Shares in issue as at 31 December 2020.
7. For illustrative purpose, the FY2020 Implied P/B for the Disposal is calculated based on the Consideration Price, the net asset value attributable to the owners of Shougang Resources of approximately HK\$15,837.2 million as at 31 December 2020, being the latest financial information published by Shougang Resources prior to the Latest Practicable Date, and 5,051,837,842 Shougang Resources Shares in issue as at 31 December 2020.

As shown in the table above, we noted that (i) the P/E of the VSD and CT Precedents ranged from approximately 4.45 times to 29.26 times, with a median and an average of approximately 6.89 times and 10.84 times respectively; and (ii) the P/B of the VSD and CT Precedents ranged from approximately 0.20 times to 1.23 times, with a median and an average of approximately 1.03 times and 0.87 times respectively.

Both of the FY2019 Implied P/E and 6M2020 Implied P/B for the Disposal, which are calculated based on the latest financial information published by Shougang Resources prior to the date of the Amended and Restated Sale and Purchase Agreement, are within the range and similar to the average and relatively much higher than the minimum of the P/E and P/B of the VSD and CT Precedents respectively. Both of the FY2020 Implied P/E and FY2020 Implied P/B for the Disposal, which are calculated based on the latest financial information published by Shougang Resources prior to the Latest Practicable Date, are within the range of the P/E and P/B of the VSD and CT Precedents respectively; while the FY2020 Implied P/E for the Disposal is higher than the median and the average of the P/E of the VSD and CT Precedents, and the FY2020 Implied P/B for the Disposal is similar to the average and relatively much higher than the minimum of the P/B of the VSD and CT Precedents. As such, we are of the view that, after taking into factors as stated above as a whole, the Consideration, which determined the implied P/E and implied P/B for the Disposal, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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Moreover, we have compared the precedent comparable transactions conducted by the companies listed on the Main Board of the Stock Exchange involving disposal of listed securities of another company listed on the Main Board of the Stock Exchange which constitute a major transaction or very substantial disposal (as defined in Chapter 14 of the Listing Rules) and were announced during the Relevant Period (the “**Comparable Transactions of Listed Securities Disposal**”). The Comparable Transactions of Listed Securities Disposal set out below represent an exhaustive list we identified from the website of the Stock Exchange satisfying the following selection criteria: (i) were conducted by the companies currently listed on the Main Board of the Stock Exchange and the initial announcements of which were published during the Relevant Period; (ii) constitute a major transaction or very substantial disposal (as defined in Chapter 14 of the Listing Rules); and (iii) involved disposal of listed securities of another company listed on the Main Board of the Stock Exchange. We consider that the Relevant Period is adequate to reflect the more recent market practice of comparable transactions conducted by the companies listed on the Main Board of the Stock Exchange involving disposal of listed securities of another company listed on the Main Board of the Stock Exchange which constitute a major transaction or very substantial disposal, given the comparable transactions prior to the commencement of the Relevant Period were not considered update-to-date and up to the date of the Amended and Restated Sale and Purchase Agreement, being the latest practicable date for the management of the Group to finalise the terms and the Consideration for the Revised Proposed Restructuring.

Despite the business nature, financial performance and position and scale of each company, of which the listed securities were disposed under the Comparable Transactions of Listed Securities Disposal, may vary, and some aspects of pricing may be industry-specific, having considered (i) the Revised Proposed Restructuring constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules; and (ii) the Revised Sale Shares to be disposed under the Amended and Restated Sale and Purchase Agreement represents the entire issued share capital of Excel Bond, the sole asset of which is its investment in Shougang Resources, which is listed on the Main Board of the Stock Exchange (Stock Code: 639.HK), we are of the view that the Comparable Transactions of Listed Securities Disposal are fair and representative and could demonstrate the pricing of recent sizeable disposal involving disposal of listed securities of company listed on the Main Board of the Stock Exchange under recent market sentiments and an appropriate basis in assessing the fairness and reasonableness of the Consideration Price.

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The table sets out the premium/(discount) of the consideration price per disposed listed shares over/(to) (i) the closing price of the disposed listed shares on the respective last trading day, which represents the last full trading day of the respective disposed listed shares immediately before the publication of the respective announcements; and (ii) the average closing prices of the disposed listed shares for the last five trading days, 30 trading days, 60 trading days and 180 trading days up to and including the respective last trading day of the Comparable Transactions of Listed Securities Disposal.

| Date of announcement | Listed company which disposed the listed share (Stock Code) | Company name of the subject disposed listed shares (Stock Code) | Premium/(discount) of the consideration price per disposed listed share over/(to) | | | | |
|----------------------|--|--|---|---|---|---|--|
| | | | closing price of the disposed listed shares on the last trading day (%) | average closing price of the disposed listed shares | | | |
| | | | | for the last five trading days up to and including the last trading day (%) | for the last 30 trading days up to and including the last trading day (%) | for the last 60 trading days up to and including the last trading day (%) | for the last 180 trading days up to and including the last trading day (%) |
| 2 Jan 2020 | Century City International Holdings Limited (Stock Code: 355.HK) Paliburg Holdings Limited (Stock Code: 617.HK) | Cosmopolitan International Holdings Limited (Stock Code: 120.HK) | (3.41) | 2.66 | 26.83 | 36.05 | 21.14 |
| 21 Feb 2020 | eSun Holdings Limited (Stock Code: 571.HK) | Lai Fung Holdings Limited (Stock Code: 1125.HK) | (7.61) | (8.79) | (6.75) | (8.93) | 3.62 |
| 16 Mar 2020 | Hao Tian Development Group Limited (Stock Code: 474.HK) | China Shandong Hi-Speed Financial Group Limited (Stock Code: 412.HK) | (5.00) | (5.00) | 2.76 | 10.89 | 8.82 |
| 7 Apr 2020 | PT International Development Corporation Limited (Stock Code: 372.HK) | PYI Corporation Limited (Stock Code: 498.HK) | 127.03 | 150.75 | 136.95 | 124.35 | 98.17 |
| 4 May 2020 | Wai Yuen Tong Medicine Holdings Limited (Stock Code: 897.HK) | Easy One Financial Group Limited (Stock Code: 221.HK) | 44.38 | 80.47 | 90.12 | 98.28 | 107.76 |
| 3 Jul 2020 | Future World Financial Holdings Limited (Stock Code: 572.HK) | CMBC Capital Holdings Limited (Stock Code: 1141.HK) | (68.35) | (68.83) | (68.83) | (65.77) | (63.57) |
| 12 Oct 2020 | COSCO Shipping Development Co., Limited (Stock Code: 2866.HK) | China International Marine Containers (Group) Co., Limited (Stock Code: 2039.HK) | (18.11) | (13.91) | (8.69) | (4.89) | 5.75 |
| 29 Oct 2020 | Citic Resources Holdings Limited (Stock Code: 1205.HK) | CITIC Dameng Holdings Limited (Stock Code: 1091.HK) | 127.16 | 131.16 | 197.73 | 191.14 | 232.43 |
| 20 Nov 2020 | Overseas Chinese Town (Asia) Holdings Limited (Stock Code: 3366.HK) | Tongcheng-Elong Holdings Limited (Stock Code: 780.HK) | 0.21 | 0.78 | 4.18 | 2.68 | 8.78 |
| 7 Jan 2021 | Eternity Investment Limited (Stock Code: 764.HK) | BC Technology Group Limited (Stock Code: 863.HK) | (6.29) | (13.29) | (8.84) | 12.14 | 48.79 |
| Maximum | | | 127.16 | 150.75 | 197.73 | 191.14 | 232.43 |
| Minimum | | | (68.35) | (68.83) | (68.83) | (65.77) | (63.57) |
| Median | | | (4.20) | (2.11) | 3.47 | 11.51 | 14.98 |
| Average | | | 19.00 | 25.60 | 36.55 | 39.59 | 47.17 |
| 15 Jan 2021 | The Disposal | | 29.73 | 29.59 | 27.46 | 28.48 | 38.33 |

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As indicated in the table above, the average of the premium/(discount) of the Comparable Transactions of Listed Securities Disposal over (i) the closing price of the disposed listed shares on the last trading day was approximately 19.00%; and (ii) the average closing prices of the disposed listed shares for the last five trading days, 30 trading days, 60 trading days and 180 trading days were approximately 25.60%, 36.55%, 39.59% and 47.17% respectively.

In comparison, (i) the premium of the Consideration Price for the Disposal over the closing price per Shougang Resources Share on the Last Trading Date and the average closing prices per Shougang Resources Share for the last five trading days, 30 trading days, 60 trading days and 180 trading days are within the range of the respective ranges represented by the Comparable Transactions of Listed Securities Disposal; and (ii) the premium of the Consideration Price for the Disposal over the closing price per Shougang Resources Share on the Last Trading Date and the average closing prices per Shougang Resources Share for the last five trading days are higher than the average of the respective ranges represented by the Comparable Transactions of Listed Securities Disposal. Although the premium of the Consideration Price for the Disposal over the average closing prices per Shougang Resources Share for the last 30 trading days, 60 trading days and 180 trading days are lower than the average of the respective ranges represented by the Comparable Transactions of Listed Securities Disposal, such premia are still within the range and higher than the median, and are relatively much higher than the minimum of the respective ranges represented by the Comparable Transactions of Listed Securities Disposal. As such, we are of the view that, after taking into factors as stated above as a whole, the Consideration Price for the Disposal is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

(f) Other terms of the Amended and Restated Sale and Purchase Agreement

In addition to the above, we have reviewed other principal terms of the Amended and Restated Sale and Purchase Agreement including but not limited to the terms of payment and the conditions precedent thereto as set out in the previous section of this letter, and we are not aware of any terms being unusual. In view of the above, we are of the view that the Amended and Restated Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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6. Reasons for and benefits of the Revised Proposed Restructuring

As disclosed in the Letter from the Board, the Board undertakes strategic review of its businesses from time to time with a view to maximising returns to the Shareholders and to align with the business development strategy direction of the Group. Since 2017, the Group has shifted its focus from Trading Business to the Car Parking Business and the Fund Management Business. Since then, the principal businesses of the Group have been laid a solid foundation for sustainable development, with its respective business scales having maintained high growth rates. The Group has achieved significant improvement in its financial performance, and has sustained continuous growth, which has been detailed in the sub-section headed “(b) Financial performance of the Group” in the section headed “1. Information of the Group” of this letter.

With respect to Car Parking Business, the Group has initially established the four core business network which is spanned across Beijing-Tianjin-Hebei, Yangtze River Delta, Chengyu Region and Greater Bay Area. It has further polished core products, enriched business landscape, expanded cooperation model, and added the new business format – parking spaces with property rights based on the existing product format. Meanwhile, the Group has further increased investment in research and development, implemented technological innovations into parking spaces operations and management, and improved operational efficiency while creating new business growth point. While most of the new parking spaces signed in 2020 have not yet been put into operation and the revenue scale has not yet been fully released, revenue of this operating segment was approximately HK\$481.0 million, resulting an increase of 171.7% compared to FY2019. As discussed in the sub-section headed “(d) Industry overview and prospect of Car Parking Business” in the section headed “1. Information of the Group” of this letter above, the expected increase in number of cars and the complementary demand of car parking lots and the favorable policy of the intelligent transportation infrastructure is expected to bring in opportunities and sustainable growth of the Car Parking Business of the Group.

Management of private funds continues to take real estate infrastructure as the main direction. It covers urban redevelopment business and the infrastructure field. In FY2020, the overall scale of the Group’s Fund Management Business was growing steadily and continued to contribute a stable source of revenue to the Group. In FY2020, this operating segment recorded revenue of approximately HK\$213 million and net profit of approximately HK\$137 million, representing an increase of approximately 18% and a decrease of approximately 30%, respectively, as compared to that of FY2019. Excluding the impact of one-off income in FY2019, the net profit of this operating segment has increased by approximately 25% for FY2020 as compared to that of FY2019. As discussed in the sub-section headed “(e) Industry overview and prospect of Fund Management Business” in the section headed “1. Information of the Group” of this letter above, with the continuous supports from the Chinese government on infrastructure sector, the Fund Management Business of the Group is expected to grow steadily.

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As a result, we are of the view that the Group should fully capture the opportunities to further expand its Car Parking Business and Fund Management Business. Since the Group shifted its focus to developing its current principal businesses, the development direction of its principal businesses and that of Shougang Resources have emerged to become different and non-complementary to each other, which makes it more challenging to achieve synergistic development effect. In the short term, Shougang Resources undoubtedly brings value to the financial performance of the Company. However, the Group is fully aware that its business development shall align with its long-term strategies which mainly focuses on car parking and urban renewal businesses.

In addition, despite the Company being a substantial shareholder of Shougang Resources of approximately 28.98% equity interests, the Company is unable to contribute funds and resources support to Shougang Resources to reign in further synergies. With limited contribution which the Group can offer to the development of Shougang Resources, the Company considers that the continued holding of this particular investment will not benefit its Shareholders in the long run.

Particularly, the overall financial performance of the Group has been significantly affected by the financial performance of Shougang Resources given the Group shared the results of Shougang Resources in its financial statements. The Revised Proposed Restructuring will further alleviate the financial impact brought by Shougang Resources, which the Group has been a passive investor in it and, to certain extent, further distinguish the operation and demonstrate the independence between the Group and Shougang Resources.

As disclosed in the Letter from the Board, in 2020, despite the negative impact of COVID-19 on the Group's business expansion, the Car Parking Business still maintains a rapid growth rate. Apart from entering arrangements for a number of large-scale parking projects in Baoding, Nanjing and other places, strategical cooperation agreements have also been entered into with a number of regional governments and enterprises in respect of the Car Parking Business. The cash consideration to be received from the Revised Proposed Restructuring not only supports the existing funding needs of the Group's Car Parking Business and Fund Management Business and enhances the risk tolerance of the Group under complicated economic environment, but also allows the Group to seize the Mainland China car parking industry's developmental opportunity window and accelerate the business expansion based on the Group's current business foundation, and thereby contributing better returns to the Shareholders. Based on the above, we concur with the view of the Board (other than Mr. Zhao Tianyang and Mr. Xu Liang, the executive Directors whom, by virtue of their respective connection with Shougang Group, have abstained from voting in respect of the Board resolution(s) approving the Revised Proposed Restructuring) that the Revised Proposed Restructuring, and the net proceeds arising there from, can facilitate the Group in utilizing its enhanced resources to optimize its current principal business structure and through greater focus and specialization into the current two major business operating segments and allow the Shareholders to further realize shareholder value from their long term investment in the Group.

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As disclosed in the Letter from the Board, it is expected that the Company will receive net cash proceeds of approximately HK\$1,438.00 million from the Revised Proposed Restructuring. The Company intends to apply the Revised Net Proceeds on existing business expansion, strategic investment opportunities, as applicable, and general working capital, as follows:

| Proposed use of Revised Net Proceeds | Tentative allocation in proportion to total expected net cash proceeds arising from the Revised Proposed Restructuring |
|---|---|
| (i) Management and operations of car parking assets | <p>The Group expects to apply part of the net cash proceeds towards payment for parking lot renovation expenses, operating system research and development expenses, rental payments and construction cost for new parking buildings. A portion of the net cash proceeds is also expected to be applied towards investment expenditure on the establishment of parking asset investment funds to allow the Group to continue seizing industry opportunities and leveraging on the Group's leading advantage in the field.</p> <p style="text-align: right;">Approximately 30% to 40%</p> |
| (ii) Urban redevelopment business and management of private funds that are oriented towards urban redevelopment | <p>The Group expects to utilize part of its net cash proceeds towards its urban redevelopment business, part of which is intended to be applied on the development plan of the Shougang Park and the continuing establishment of private funds towards the urban redevelopment.</p> <p>Urban redevelopment REITs funds are strategic investment products which have been derived from the integration of the Group's principal businesses. It is expected that investments in the aforesaid funds can effectively enhance the Group's fund management scale and scale of asset under management.</p> <p style="text-align: right;">Approximately 30% to 40%</p> |
| (iii) General working capital | <p>As the scale of business and operations of the Group expands, the Company expects to utilize part of the net cash proceeds to replenish, and where appropriate supplement, the daily general working capital of the Group for the administration expenses of the management of the Group, business development expenses and the payment of dividends.</p> <p style="text-align: right;">Approximately 20% to 40%</p> |

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As confirmed by the management of the Group, during 2020 and up to the date of Amended and Restated Sale and Purchase Agreement, the Group has conducted the following equity fund raising activities:

| Date of announcement | Fund raising activities | Net proceeds | Proposed use of the net proceeds |
|----------------------|--|---|---|
| 27 January 2021 | Placing of existing Shares and top-up subscription of new Shares under the general mandate | Approximately HK\$426 million and HK\$419 million from the placing and the subscription, respectively | <ul style="list-style-type: none"> - Management and operation of car parking assets - Urban redevelopment business and management of private funds that are oriented towards urban redevelopment - General working capital |
| 28 July 2020 | Issue of convertible bonds in the aggregate principal amount of HK\$300 million to Poly Platinum Enterprises Limited | Approximately HK\$294.7 million | Financing the expansion of the Group's businesses in management and operation of car parking assets in Guangdong-Hong Kong-Macau Greater Bay Area and technology innovation of the Group. |
| 14 February 2020 | Issue of 1,500,000,000 Shares to FTLife Insurance Company Limited | Approximately HK\$449.8 million | <ul style="list-style-type: none"> - Invest in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, and the remaining will be used for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment; - Invest in the Group's fund management business; and - General working capital and to seize business opportunities. |

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As advised by the management of the Group, given the Group has conducted the above equity fund raising activities recently, any further issuance of Shares or debt instruments will affect the shareholding structure of the Company and also the price of the Shares. Moreover, the Directors (excluding Mr. Zhao Tianyang and Mr. Xu Liang, the executive Directors whom, by virtue of their respective connection with Shougang Group, have abstained from voting in respect of the Board resolution(s) approving the Revised Proposed Restructuring) also considered that further debt financing may give rise to additional financing costs and increase the interest burden of the Group and also increase the level of indebtedness and gearing ratio of the Group. As such, seeking for the realization of part of the investment of the Shougang Resources Shares held by the Group at a price which is fair and reasonable as detailed in the section headed “5. Assessment of the Consideration for the Revised Proposed Restructuring” of this letter above is an acceptable way for the Group to finance its ongoing develop of its core businesses.

7. Effects of the Revised Proposed Restructuring

Upon completion of the Revised Proposed Restructuring, the Company’s interest in the Revised Sale Share will no longer be accounted for under the non-current assets of the Group’s financial statement.

The financial effects of the Disposal on the Group’s earnings, working capital and net asset value are set out below. However, it should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Group would be upon Completion. The actual gain or loss as a result of the Revised Proposed Restructuring to be recorded by the Company is subject to the actual carrying amount of the Revised Sale Shares on the date of Completion and the actual professional costs directly attributable to the Revised Proposed Restructuring.

(a) Earnings

Having considered the consideration under the Amended and Restated Sale and Purchase Agreement in the amount of HK\$1,440.00 million and assuming that Completion had taken place on 31 December 2020, the Company would have realize an unaudited loss on the Disposal of approximately HK\$654.8 million (before the reclassification of exchange reserve), which will be debited to the profit and loss, being the difference of the cash proceeds from the Disposal of approximately HK\$1,440.00 million and the unaudited carrying value of the Revised Sale Share as at 31 December 2020. The actual loss on the Revised Proposed Restructuring, which will be calculated based on the carrying value of the Group’s investment in the Shougang Resources Shares as at the date of the Completion, may be different and is subject to determination.

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(b) Net asset value

As at the Latest Practicable Date, Shougang Resources was accounted for as an associate of the Company in the consolidated financial statements of the Group. The sole asset of Excel Bond is its indirect shareholding in Shougang Resources. Upon Completion, the Company's indirect interest in Shougang Resources Shares will decrease from approximately 28.98% to 17.10% through disposing of approximately 11.88% equity interest held by Excel Bond. In return, the Company will receive a cash of HK\$1,440.00 million as a result of the Revised Proposed Restructuring. Assuming the Completion had taken place on 31 December 2020 and the Group still maintain significant influence over Shougang Resources, the total assets of the Remaining Group as at 31 December 2020 would have decreased from approximately HK\$14,125.6 million to HK\$13,470.9 million as a result of the Revised Proposed Restructuring. On the other hand, the Revised Proposed Restructuring will not have any effect on the total liabilities of the Group as at 31 December 2020, and the total equity as at 31 December 2020 would have decreased from approximately HK\$11,919.3 million to HK\$11,264.5 million as a result of the Revised Proposed Restructuring.

(c) Liquidity

Since the Consideration of HK\$1,440 million will be settled in cash by the purchaser to the Company, the Group shall have an immediate cash inflow of the same amount and hence its working capital position is expected to improve upon Completion.

As disclosed in the Letter from the Board, although the Company expects to realize a one-off unaudited loss on the Disposal, the Company considers that the terms of the Revised Proposed Restructuring are fair and reasonable and are in the interest of the Company and its Shareholders as a whole, for the following reasons:

- (1) The historical market prices of the Shougang Resources Shares had consistently fluctuated below HK\$2.00 over the past seven years (save for the limited period in the first quarter of 2018) preceding 15 January 2021 (being the date of the Sale and Purchase Agreement). In addition, the stock liquidity for the Shougang Resources Shares had been relatively low, with its average daily turnover since 2020 maintained at a level less than HK\$8 million. Therefore, with the Group undertaking the significant disposal of the Revised Sale Share at a premium of approximately 29.73% over the closing price of HK\$1.850 per Shougang Resources Share as quoted on the Stock Exchange as at the Last Trading Date, the Revised Proposed Restructuring represents an excellent opportunity for the Company to exit its investments in Shougang Resources at a good price.

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- (2) Despite the one-off unaudited loss brought about by the Revised Proposed Restructuring (being the disadvantage of the Revised Proposed Restructuring), as disclosed in the section headed “Reasons For and Benefits of The Revised Proposed Restructuring” in the Letter from the Board, having considered the Group’s future strategies and the available assets and resources upon completion of the Revised Proposed Restructuring, the Company is of the view that the Revised Proposed Restructuring, and the net proceeds arising therefrom, can facilitate the Group in utilising its enhanced resources to optimise its current principal business structure. Through greater focus and specialization into the current two major business operating segments, the Company believes that the Group can recover from the unaudited loss resulting from the Disposal in the long run.

In addition, we noted that the Remaining Group will have an increase in cash and cash equivalent of approximately HK\$1,340.8 million as at 31 December 2020 on pro forma basis, which is significant larger than the amount of the unaudited loss. After having considered all factors and reasons as stated above as a whole, we concur with the view of the Company that (i) although the Company expects to realize a one-off unaudited loss on the Disposal, the net proceeds arising from the Revised Proposed Restructuring could allow the Group to optimise its current principal business structure and through greater focus and specialization into the current two major business operating segments, to recover from the unaudited loss resulting from the Disposal in the long run; and (ii) the Revised Proposed Restructuring is in the interests of the Company and the Shareholders as a whole.

Moreover, in terms of monetary benefits, as advised by the management of the Group, the dividend income received from Shougang Resources in relation to the investment in the Revised Sale Share in FY2017, FY2018, FY2019 and FY2020 amounted to approximately HK\$435.5 million in aggregate, which supported the historical funding need of the Group in the past, which have also been considered as the return of the investment as a shareholder of Shougang Resources, let alone the realized loss for the Disposal.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Amended and Restated Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Revised Proposed Restructuring is not in conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the GM to approve the Revised Proposed Restructuring and the transactions contemplated thereunder.

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

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 16 years of experience in the auditing and investment banking industry.

* for identification purposes only

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive

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

(i) Long positions in shares and underlying shares of the Company

| Name of Director | Capacity in which interests were held | Number of shares held as at Latest Practicable Date | % of the total number of shares of the Company in issue as at Latest Practicable Date (Note 1) |
|------------------|---|---|---|
| Zhao Tianyang | Beneficial owner | 500,000 | 0.0069 |
| Li Wei | Beneficial owner | 1,020,000 | 0.0140 |
| Zhang Meng | Beneficial owner | 264,000 | 0.0036 |
| Liu Jingwei | Beneficial owner | 2,065,200 | 0.0283 |
| | Interest of controlled corporation (Note 2) | 60,000 | 0.0008 |
| Wang Xin | Beneficial owner | 40,000 | 0.0005 |
| | Interest of spouse | 200,000 | 0.0027 |

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of the Company was 7,291,017,194 ordinary shares.
2. These shares were held by Sunshine Express International Consulting Company Limited, which was 100% controlled by Mr. Liu Jingwei.

Save as disclosed above, as at Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Long positions in shares of associated corporation of the Company

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

| Name of shareholder | Capacity in which interests were held | Number of shares/ underlying shares | % of the total number of shares of the Company in issue as at Latest Practicable Date | Notes |
|--|--|--|--|--------------|
| Shougang Group | Interests of controlled corporations | 2,545,447,437 | 34.91 | 1, 5 |
| ORIX Corporation | Interests of controlled corporation | 1,044,081,679 | 14.32 | 2, 5 |
| Cheng Yu Tung Family (Holdings II) Limited | Interests of controlled corporations | 835,485,105 | 11.46 | 3, 5 |
| Cheng Yu Tung Family (Holdings) Limited | Interests of controlled corporations | 835,485,105 | 11.46 | 3, 5 |
| Rocket Parade Limited | Beneficial owner | 535,485,105 | 7.34 | 3, 5 |
| HOPU Investments Co. III Ltd | Interests of controlled corporation | 543,092,891 | 7.45 | 4, 5 |
| HOPU USD Master Fund III, L.P. | Interests of controlled corporation | 543,092,891 | 7.45 | 4, 5 |

Notes:

- Shougang Group is interested in all the shares held by its direct and indirect subsidiaries, namely, Shougang Holding (Hong Kong) Limited (holding 90,786,898 shares), China Gate Investments Limited (holding 551,565,954 shares), Grand Invest International Limited (holding 153,668,152 shares), Wide Success Holdings Limited (holding 821,349,784 shares), Prime Success Investments Limited (holding 9,714,800 shares), Lyre Terrace Management Limited (holding 46,000 shares) and Jingxi Holdings Limited (holding 918,315,849 shares).
- ORIX Corporation is interested in all the 300,748,346 shares and 743,333,333 shares held by its direct wholly-owned subsidiary ORIX Asia Capital Limited and indirect wholly-owned subsidiary Mountain Tai Peak I Investment Limited, respectively.

3. Rocket Parade Limited is wholly-owned by NWS FM Limited which is a wholly-owned subsidiary of NWS FM Holdings Limited. FTLife Insurance Company Limited is wholly-owned by Earning Star Limited which is a wholly-owned subsidiary of Success Idea Global Limited. Both NWS FM Holdings Limited and Success Idea Global Limited are wholly-owned subsidiaries of NWS Service Management Limited (incorporated in the British Virgin Islands) (“**NWS Service**”), which was accordingly deemed to be interested in 535,485,105 shares held by Rocket Parade Limited and 300,000,000 shares held by FTLife Insurance Company Limited. NWS Service is a wholly-owned subsidiary of NWS Service Management Limited (incorporated in the Cayman Islands), which is wholly-owned by NWS Holdings Limited which is held as to 60.86% by New World Development Company Limited, which in turn is held as to 44.55% by Chow Tai Fook Enterprises Limited (“**Chow Tai Fook Enterprises**”). Chow Tai Fook Enterprises is wholly-owned by Chow Tai Fook (Holding) Limited, which is held as to 81.03% by Chow Tai Fook Capital Limited, which in turn is held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and by Cheng Yu Tung Family (Holdings II) Limited respectively.
4. HOPU Investments Co. III Ltd (“**HOPU Investments**”) is interested in 543,092,891 (2,715,464,456 before share consolidation on the basis of every five (5) shares into one (1) share of the Company effective on 30 March 2020) shares held by its indirect wholly-owned subsidiary, Soteria Financial Investment Company Limited (“**Soteria Financial Investment**”). Soteria Financial Investment is a wholly-owned subsidiary of Soteria Financial Holding Company Limited, which in turn is a wholly-owned subsidiary of HOPU USD Master Fund III, L.P., a direct wholly-owned subsidiary of HOPU Investments.
5. As at the Latest Practicable Date, the total number of issued shares of the Company was 7,291,017,194 ordinary shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any person (other than a Director or chief executive of the Company), who had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

| Name of Director | Name of entity whose businesses 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 interest of the Director in the entity |
|---------------------|---|---|--|
| Zhao Tianyang | Shougang Fund# | Fund management | Director and General Manager |
| Ho Gilbert Chi Hang | Urban Parking Limited [#] | Car park management | Director |

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2020 (being the date to which the latest published accounts 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.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

7. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation of material importance and no litigation of material importance was, so far as the Directors were aware, pending or threatened against the Company.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular, and are or may be material:

- (a) the Amended and Restated Sale and Purchase Agreement;
- (b) the Sale and Purchase Agreement;
- (c) the assignment and novation agreement dated 31 May 2019 entered into between the Company and Newton Resources Ltd relating to the assignment and novation of the Long Term Hematite Supply Agreement (“**Assignment and Novation**”) for a consideration of HK\$150,000,000;
- (d) the conditional deed of novation, amendment and restatement dated 31 May 2019 entered into among the Company, SCIT Trading Limited, Newton Resources Ltd, Ace Profit Investment Limited, Mount Gibson Iron Limited and Koolan Iron Ore Pty Limited to effectuate the Assignment and Novation referred to in paragraph (c) above;

- (e) the Carpark Asset and Income Rights Transfer Agreement (車位資產收益轉讓框架協議) dated 13 November 2019 entered into among Shouzhong Investment, Shenzhen Wanwu and the vendors of this agreements at a consideration of RMB671.801 million;
- (f) the private fund management service agreement dated 18 November 2019 entered into between the Company and Shougang Fund in respect of the provision of private fund management services by the Company and/or its subsidiaries to Shougang Fund and/or its associates for the five years ending 31 December 2020, 2021, 2022, 2023 and 2024, for which annual caps were set at a maximum of RMB358,000,000, RMB551,000,000, RMB701,000,000, RMB851,000,000 and RMB924,000,000 respectively;
- (g) the conditional subscription agreement dated 29 November 2019 entered into between the Company and ORIX Asia Capital Limited in relation to the subscription of the zero coupon convertible bonds in the principal amount of HK\$1,115,000,000;
- (h) the conditional subscription agreement dated 29 November 2019 entered into between the Company and Matrix Partners China V, L.P. in relation to the subscription of the zero coupon convertible bonds in the principal amount of HK\$105,693,000;
- (i) the conditional subscription agreement dated 29 November 2019 entered into between the Company and Matrix Partners China V-A, L.P. in relation to the subscription of the zero coupon convertible bonds in the principal amount of HK\$10,992,000;
- (j) the conditional subscription agreement dated 29 November 2019 entered into between the Company as issuer and Shougang Holding (Hong Kong) Limited as the subscriber for the subscription of 93,333,333 Shares at a total consideration of HK\$28,000,000;
- (k) the conditional subscription agreement dated 29 November 2019 entered into between the Company as issuer and JD Fountain Technology (Hong Kong) Limited as the subscriber for the subscription of 1,500,000,000 Shares at a total consideration of HK\$450,000,000;
- (l) the conditional subscription agreement dated 27 July 2020 entered into between the Company and Poly Platinum Enterprises Limited in relation to the subscription of the 1% convertible bonds in the principal amount of HK\$300,000,000; and

- (m) the placing agreement dated 27 January 2021 entered into between the Company, Jingxi Holdings and the placing agents (Huatai Financial Holdings (Hong Kong) Limited and BOCI Asia Limited) in respect of the placing to the places of 210,000,000 Shares beneficially owned by Jingxi Holdings at HK\$2.03 per Share (“**Placing Price**”) and the subscription of new shares by Jingxi Holdings under the subscription letter dated 27 January 2021 entered into between the Company and Jingxi Holdings, pursuant to which Jingxi Holdings will subscribe for 210,000,000 new Shares at the Placing Price.

9. QUALIFICATION AND CONSENT OF EXPERTS

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

| Name | Qualification |
|------------------------|---|
| Lego Corporate Finance | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |
| PricewaterhouseCoopers | Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and registered Public Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong) |

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group was made up; and none of the experts was beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its report or letter (as the case may be) or references to its name in the form and context in which they are included.

10. GENERAL

- (a) The company secretary of the Company is Ms. Chan Weng Mui, who is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.
- (b) The registered office of the Company is at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The share registrar of the Company is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours up to and including the date of the GM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for FY2018, FY2019 and FY2020;
- (c) the Amended and Restated Sale and Purchase Agreement;
- (d) the letter from the Board, the text of which is set out on pages 7 to 31 of this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 32 to 33 of this circular;
- (f) the letter from Lego Corporate Finance to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 34 to 83 of this circular;
- (g) the report from the reporting accountant, PricewaterhouseCoopers, on the unaudited pro forma financial information of the Remaining Group, the text of which is set out on pages IV-12 to IV-14 of this circular;
- (h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

- (i) the written consents as referred to under the paragraph headed “Qualification and Consent of Experts” in this Appendix; and
- (j) this circular.

**CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF
FY2018, FY2019 AND FY2020**

The consolidated financial information of the Group for each of FY2018, FY2019 and FY2020 is disclosed on pages 214 to 221 of the annual report of the Company for the year ended 31 December 2018 published on 17 April 2019, pages 240 to 247 of the annual report of the Company for the year ended 31 December 2019 published on 16 April 2020, pages 159 to 166 of the annual report of the Company for the year ended 31 December 2020 published on 23 April 2021 respectively, which are available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<http://www.shouchengholdings.com/>).

The links to the annual reports of the Company for each of FY2018, FY2019 and FY2020 are respectively set out below:

FY2018:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn20190417583.pdf>

FY2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041600411.pdf>

FY2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300459.pdf>

STATEMENT OF INDEBTEDNESS

At the close of business on 28 February 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding bank borrowing of approximately HK\$485 million, which were secured by the management and operation right of the related project.

Lease liabilities

As at 28 February 2021, the Group had lease liabilities of approximately HK\$1,407 million, certain of which were secured by the rental deposits.

Contingent liabilities

The Group did not have any material contingent liabilities as at the close of business on 28 February 2021.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 28 February 2021.

WORKING CAPITAL SUFFICIENCY

Taking into account the Group's internal resources, the presently available banking facilities and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next 12 months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking ahead, despite the negative impact of COVID-19 on the Group's business expansion, the management and operations of car parking assets business still maintains a rapid growth rate. Apart from entering into arrangements for a number of large-scale parking projects in Baoding, Nanjing and other places, strategical cooperation agreements have also been entered into with a number of regional governments and enterprises in respect of the management and operations of car parking assets business. Compared to 2019 and 2018, the management and operations of car parking assets business has shown accelerated growth momentum. The Group believes that the strong financial performance of the Group in the year ended 31 December 2020, coupled with the net cash proceeds attributable to the Revised Proposed Restructuring will support the existing funding needs of the Group's car parking and urban renewal businesses and not only enhances the risk tolerance of the Group under complicated economic environment, but also allows the Group to seize the Mainland China car parking industry's developmental opportunity window and accelerate the business expansion based on the Group's current business foundation, and thereby contributing better returns to the Shareholders. Through greater focus and specialization into the current two major business operating segments, the Board believes that the management and operations of car parking assets business and urban renewal business will continue to maintain a rapid growth trend in its next stage of development, allowing the Group to provide users with better service experience and creating great asset income for the Shareholders.

Consolidated Statements of Financial Position

| | As at 31 December | | |
|---|-------------------------|--------------------------|--------------------------|
| | 2018 | 2019 | 2020 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8,066 | 17,234 | 39,748 |
| Right-of use assets | – | 1,087,452 | 1,753,170 |
| Contract assets in respect of service concession arrangements | – | – | 88,274 |
| Investment properties | 151,702 | 148,856 | 158,521 |
| Investments in associates | 5,232,325 | 5,034,394 | 5,269,687 |
| Investments in joint ventures | 80,216 | 269,471 | 656,143 |
| Financial assets at fair value through profit or loss – non-current | 195,416 | 238,569 | 616,239 |
| Financial assets at amortised costs | – | – | 93,671 |
| Assets relating to commodity contracts – non-current | 150,193 | – | – |
| Prepayments and deposits | – | 129,671 | 296,736 |
| Deferred income tax assets | – | 3,076 | 16 |
| Other non-current assets | <u>246,280</u> | <u>258,756</u> | <u>338,970</u> |
| Total non-current assets | <u>6,064,198</u> | <u>7,187,479</u> | <u>9,311,175</u> |
| Current assets | | | |
| Trade and bills receivables | 117,231 | 99,294 | 190,674 |
| Prepayments, deposits and other receivables | 64,153 | 103,079 | 333,564 |
| Financial assets at fair value through profit or loss – current | 145,316 | 527,194 | 514,796 |
| Assets relating to commodity contracts – current | 3,425 | – | – |
| Restricted bank deposits | 2,036 | 22,763 | 36,890 |
| Bank balances and cash | <u>3,034,026</u> | <u>3,057,215</u> | <u>3,738,533</u> |
| Total current assets | <u>3,366,187</u> | <u>3,809,545</u> | <u>4,814,457</u> |
| Total assets | <u><u>9,430,385</u></u> | <u><u>10,997,024</u></u> | <u><u>14,125,632</u></u> |

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

| | As at 31 December | | |
|---|-------------------------|--------------------------|--------------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Equity | | | |
| Capital and reserves | | | |
| Share capital | 8,830,429 | 10,125,972 | 12,127,547 |
| Reserves | <u>135,828</u> | <u>(441,667)</u> | <u>(355,257)</u> |
| Capital and reserves attributable to owners of the Company | 8,966,257 | 9,684,305 | 11,772,290 |
| Non-controlling interests | <u>29,199</u> | <u>138,319</u> | <u>147,008</u> |
| Total equity | <u><u>8,995,456</u></u> | <u><u>9,822,624</u></u> | <u><u>11,919,298</u></u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings – non-current | – | 450,957 | 476,832 |
| Lease liabilities – non-current | – | 397,411 | 1,011,584 |
| Deferred income tax liabilities | 29,633 | 36,070 | 18,063 |
| Other non-current liabilities | <u>1,139</u> | <u>–</u> | <u>–</u> |
| Total non-current liabilities | <u>30,772</u> | <u>884,438</u> | <u>1,506,479</u> |
| Current liabilities | | | |
| Trade and bills payables | 61,379 | 22,324 | 204,622 |
| Other payables, provision and accrued liabilities | 74,720 | 145,005 | 216,404 |
| Contract liabilities | 8,047 | 9,611 | 89,070 |
| Tax payable | 156,868 | 33,959 | 60,831 |
| Borrowings – current | 103,143 | 5,710 | 6,100 |
| Lease liabilities – current | <u>–</u> | <u>73,353</u> | <u>122,828</u> |
| Total current liabilities | <u>404,157</u> | <u>289,962</u> | <u>699,855</u> |
| Total liabilities | <u>434,929</u> | <u>1,174,400</u> | <u>2,206,334</u> |
| Total equity and liabilities | <u><u>9,430,385</u></u> | <u><u>10,997,024</u></u> | <u><u>14,125,632</u></u> |

Consolidated Statements of Comprehensive Income

| | Year ended 31 December | | |
|---|------------------------|-----------------------|-----------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Continuing operations | | | |
| Revenue | 176,504 | 396,091 | 705,854 |
| Cost of sales | <u>(68,324)</u> | <u>(193,695)</u> | <u>(531,460)</u> |
| Gross profit | 108,180 | 202,396 | 174,394 |
| Other income | 36,688 | 92,690 | 138,641 |
| Other gains, net | 21,863 | 21,873 | 822 |
| Provision for impairment losses for trade receivables | – | (400) | (1,071) |
| Changes in fair value of commodity contracts | 44,713 | (3,618) | – |
| Loss on disposal of a subsidiary | – | (124,599) | – |
| Gain on bargain purchase | – | 86,155 | – |
| Administrative expenses | <u>(161,849)</u> | <u>(230,774)</u> | <u>(250,972)</u> |
| Operating profit | 49,595 | 43,723 | 61,814 |
| Finance costs | (5,699) | (27,358) | (77,168) |
| Share of results of associates | 275,363 | 295,502 | 343,320 |
| Share of results of joint ventures | <u>3,253</u> | <u>89</u> | <u>344,069</u> |
| Profit before income tax | 322,512 | 311,956 | 672,035 |
| Income tax (expenses)/credit | <u>(10,011)</u> | <u>129,205</u> | <u>(36,565)</u> |
| Profit from continuing operations | 312,501 | 441,161 | 635,470 |
| Profit from discontinued operation (attributable to equity holders of the Company) | <u>44,270</u> | <u>904</u> | <u>–</u> |
| Profit for the year | <u><u>356,771</u></u> | <u><u>442,065</u></u> | <u><u>635,470</u></u> |
| Profit is attributable to: | | | |
| Owners of the Company | 353,097 | 443,003 | 658,613 |
| Non-controlling interests | <u>3,674</u> | <u>(938)</u> | <u>(23,143)</u> |
| | <u><u>356,771</u></u> | <u><u>442,065</u></u> | <u><u>635,470</u></u> |

| | Year ended 31 December | | |
|--|------------------------|------------------|----------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Other comprehensive income/(losses): | | | |
| Items that have been/maybe reclassified subsequently to profit or loss: | | | |
| Share of exchange differences of associates and joint ventures arising on translation of foreign operations | (167,943) | (70,072) | 154,656 |
| Reclassification of exchange reserve upon disposal of a subsidiary | – | (96,563) | – |
| Exchange differences arising on translation of foreign operations | (29,613) | (55,264) | 125,339 |
| Items that will not be reclassified to profit and loss: | | | |
| Share of fair value change on investment in equity instruments designated as fair value through other comprehensive income of an associate | <u>6,730</u> | <u>96,905</u> | <u>(402)</u> |
| Other comprehensive (loss)/income for the year | <u>(190,826)</u> | <u>(124,994)</u> | <u>279,593</u> |
| Total comprehensive income for the year | <u>165,945</u> | <u>317,071</u> | <u>915,063</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | 169,634 | 322,174 | 919,766 |
| Non-controlling interests | <u>(3,689)</u> | <u>(5,103)</u> | <u>(4,703)</u> |
| | <u>165,945</u> | <u>317,071</u> | <u>915,063</u> |
| Total comprehensive income attributable to owners of the Company: | | | |
| Continuing operations | 125,364 | 321,270 | 919,766 |
| Discontinued operations | <u>44,270</u> | <u>904</u> | <u>–</u> |
| | <u>169,634</u> | <u>322,174</u> | <u>919,766</u> |

Consolidated Statements of Changes in Equity

| | Equity attributable to owners of the Company | | | | | | | | | |
|---|--|------------------------------|------------------|----------------------|-----------------------------|--------------------|-----------------|------------------|---------------------------|------------------|
| | Share capital | Capital contribution reserve | Exchange reserve | Share option reserve | Security investment reserve | Accumulated losses | Other reserve | Total | Non-controlling interests | Total |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| At 1 January 2018 | 7,349,545 | 4,848,033 | 253,752 | 289,560 | (677,801) | (5,038,300) | - | 7,024,789 | 218,863 | 7,243,652 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 353,097 | - | 353,097 | 3,674 | 356,771 |
| Share of other comprehensive (loss)/income of associates and joint ventures | - | - | (167,943) | - | 6,730 | - | - | (161,213) | - | (161,213) |
| Exchange differences arising on translation of foreign operations | - | - | (22,250) | - | - | - | - | (22,250) | (7,363) | (29,613) |
| Total comprehensive (loss)/income for the year | - | - | (190,193) | - | 6,730 | 353,097 | - | 169,634 | (3,689) | 165,945 |
| Ordinary shares issued, net of transaction costs | 1,488,111 | - | - | - | - | - | - | 1,488,111 | - | 1,488,111 |
| Transaction costs attributable to issue of new ordinary shares | (7,227) | - | - | - | - | - | - | (7,227) | - | (7,227) |
| Transactions with non-controlling interests | - | - | - | - | - | - | (41,426) | (41,426) | (185,975) | (227,401) |
| Reclassification of share option reserve to accumulated losses | - | - | - | (289,560) | - | 289,560 | - | - | - | - |
| Realisation of gain from disposal of FVOCI to an associate | - | - | - | - | - | 332,376 | - | 332,376 | - | 332,376 |
| Transfer to statutory reserve | - | - | - | - | - | (1,721) | 1,721 | - | - | - |
| At 31 December 2018 | <u>8,830,429</u> | <u>4,848,033</u> | <u>63,559</u> | <u>-</u> | <u>(671,071)</u> | <u>(4,064,988)</u> | <u>(39,705)</u> | <u>8,966,257</u> | <u>29,199</u> | <u>8,995,456</u> |
| | Equity attributable to owners of the Company | | | | | | | | | |
| | Share capital | Capital contribution reserve | Exchange reserve | Share option reserve | Security investment reserve | Accumulated losses | Other reserve | Total | Non-controlling interests | Total |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| At 1 January 2019 | 8,830,429 | 4,848,033 | 63,559 | - | (671,071) | (4,064,988) | (39,705) | 8,966,257 | 29,199 | 8,995,456 |
| Comprehensive income | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 443,003 | - | 443,003 | (938) | 442,065 |
| Share of other comprehensive (loss)/income of associates and joint ventures | - | - | (70,072) | - | 96,905 | - | - | 26,833 | - | 26,833 |
| Reclassification of exchange reserve upon disposal of a subsidiary | - | - | (96,563) | - | - | - | - | (96,563) | - | (96,563) |
| Exchange differences arising on translation of foreign operations | - | - | (51,099) | - | - | - | - | (51,099) | (4,165) | (55,264) |
| Total comprehensive (loss)/income for the year | - | - | (217,734) | - | 96,905 | 443,003 | - | 322,174 | (5,103) | 317,071 |
| Ordinary shares issued, net of transaction costs | 1,295,543 | - | - | - | - | - | - | 1,295,543 | - | 1,295,543 |
| Acquisitions of subsidiaries | - | - | - | - | - | - | - | - | 118,814 | 118,814 |
| Dividends | - | - | - | - | - | (899,669) | - | (899,669) | (4,591) | (904,260) |
| Transfer to statutory reserve | - | - | - | - | - | (31) | 31 | - | - | - |
| At 31 December 2019 | <u>10,125,972</u> | <u>4,848,033</u> | <u>(154,175)</u> | <u>-</u> | <u>(574,166)</u> | <u>(4,521,685)</u> | <u>(39,674)</u> | <u>9,684,305</u> | <u>138,319</u> | <u>9,822,624</u> |

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

| | Equity attributable to owners of the Company | | | | | | | | | |
|---|--|---------------------------------------|------------------------------|------------------|-----------------------------|--------------------|-----------------|-------------------|---------------------------|-------------------|
| | Share capital | Equity component of convertible bonds | Capital contribution reserve | Exchange reserve | Security investment reserve | Accumulated losses | Other reserve | Total | Non-controlling interests | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2020 | 10,125,972 | - | 4,848,033 | (154,175) | (574,166) | (4,521,685) | (39,674) | 9,684,305 | 138,319 | 9,822,624 |
| Comprehensive income | | | | | | | | | | |
| Profit/(loss) for the year | - | - | - | - | - | 658,613 | - | 658,613 | (23,143) | 635,470 |
| Share of other comprehensive income/(loss) of associates and joint ventures | - | - | - | 154,656 | (402) | - | - | 154,254 | - | 154,254 |
| Exchange differences arising on translation of foreign operations | - | - | - | 106,899 | - | - | - | 106,899 | 18,440 | 125,339 |
| Total comprehensive income/(loss) for the year | - | - | - | 261,555 | (402) | 658,613 | - | 919,766 | (4,703) | 915,063 |
| Ordinary shares issued, net of transaction costs | 477,254 | - | - | - | - | - | - | 477,254 | - | 477,254 |
| Issuance of convertible bonds, net of transaction costs | - | 125,279 | - | - | - | - | - | 125,279 | - | 125,279 |
| Conversion of convertible bonds, net of transaction costs | 1,524,321 | (125,279) | - | - | - | - | - | 1,399,042 | - | 1,399,042 |
| Capital injections from non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | 85,210 | 85,210 |
| Step acquisition in a subsidiary | - | - | - | - | - | - | (33,182) | (33,182) | (71,818) | (105,000) |
| Dividends | - | - | - | - | - | (800,174) | - | (800,174) | - | (800,174) |
| Transfer to statutory reserve | - | - | - | - | - | (12,517) | 12,517 | - | - | - |
| At 31 December 2020 | 12,127,547 | - | 4,848,033 | 107,380 | (574,568) | (4,675,763) | (60,339) | 11,772,290 | 147,008 | 11,919,298 |

Consolidated Statements of Cash Flow

| | Year ended 31 December | | |
|---|------------------------|------------------|------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | | |
| Net cash generated from operations | 131,156 | 256,096 | 92,191 |
| Interest paid | (1,887) | (118) | – |
| Income tax paid | <u>(9,222)</u> | <u>(8,843)</u> | <u>(29,429)</u> |
| Net cash generated from operating activities | <u>120,047</u> | <u>247,135</u> | <u>62,762</u> |
| Cash flows from operating activities | | | |
| Advance to associates | (233) | (78) | – |
| Repayment from associates | – | 241 | – |
| Dividends received from associates | 319,117 | 248,852 | 237,162 |
| Interest received | 36,559 | 90,915 | 93,422 |
| Repayment from related companies | 379 | 19 | – |
| Advance to related companies | – | (6,689) | (3,299) |
| Withdrawal of time deposits with original maturity over three months | 100,000 | – | – |
| Placement of restricted bank deposits | (2,036) | (23,143) | (16,163) |
| Withdrawal of restricted bank deposits | 618 | 2,036 | 2,036 |
| Purchase of property, plant and equipment | (3,776) | (11,778) | (27,651) |
| Purchase of investment properties | (137,146) | – | – |
| Addition of financial assets at fair value through profit or loss | (84,291) | (1,092,119) | (338,181) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 37,604 | 672,904 | – |
| Placement for financial assets at amortised cost | – | – | (93,671) |
| Purchase of other non-current assets | (4,985) | (83,986) | (60,923) |
| Settlement of liabilities relating to commodity contracts | (49,650) | – | – |
| Proceeds from/(payment for) acquisitions of subsidiaries, net of cash acquired | 5,481 | (214,825) | – |
| Proceeds from disposal of a subsidiary, net of cash disposed | – | 205,961 | – |
| Proceeds from disposal of commodity contracts | – | 150,000 | – |
| Prepayment for leases | – | (122,694) | – |
| Capital injection into associates and joint ventures | – | (274,513) | (17,483) |
| Prepayments for construction of property, plant and equipment | <u>–</u> | <u>–</u> | <u>(70,024)</u> |
| Net cash generated/(used in)from investing activities | <u>217,641</u> | <u>(458,897)</u> | <u>(294,775)</u> |

| | Year ended 31 December | | |
|---|-------------------------|-------------------------|-------------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash flows from financing activities | | | |
| Repayments of borrowings | (1,949,104) | (102,904) | (462,798) |
| Proceeds from borrowings | 2,048,435 | – | 443,498 |
| Net proceeds from issuance of convertible bonds | – | – | 1,521,829 |
| Interest paid | – | (16,959) | – |
| Net proceeds from issue of ordinary shares | 1,218,708 | 1,295,543 | 477,254 |
| Repayment of lease liabilities | – | (18,971) | (272,876) |
| Step acquisition in a subsidiary | – | – | (105,000) |
| Capital injection from non-controlling interests | – | – | 85,210 |
| Dividends paid to the Company's shareholders | – | (899,669) | (800,174) |
| Dividends paid to non-controlling interests of subsidiaries | – | (4,591) | – |
| Net cash generated from financing activities | <u>1,318,039</u> | <u>252,449</u> | <u>886,943</u> |
| Net increase in cash and cash equivalents | 1,655,727 | 40,687 | 654,930 |
| Cash and cash equivalents at beginning of the year | 1,389,628 | 3,034,026 | 3,057,215 |
| Effect of foreign exchange rates changes | <u>(11,329)</u> | <u>(17,498)</u> | <u>26,388</u> |
| Cash and cash equivalents at end of the year | <u><u>3,034,026</u></u> | <u><u>3,057,215</u></u> | <u><u>3,738,533</u></u> |

Set out below are the financial information of Shougang Resources Group which comprises the consolidated statements of financial position of Shougang Resources Group as at 31 December 2018, 2019 and 2020, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Shougang Resources Group for each of FY2018, FY2019 and FY2020 which were extracted from the annual reports of Shougang Resources Group from FY2018 and FY2019 and FY2020, respectively.

Consolidated Statements of Financial Position

| | As at 31 December | | |
|--|--------------------------|--------------------------|--------------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3,609,544 | 3,691,435 | 3,863,758 |
| Prepaid lease payments | 60,062 | – | – |
| Land use rights | – | 60,772 | 63,365 |
| Right-of-use assets | – | 26,076 | 21,915 |
| Mining rights | 7,751,953 | 7,356,663 | 7,458,999 |
| Goodwill | 1,255,559 | 1,222,775 | 1,277,415 |
| Interest in an associate | 11,880 | 11,590 | 11,918 |
| Financial assets measured at fair value through other comprehensive income | 654,053 | 1,083,903 | 1,082,464 |
| Deposits, prepayments and other receivables | 489,947 | 539,020 | 710,182 |
| Deferred tax assets | <u>22,752</u> | <u>55,322</u> | <u>42,131</u> |
| Total non-current assets | <u>13,855,750</u> | <u>14,047,556</u> | <u>14,532,147</u> |
| Current assets | | | |
| Inventories | 130,069 | 123,530 | 131,170 |
| Trade receivables | 669,837 | 490,613 | 666,382 |
| Bills receivables | 1,578,345 | 1,306,706 | 1,382,762 |
| Deposits, prepayments and other receivables | 319,677 | 319,316 | 368,772 |
| Other financial asset | 200,000 | 232,500 | – |
| Pledged bank deposits | 190,029 | 190,605 | 290,298 |
| Time deposits with original maturity over three months | 854,010 | 1,049,501 | 656,500 |
| Cash and cash equivalents | <u>3,453,325</u> | <u>3,712,383</u> | <u>3,405,615</u> |
| Total current assets | <u>7,395,292</u> | <u>7,425,154</u> | <u>6,901,499</u> |
| Total assets | <u><u>21,251,042</u></u> | <u><u>21,472,710</u></u> | <u><u>21,433,646</u></u> |

APPENDIX III**FINANCIAL INFORMATION OF
SHOUGANG RESOURCES**

| | As at 31 December | | |
|---|--------------------------|--------------------------|--------------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Equity | | | |
| Capital and reserves | | | |
| Share capital | 15,156,959 | 15,156,959 | 15,156,959 |
| Reserves | <u>227,157</u> | <u>524,621</u> | <u>680,207</u> |
| Capital and reserves attributable to owners of the Company | 15,384,116 | 15,681,580 | 15,837,166 |
| Non-controlling interests | <u>1,391,690</u> | <u>1,364,732</u> | <u>1,453,904</u> |
| Total equity | <u><u>16,775,806</u></u> | <u><u>17,046,312</u></u> | <u><u>17,291,070</u></u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | 1,606,536 | 1,559,503 | 1,635,064 |
| Lease liabilities | <u>–</u> | <u>20,941</u> | <u>19,317</u> |
| Total non-current liabilities | <u>1,606,536</u> | <u>1,580,444</u> | <u>1,654,381</u> |
| Current liabilities | | | |
| Trade and bills payables | 834,903 | 652,566 | 592,618 |
| Lease liabilities | – | 7,119 | 5,721 |
| Other financial liability | 178,358 | 178,200 | 186,300 |
| Other payables and accruals | 1,426,081 | 1,501,517 | 1,375,271 |
| Derivative financial instruments | – | 5,117 | – |
| Amounts due to non-controlling interests of subsidiaries | 72,228 | 98,158 | 52,778 |
| Tax payables | <u>357,130</u> | <u>403,277</u> | <u>275,507</u> |
| Total current liabilities | <u>2,868,700</u> | <u>2,845,954</u> | <u>2,488,195</u> |
| Total liabilities | <u>4,475,236</u> | <u>4,426,398</u> | <u>4,142,576</u> |
| Total equity and liabilities | <u><u>21,251,042</u></u> | <u><u>21,472,710</u></u> | <u><u>21,433,646</u></u> |

Consolidated Statements of Profit or Loss and Other Comprehensive Income

| | Year ended 31 December | | |
|--|-------------------------|-------------------------|-------------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenues | 3,686,176 | 3,869,308 | 3,996,951 |
| Cost of sales | <u>(1,785,634)</u> | <u>(1,880,565)</u> | <u>(2,127,744)</u> |
| Gross profit | 1,900,542 | 1,988,743 | 1,869,207 |
| Interest income | 124,445 | 136,755 | 96,294 |
| Other income and gains, net | 35,790 | 99,575 | 219,229 |
| Selling and distribution expenses | (208,621) | (250,051) | (316,586) |
| General and administrative expenses | (205,351) | (182,291) | (181,914) |
| Other operating expenses | (6,437) | (146,476) | (64,495) |
| Finance costs | – | (4,912) | (1,250) |
| Change in fair value of derivative financial instruments | – | (8,555) | (7,676) |
| Share of (loss)/profit of an associate | <u>(659)</u> | <u>27</u> | <u>(195)</u> |
| Profit before income tax | 1,639,709 | 1,632,815 | 1,612,614 |
| Income tax expenses | <u>(487,781)</u> | <u>(456,674)</u> | <u>(425,331)</u> |
| Profit for the year | <u><u>1,151,928</u></u> | <u><u>1,176,141</u></u> | <u><u>1,187,283</u></u> |
| Profit for the year attributable to: | | | |
| Owners of the Company | 1,100,488 | 1,140,413 | 1,080,041 |
| Non-controlling interests | <u>51,440</u> | <u>35,728</u> | <u>107,242</u> |
| | <u><u>1,151,928</u></u> | <u><u>1,176,141</u></u> | <u><u>1,187,283</u></u> |

APPENDIX III**FINANCIAL INFORMATION OF
SHOUGANG RESOURCES**

| | Year ended 31 December | | |
|--|------------------------|-------------------------|-------------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Other comprehensive income/(losses): | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of financial statements of foreign operations | (585,649) | (329,530) | 484,198 |
| Items that will not be reclassified to profit and loss: | | | |
| Net fair value gain/(loss) on financial assets measured at fair value through other comprehensive income | <u>24,374</u> | <u>350,978</u> | <u>(1,439)</u> |
| Other comprehensive (loss)/income for the year | <u>(561,275)</u> | <u>21,448</u> | <u>482,759</u> |
| Total comprehensive income for the year | <u><u>590,653</u></u> | <u><u>1,197,589</u></u> | <u><u>1,670,042</u></u> |
| Total comprehensive income /(loss) attributable to: | | | |
| Owners of the Company | 605,105 | 1,198,776 | 1,500,734 |
| Non-controlling interests | <u>(14,452)</u> | <u>(1,187)</u> | <u>169,308</u> |
| | <u><u>590,653</u></u> | <u><u>1,197,589</u></u> | <u><u>1,670,042</u></u> |

Consolidated Statements of Changes in Equity

| | Equity attributable to owners of the Company | | | | | | | | |
|---|--|----------------|----------------|------------------|--------------------|------------------|-------------------|------------------|-------------------|
| | Share | Statutory | Other | Retained | Security | Translation | Total | Non-controlling | Total |
| | capital | reserve | reserves | profits | investment | reserve | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2018 | 15,156,959 | 448,068 | 401,704 | 1,068,611 | (1,745,157) | 604,627 | 15,934,812 | 1,440,871 | 17,375,683 |
| Profit for the year | - | - | - | 1,100,488 | - | - | 1,100,488 | 51,440 | 1,151,928 |
| Other comprehensive income for the year: | | | | | | | | | |
| - Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | (519,757) | (519,757) | (65,892) | (585,649) |
| - Net fair value gain on financial assets measured at fair value through other comprehensive income | - | - | - | - | 24,374 | - | 24,374 | - | 24,374 |
| Total comprehensive income for the year | - | - | - | 1,100,488 | 24,374 | (519,757) | 605,105 | (14,452) | 590,653 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| 2017 special dividend declared | - | - | - | (334,016) | - | - | (334,016) | - | (334,016) |
| 2017 final dividend approved | - | - | - | (381,732) | - | - | (381,732) | - | (381,732) |
| 2018 interim dividend declared | - | - | - | (440,053) | - | - | (440,053) | - | (440,053) |
| Dividend paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | (34,729) | (34,729) |
| Appropriations to other reserves | - | - | 29,191 | (29,191) | - | - | - | - | - |
| At 31 December 2018 | 15,156,959 | 448,068 | 430,895 | 984,107 | (1,720,783) | 84,870 | 15,384,116 | 1,391,690 | 16,775,806 |

| | Equity attributable to owners of the Company | | | | | | | | |
|---|--|----------------|----------------|------------------|--------------------|------------------|-------------------|------------------|-------------------|
| | Share | Statutory | Other | Retained | Security | Translation | Total | Non-controlling | Total |
| | capital | reserve | reserves | profits | investment | reserve | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2019 | 15,156,959 | 448,068 | 430,895 | 984,107 | (1,720,783) | 84,870 | 15,384,116 | 1,391,690 | 16,775,806 |
| Profit for the year | - | - | - | 1,140,413 | - | - | 1,140,413 | 35,728 | 1,176,141 |
| Other comprehensive income for the year: | | | | | | | | | |
| - Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | (292,615) | (292,615) | (36,915) | (329,530) |
| - Net fair value gain on financial assets measured at fair value through other comprehensive income | - | - | - | - | 350,978 | - | 350,978 | - | 350,978 |
| Total comprehensive income for the year | - | - | - | 1,140,413 | 350,978 | (292,615) | 1,198,776 | (1,187) | 1,197,589 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| 2018 final dividend approved | - | - | - | (450,656) | - | - | (450,656) | - | (450,656) |
| 2019 interim dividend declared | - | - | - | (450,656) | - | - | (450,656) | - | (450,656) |
| Dividend paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | (25,771) | (25,771) |
| Appropriations to other reserves | - | - | 21,165 | (21,165) | - | - | - | - | - |
| At 31 December 2019 | 15,156,959 | 448,068 | 452,060 | 1,202,043 | (1,369,805) | (207,745) | 15,681,580 | 1,364,732 | 17,046,312 |

APPENDIX III
**FINANCIAL INFORMATION OF
SHOUGANG RESOURCES**

| | Equity attributable to owners of the Company | | | | | | | Non- controlling interests | Total equity |
|---|--|----------------------|-------------------|---------------------|-----------------------|------------------------|-------------------|----------------------------------|-------------------|
| | Share capital | Statutory reserve | Other reserves | Retained profits | Security | Translation reserve | Total | | |
| | | | | | investment reserve | | | | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1 January 2020 | 15,156,959 | 448,068 | 452,060 | 1,202,043 | (1,369,805) | (207,745) | 15,681,580 | 1,364,732 | 17,046,312 |
| Profit for the year | - | - | - | 1,080,041 | - | - | 1,080,041 | 107,242 | 1,187,283 |
| Other comprehensive income for the year: | | | | | | | | | |
| - Exchange differences on translation of financial statements of foreign operations | - | - | - | - | - | 422,132 | 422,132 | 62,066 | 484,198 |
| - Net fair value loss on financial assets measured at fair value through other comprehensive income | - | - | - | - | (1,439) | - | (1,439) | - | (1,439) |
| Total comprehensive income for the year | - | - | - | 1,080,041 | (1,439) | 422,132 | 1,500,734 | 169,308 | 1,670,042 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Buy-back of shares | - | - | - | (505,000) | - | - | (505,000) | - | (505,000) |
| 2019 final dividend approved | - | - | - | (461,260) | - | - | (461,260) | - | (461,260) |
| 2020 interim dividend declared | - | - | - | (378,888) | - | - | (378,888) | - | (378,888) |
| Dividend paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | (80,136) | (80,136) |
| Appropriations to statutory reserve | - | 371 | - | (371) | - | - | - | - | - |
| Appropriations to other reserves | - | - | 39,136 | (39,136) | - | - | - | - | - |
| At 31 December 2020 | 15,156,959 | 448,439 | 491,196 | 897,429 | (1,371,244) | 214,387 | 15,837,166 | 1,453,904 | 17,291,070 |

Consolidated Statements of Cash Flows

| | Year ended 31 December | | |
|---|------------------------|------------------|------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | | |
| Profit before income tax | 1,639,709 | 1,632,815 | 1,612,614 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 232,613 | 243,178 | 330,494 |
| Depreciation of right-of-use assets | – | 5,162 | 5,148 |
| Amortisation of land use rights | – | 1,781 | 1,958 |
| Amortisation of prepaid lease payments | 1,778 | – | – |
| Amortisation of mining rights | 153,437 | 195,429 | 227,013 |
| Interest income | (124,445) | (136,755) | (96,294) |
| Dividend income | (36,624) | (56,022) | (48,377) |
| Finance costs | – | 4,912 | 1,250 |
| Share of loss/(profit) of an associate | 659 | (27) | 195 |
| Loss on disposals of property, plant and equipment | 3,427 | 14,182 | 1,671 |
| Written off of property, plant and equipment | – | 128,784 | – |
| Reversal of impairment loss of financial assets | – | – | (22,500) |
| Change in fair value of derivative financial instruments | – | 8,555 | 7,676 |
| Net foreign exchange loss/(gain) | <u>28,164</u> | <u>16,857</u> | <u>(131,178)</u> |
| Operating cash flows before movements in working capital | 1,898,718 | 2,058,851 | 1,889,670 |
| Changes in working capital: | | | |
| Decrease/(Increase) in inventories | 56,976 | 3,086 | (2,025) |
| (Increase)/decrease in trade and bills receivables | (55,186) | 391,177 | (147,628) |
| Increase in deposits, prepayments and other receivables | (13,379) | (18,161) | (57,029) |
| Increase/(decrease) in trade and bills payables | 219,965 | (120,343) | (108,581) |
| (Decrease)/increase in other payables and accruals | (42,280) | 44,459 | (167,428) |
| Increase/(decrease) in amounts due to non-controlling interests of subsidiaries | <u>3,076</u> | <u>2,950</u> | <u>(9,199)</u> |
| Cash generated from operations | 2,067,890 | 2,362,019 | 1,397,780 |
| Income tax paid | <u>(425,039)</u> | <u>(439,778)</u> | <u>(560,962)</u> |
| Net cash inflow from operating activities | <u>1,642,851</u> | <u>1,922,241</u> | <u>836,818</u> |

APPENDIX III**FINANCIAL INFORMATION OF
SHOUGANG RESOURCES**

| | Year ended 31 December | | |
|---|------------------------|------------------|--------------------|
| | 2018 | 2019 | 2020 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Cash flows from investing activities | | | |
| Payments to acquire property, plant and equipment | (913,435) | (624,134) | (467,282) |
| Proceeds from disposals of property, plant and equipment | 505 | 4,532 | 432 |
| Payment to acquire land use rights | – | (4,158) | (1,792) |
| Payment to acquire financial assets measured at fair value through other comprehensive income | – | (78,872) | – |
| Payments to acquire other financial asset | (200,000) | (232,500) | – |
| Receipt from redemption of other financial asset | – | 200,000 | 232,500 |
| Increase in pledged bank deposits | (35,337) | (5,621) | (91,029) |
| (Increase)/Decrease in time deposits with original maturity over three months | 686,798 | (195,491) | 393,001 |
| Interest received | 105,500 | 152,446 | 112,125 |
| Dividend received | 36,624 | 56,022 | 48,377 |
| Net cash (used in)/generated from investing activities | <u>(319,345)</u> | <u>(727,776)</u> | <u>226,332</u> |
| Cash flows from financing activities | | | |
| Principal elements of lease payments | – | (3,117) | (4,121) |
| Interest paid | – | (4,912) | (1,250) |
| Dividends paid to owners of the Company | (1,135,313) | (885,302) | (860,572) |
| Dividends paid to non-controlling interests of subsidiaries | – | – | (119,700) |
| Payments on buy-back of shares | – | – | (505,000) |
| Net cash used in financing activities | <u>(1,135,313)</u> | <u>(893,331)</u> | <u>(1,490,643)</u> |
| Net increase in cash and cash equivalents | 188,193 | 301,134 | (427,493) |
| Cash and cash equivalents at beginning of the year | 3,323,659 | 3,453,325 | 3,712,383 |
| Effect of foreign exchange rates changes on cash and cash equivalents | (58,527) | (42,076) | 120,725 |
| Cash and cash equivalents at end of the year | <u>3,453,325</u> | <u>3,712,383</u> | <u>3,405,615</u> |

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE REMAINING GROUP****General**

In connection with the Disposal, the unaudited pro forma consolidated financial information of the Group (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as at 31 December 2020; and (b) the results and cash flows of the Remaining Group as if the Disposal had been completed on 1 January 2020. The Unaudited Pro Forma Financial Information is prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below by the Directors.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Disposal been completed as of the specified dates or any other dates.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2020, the audited consolidated statement of comprehensive income, the audited consolidated statement of cash flows of the Group for the year ended 31 December 2020 extracted from the audited consolidated financial information of the Group for the year ended 31 December 2020 as set out in the annual report of the Group and the financial information of the Disposal Group, after giving effect to the pro forma adjustments described in the accompanying notes and was prepared in accordance with Rule 4.29 and 14.68(2)(a)(ii) of the Listing Rules. Narrative descriptions of the Unaudited Pro Forma Financial Information that are directly attributable to the Disposal and factually supportable are summarised in the accompanying notes to the Unaudited Pro Forma Financial Information.

The Unaudited pro Forma Financial Information should be read in conjunction with the Historical Financial Information of the Group as set out in Appendix II to the Circular and other financial information included elsewhere in the Circular.

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

**Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group
as at 31 December 2020**

| | The Group as at 31 December 2020 HK\$'000 Note 1 | Pro Forma adjustment HK\$'000 Note 4 | The Remaining Group for the year ended 31 December 2020 HK\$'000 |
|--|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 39,748 | – | 39,748 |
| Right-of-use assets | 1,753,170 | – | 1,753,170 |
| Contract assets in respect of service concession arrangements | 88,274 | – | 88,274 |
| Investment properties | 158,521 | – | 158,521 |
| Investments in associates | 5,269,687 | (2,092,762) | 3,176,925 |
| Investments in joint ventures | 656,143 | – | 656,143 |
| Financial assets at fair value through profit or loss – non-current | 616,239 | – | 616,239 |
| Financial assets at amortised cost | 93,671 | – | 93,671 |
| Prepayments and deposits | 296,736 | – | 296,736 |
| Deferred income tax assets | 16 | – | 16 |
| Other non-current assets | <u>338,970</u> | – | <u>338,970</u> |
| Total non-current assets | <u>9,311,175</u> | <u>(2,092,762)</u> | <u>7,218,413</u> |
| Current assets | | | |
| Trade receivables | 190,674 | – | 190,674 |
| Prepayments, deposits and other receivables | 333,564 | – | 333,564 |
| Financial assets at fair value through profit or loss – current | 514,796 | – | 514,796 |
| Restricted bank deposits | 36,890 | – | 36,890 |
| Bank balances and cash | <u>3,738,533</u> | <u>1,438,000</u> | <u>5,176,533</u> |
| Total current assets | <u>4,814,457</u> | <u>1,438,000</u> | <u>6,252,457</u> |
| Total assets | <u><u>14,125,632</u></u> | <u><u>(654,762)</u></u> | <u><u>13,470,870</u></u> |

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

| | The Group as at 31 December 2020 HK\$'000 Note 1 | Pro Forma adjustment HK\$'000 Note 4 | The Remaining Group for the year ended 31 December 2020 HK\$'000 |
|--|--|---|---|
| Equity | | | |
| Capital and reserves | | | |
| Share capital | 12,127,547 | – | 12,127,547 |
| Reserves | <u>(355,257)</u> | <u>(654,762)</u> | <u>(1,010,019)</u> |
| Capital and reserve attributable to owners of the Company | 11,772,290 | (654,762) | 11,117,528 |
| Non-controlling interests | <u>147,008</u> | <u>–</u> | <u>147,008</u> |
| Total equity | <u><u>11,919,298</u></u> | <u><u>(654,762)</u></u> | <u><u>11,264,536</u></u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings – non-current | 476,832 | – | 476,832 |
| Lease liabilities – non-current | 1,011,584 | – | 1,011,584 |
| Deferred income tax liabilities | <u>18,063</u> | <u>–</u> | <u>18,063</u> |
| Total non-current liabilities | <u>1,506,479</u> | <u>–</u> | <u>1,506,479</u> |
| Current liabilities | | | |
| Trade payables | 204,622 | – | 204,622 |
| Other payables, provision and accrued liabilities | 216,404 | – | 216,404 |
| Contract liabilities | 89,070 | – | 89,070 |
| Tax payable | 60,831 | – | 60,831 |
| Borrowings – current | 6,100 | – | 6,100 |
| Lease liabilities – current | <u>122,828</u> | <u>–</u> | <u>122,828</u> |
| Total current liabilities | <u>699,855</u> | <u>–</u> | <u>699,855</u> |
| Total liabilities | <u>2,206,334</u> | <u>–</u> | <u>2,206,334</u> |
| Total equity and liabilities | <u><u>14,125,632</u></u> | <u><u>(654,762)</u></u> | <u><u>13,470,870</u></u> |

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

**Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining
Group for the year ended 31 December 2020**

| | The Group for the year ended 31 December 2020 | Pro Forma adjustments | | | The Remaining Group for the year ended 31 December 2020 |
|--|--|------------------------------|-------------------------|-----------------|--|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | <i>Note 1</i> | <i>Note 5</i> | <i>Note 6</i> | | |
| Revenues | 705,854 | – | – | | 705,854 |
| Cost of sales | <u>(531,460)</u> | <u>–</u> | <u>–</u> | | <u>(531,460)</u> |
| Gross profit | 174,394 | – | – | | 174,394 |
| Other income | 138,641 | – | – | | 138,641 |
| Other gains/(loss), net | 822 | (589,656) | – | | (588,834) |
| Provision for impairment loss for trade receivables | (1,071) | – | – | | (1,071) |
| Administrative expenses | <u>(250,972)</u> | <u>–</u> | <u>–</u> | | <u>(250,972)</u> |
| Operating profit/(loss) | 61,814 | (589,656) | – | | (527,842) |
| Finance costs | (77,168) | – | – | | (77,168) |
| Share of results of associates | 343,320 | – | (123,723) | | 219,597 |
| Share of results of joint ventures | <u>344,069</u> | <u>–</u> | <u>–</u> | | <u>344,069</u> |
| Profit/(loss) before income tax | 672,035 | (589,656) | (123,723) | | (41,344) |
| Income tax expense | <u>(36,565)</u> | <u>–</u> | <u>–</u> | | <u>(36,565)</u> |
| Profit/(loss) from continuing operations | <u>635,470</u> | <u>(589,656)</u> | <u>(123,723)</u> | | <u>(77,909)</u> |
| Profit/(loss) for the year | <u><u>635,470</u></u> | <u><u>(589,656)</u></u> | <u><u>(123,723)</u></u> | | <u><u>(77,909)</u></u> |

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

| | The Group for the year ended 31 December 2020 HK\$'000 Note 1 | Pro Forma adjustments | | | The Remaining Group for the year ended 31 December 2020 HK\$'000 |
|---|--|----------------------------------|----------------------------------|--|---|
| | | <i>HK\$'000</i> <i>Note 5</i> | <i>HK\$'000</i> <i>Note 6</i> | | |
| Other comprehensive income/(loss): | | | | | |
| Items that have been/may be subsequently reclassified to profit and loss: | | | | | |
| Share of exchange differences of associates and joint ventures arising on translation of foreign operations | 154,656 | 28,721 | – | | 183,377 |
| Exchange differences arising on translation of foreign operations | 125,339 | – | (48,357) | | 76,982 |
| Item that will not be reclassified to profit and loss: | | | | | |
| Share of fair value changes on investment in equity instruments designated as fair value through other comprehensive income of an associate | <u>(402)</u> | <u>–</u> | <u>165</u> | | <u>(237)</u> |
| Other comprehensive income/(loss) for the year | <u>279,593</u> | <u>28,721</u> | <u>(48,192)</u> | | <u>260,122</u> |
| Total comprehensive income/(loss) for the year | <u><u>915,063</u></u> | <u><u>(560,935)</u></u> | <u><u>(171,915)</u></u> | | <u><u>182,213</u></u> |

APPENDIX IV

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

**Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group for
the year ended 31 December 2020**

| | The Group for the year ended 31 December 2020 HK\$'000 Note 1 | Pro Forma adjustments | | The Remaining Group for the year ended 31 December 2020 HK\$'000 |
|---|--|------------------------------|----------------------------|---|
| | | <i>HK\$'000 Note 5</i> | <i>HK\$'000 Note 6</i> | |
| Cash flows from operating activities | | | | |
| Net cash generated from operations | 92,191 | – | – | 92,191 |
| Income tax paid | (29,429) | – | – | (29,429) |
| Net cash generated from operating activities | <u>62,762</u> | <u>–</u> | <u>–</u> | <u>62,762</u> |
| Cash flows from investing activities | | | | |
| Dividends received from associates | 237,162 | – | (97,194) | 139,968 |
| Interest received | 93,422 | – | – | 93,422 |
| Advance to related companies | (3,299) | – | – | (3,299) |
| Placement of restricted bank deposits | (16,163) | – | – | (16,163) |
| Withdrawal of restricted bank deposits | 2,036 | – | – | 2,036 |
| Purchase of property, plant and equipment | (27,651) | – | – | (27,651) |
| Prepayments for construction of property, plant and equipment | (70,024) | – | – | (70,024) |
| Capital injections into associates and joint ventures | (17,483) | – | – | (17,483) |
| Addition of financial assets at fair value through profit or loss | (338,181) | – | – | (338,181) |
| Placement for financial assets at amortised cost | (93,671) | – | – | (93,671) |
| Purchase of other non-current assets | (60,923) | – | – | (60,923) |
| Net proceeds from disposal of an associate | – | 1,438,000 | – | 1,438,000 |
| Net cash (used in)/generated from investing activities | <u>(294,775)</u> | <u>1,438,000</u> | <u>(97,194)</u> | <u>1,046,031</u> |

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

| | The Group for the year ended 31 December 2020 HK\$'000 Note 1 | Pro Forma adjustments | | The Remaining Group for the year ended 31 December 2020 HK\$'000 |
|---|--|------------------------------|----------------------------|---|
| | | <i>HK\$'000 Note 5</i> | <i>HK\$'000 Note 6</i> | |
| Cash flows from financing activities | | | | |
| Repayment of borrowings | (462,798) | – | – | (462,798) |
| Proceeds from borrowings | 443,498 | – | – | 443,498 |
| Net proceeds from issuance of convertible bonds | 1,521,829 | – | – | 1,521,829 |
| Net proceeds from issue of ordinary shares | 477,254 | – | – | 477,254 |
| Repayment of lease liabilities | (272,876) | – | – | (272,876) |
| Step acquisition in a subsidiary | (105,000) | – | – | (105,000) |
| Capital injection from non-controlling interests | 85,210 | – | – | 85,210 |
| Dividends paid to the Company's shareholders | (800,174) | – | – | (800,174) |
| Net cash generated from financing activities | <u>886,943</u> | <u>–</u> | <u>–</u> | <u>886,943</u> |
| Net increase in cash and cash equivalents | | | | |
| | 654,930 | 1,438,000 | (97,194) | 1,995,736 |
| Cash and cash equivalents at beginning of the year | 3,057,215 | – | – | 3,057,215 |
| Effect on foreign exchange rate changes | 26,388 | – | – | 26,388 |
| Cash and cash equivalents at end of the year | <u><u>3,738,533</u></u> | <u><u>1,438,000</u></u> | <u><u>(97,194)</u></u> | <u><u>5,079,339</u></u> |

Notes:

1. The amounts are extracted from the consolidated statement of financial position as at 31 December 2020 and consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended 31 December 2020 as set out in the annual report for the year ended 31 December 2020 of the Group, which is referred to Appendix II to this circular.
2. Pursuant to the Internal Transfer, Ultimate Capital transfer 1.01% equity interests in Shougang Resources to Fair Gain in late March 2021. Furthermore, pursuant to the Amended and Restated Sales and Purchase Agreement, save for the direct and indirect interest in Shougang Resources, each of Excel Bond and Ultimate Capital shall not hold any other asset or has incurred any liability as a condition of the Revised Proposed Restructuring. As such, Excel Bond and Ultimate Capital are expected to distribute the remaining retained earnings and settle the remaining balances with group companies through waiver or assignment of balances prior to completion of the Revised Proposed Restructuring.

It is assumed that the Internal Transfer, distribution of the remaining dividend received from Shougang Resources to the parents and settlement of the balances with group companies through waiver or assignment of balances of Disposal Group would have been taken place before completion of the Disposal. Therefore, no other assets and liabilities except for the investments in equity interests in Shougang Resources would be retained on the consolidated statement of financial position of the Disposal Group at the disposal dates for the purpose of preparation of the pro forma financial information of the Remaining Group as stated in notes 4 and 5 below.

3. Management assessed and confirmed that the Group will continue to have significant influence over Shougang Resources after the completion of the Disposal. For the purpose of the preparation of the pro forma financial information as at 31 December 2020 and for the year then ended, it is assumed that the remaining interests of Shougang Resources held by the Group would continue to be accounted for by using equity accounting method.

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

4. These adjustments represent the estimated loss on the Disposal and the estimated cash flow from the Disposal, assuming that the Disposal had been completed on 31 December 2020:

| | <i>HK\$'000</i> |
|---|------------------------|
| Consideration | 1,440,000 |
| Less: Estimated transaction costs of the Disposal | <u>(2,000)</u> |
| Estimated net proceeds received from the Disposal | 1,438,000 |
| Carrying amount of equity interests of Shougang Resources to be disposed of as at 31 December 2020: | <u>(2,092,762)</u> |
| Estimated loss on the Disposal before reclassification of exchange reserve | (654,762) |
| Add: Reclassification of exchange reserve to profit or loss upon disposal of the equity interests of Shougang Resources held by the Disposal Group as at 31 December 2020 | <u>63,382</u> |
| Net estimated loss on the Disposal | (591,380) |
| Other comprehensive loss: | |
| <i>Items that may be reclassified subsequently to profit and loss:</i> | |
| Reclassification of exchange reserve upon the Disposal | <u><u>(63,383)</u></u> |

The actual amounts of the adjusted consideration and the gain/(loss) on the Disposal recorded in “Retained profits” can only be determined at the Completion, which may be substantially different from the estimated amounts used in the preparation of the Pro Forma Financial Information.

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

5. These adjustments represent the estimated loss on the Disposal and the estimated cash flow from the Disposal, assuming as if the Disposal had been completed on 1 January 2020:

| | <i>HK\$'000</i> |
|--|----------------------|
| Consideration | 1,440,000 |
| Less: Estimated expenses of the Disposal | <u>(2,000)</u> |
| Estimated net proceeds received from the Disposal | 1,438,000 |
| Carrying amount of the equity interest of Shougang Resources to be disposed of as at 1 January 2020: | <u>(1,998,935)</u> |
| Estimated loss on the Disposal before reclassification of exchange reserve | (560,935) |
| Add: Reclassification of exchange reserve to profit or loss (i.e. within reserves) upon disposal of the equity interests of Shougang Resources held by the Disposal Group as at 1 January 2020 | <u>(28,721)</u> |
| Net estimated loss on the Disposal | (589,656) |
| Other comprehensive loss: | |
| <i>Items that may be reclassified subsequently to profit and loss:</i> | |
| Reclassification of exchange reserve upon the Disposal | <u><u>28,721</u></u> |

The actual amounts of the adjusted consideration and the gain/(loss) on the Disposal recorded in “Retained profits” can only be determined at the Completion, which may be substantially different from the estimated amounts used in the preparation of the Pro Forma Financial Information.

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

6. The adjustment represents the exclusion of share of profit, other comprehensive income and cash flows of the equity interest of Shougang Resource to be disposed by the Company as at 1 January 2020. The amounts have been derived from the audited financial information of Shougang Resources as at 31 December 2020 and for the year then ended as set out in Appendix III to this circular as follow:

| | As per audited financial information of Shougang Resources for the year ended 31 December 2020 HK\$'000 | Attributable to the equity interest in Shougang Resources being disposed of HK\$'000 |
|---|--|---|
| Profit attributable to the owners of Shougang Resources | 1,080,041 | 123,723 |
| Other comprehensive income attributable to the owners of Shougang Resources | | |
| <i>Item that may be reclassified subsequently to profit and loss:</i> | | |
| Exchange differences on translation of financial statements of foreign operations | 484,198 | 48,357 |
| <i>Item that will not be reclassified to profit or loss:</i> | | |
| Net fair value loss on financial assets measured at fair value through other comprehensive income | <u>(1,439)</u> | <u>(165)</u> |
| | <u>1,562,800</u> | <u>171,915</u> |
| Cash flows: | | |
| Dividends paid to owners of Shougang Resources | <u>(860,572)</u> | <u>(97,194)</u> |

7. Apart from above, no other adjustments have been made to reflect the potential impact on the impairment over the remaining equity investment in Shougang Resources and any trading results or other transactions of the Group entered into subsequent to 31 December 2020 for the purpose of preparation of the Unaudited Pro Forma Consolidated Statement of Financial Position, Unaudited Pro Forma Consolidated statement of Comprehensive Income and the Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group.
8. Other than the adjustment mentioned in Note 6, the above adjustments are not expected to have a continuing effect on the Unaudited Pro Forma Consolidated Statement of Financial Position, the Unaudited Pro Forma Consolidated Statement of Comprehensive Income and the Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group.

The following is the text of a report on the unaudited pro forma financial information of the Remaining Group received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Shoucheng Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shoucheng Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) excluding Excel Bond Investments Limited and its subsidiaries (the “**Disposal Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2020, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2020 and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2020, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages IV-1 to IV-11 of the Company’s circular dated 30 April 2021, in connection with the proposed disposal of the Disposal Group (the “**Transaction**”) by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-11 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group’s financial position as at 31 December 2020 and the Group’s financial performance and cash flows for the year ended 31 December 2020 as if the Transaction had taken place at 31 December 2020 and 1 January 2020 respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s financial information for the year ended 31 December 2020 set out in the annual report for the year ended 31 December 2020 of the Group.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date

selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2020 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 April 2021

MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS AND OPERATIONS
OF THE REMAINING GROUP

Upon Completion, each of Excel Bond and Ultimate Capital will cease to be the subsidiaries of the Company, and the Company will no longer have any direct or indirect equity interest in each of them. There will be no change in the principal activities of the Remaining Group following the Completion.

The financial data in respect of the Remaining Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for each of FY2018, FY2019 and FY2020. Set out below is the management discussion and analysis on the Remaining Group for the financial periods of FY2018, FY2019, FY2020.

Segmental Information

The Remaining Group had two business segments, namely management and operations of car parking assets (“**Car parking assets operations and management**”) and management of private funds that are oriented towards urban redevelopment (“**Fund management**”). A summary of the revenues and profit or loss of each business segment of the Remaining Group for the FY2018, FY2019, FY2020 is as follows:

| | For the year ended 31 December 2018 | | For the year ended 31 December 2019 | | For the year ended 31 December 2020 | |
|--|--|----------------------------------|--|-----------------------|--|-----------------------|
| | Revenue HK\$'000 (Restated) | Profit HK\$'000 (Restated) | Revenue HK\$'000 | Profit HK\$'000 | Revenue HK\$'000 | Profit HK\$'000 |
| Continuing operations | | | | | | |
| 1. Car parking assets operations and management | 62,038 | (23,479) | 177,018 | (43,124) | 481,002 | 179,668 |
| 2. Fund management | <u>102,665</u> | <u>24,598</u> | <u>180,867</u> | <u>195,383</u> | <u>212,711</u> | <u>136,913</u> |
| Sub-total | <u>164,703</u> | <u>1,119</u> | <u>357,885</u> | <u>152,259</u> | <u>693,713</u> | <u>316,581</u> |
| 3. Holding other business assets | | | | | | |
| Shougang Resources | | 164,336 | | 170,841 | | 205,203 |
| Shougang Concord Century Holdings Limited (“Shougang Century”) | | (3,100) | | 5,207 | | - |
| Others | | <u>-</u> | | <u>810</u> | | <u>-</u> |
| Sub-total | | <u>161,236</u> | | <u>176,858</u> | | <u>205,203</u> |

| | For the year ended 31 December 2018 | | For the year ended 31 December 2019 | | For the year ended 31 December 2020 | |
|--|--|----------------------------------|--|--------------------|--|--------------------|
| | Revenue HK\$'000 (Restated) | Profit HK\$'000 (Restated) | Revenue HK\$'000 | Profit HK\$'000 | Revenue HK\$'000 | Profit HK\$'000 |
| 4. Others | | | | | | |
| Disposal of the equity interest of Shougang | | | | | | |
| Century | - | - | - | (124,599) | - | - |
| Disposal of the equity interest of Shougang | | | | | | |
| Resources | - | - | - | - | - | (589,656) |
| Australian tax recoverable | - | - | - | 148,355 | - | - |
| Corporate and others | 11,801 | 32,345 | 38,206 | (29,418) | 12,141 | (5,679) |
| Sub-total | <u>11,801</u> | <u>32,345</u> | <u>38,206</u> | <u>(5,662)</u> | <u>12,141</u> | <u>(595,335)</u> |
| Continuing operations | 176,504 | 194,700 | 396,091 | 323,454 | 705,854 | (54,766) |
| Discontinued operation | 1,499,792 | 44,270 | 137,075 | 904 | - | - |
| Total revenue | <u>1,676,296</u> | | <u>533,166</u> | | <u>705,854</u> | |
| Attributable to owners of the Company | | <u>238,970</u> | | <u>324,358</u> | | <u>(54,766)</u> |

Year ended 31 December 2018 compared with year ended 31 December 2017

The total revenue of the Remaining Group (excluding trading business) for the Period of FY2018 amounted to approximately HK\$176.5 million (Restated) which represents an increase of from nil as compared to the same period in 2017 (excluding trading business), mainly as a result of the newly introduction of the car parking assets operations and management business and fund management business in December 2017.

The profit attributable to the owners of the Company of the Remaining Group (excluding trading business) for the Period of FY2018 was approximately HK\$194.7 million (Restated) as compared to that loss of approximately HK\$54.6 million for FY2017. Such increase was mainly attributable to the increase in revenue from the car parking assets operations and management business and fund management business as mentioned above.

Year ended 31 December 2019 compared with year ended 31 December 2018

The total revenue of the continuing operations of the Remaining Group for the Period of FY2019 amounted to approximately HK\$396.1 million which represents an increase of approximately 124.4% as compared to the same period in 2018, mainly as a result of the rapid expansion of the car parking assets operations and management business and fund management business.

The profit attributable to the owners of the Company of the continuing operations of the Remaining Group for the Period of FY2019 was approximately HK\$323.5 million, representing an increase of approximately HK\$128.8 million, as compared to that of approximately HK\$194.7 million for FY2018 (Restated). Such increase was mainly attributable to (i) the increase in revenue from the continuing operations as mentioned above; (ii) the recognition of an income tax credit of approximately HK\$129.2 million for FY2019 as compared with an income tax expense of approximately HK\$10.01 million for FY2018 (Restated); and (iii) the recognition of an one-off gain on bargain purchase before taxation of approximately HK\$86.2 million for FY2019, mitigated by the recognition of an one-off loss before taxation from disposal of the Group's equity interest in Shougang Concord Century Holdings Limited of approximately HK\$124.6 million for FY2019.

Year ended 31 December 2020 compared with year ended 31 December 2019

The total revenue of the continuing operations of the Remaining Group for the Period of FY2020 amounted to approximately HK\$705.9 million which represents an increase of approximately 78.2% as compared to the same period in 2019, mainly as a result of the car parking assets operations and management business of the Group has made sustainable progress in business expansion. Multi-storey parking lots have been constructed in a number of cities and have begun to be replicated in multiple locations. The car parking assets operations and management business now contributes the largest source of revenue to the Group with its revenue maintaining a rapid growth trend, with a year-on-year increase of over 170%.

The loss attributable to the owners of the Company of the continuing operations of the Remaining Group for the Period of FY2020 was approximately HK\$54.8 million as compared to the profit attributable to the owners of the Company of the continuing operations of approximately HK\$323.5 million for FY2019. The new product line which has contributed considerable profit to the Group, has resulted in the realization of annual profit attributable to the car parking assets operations and management business for the very first time. Revenue and profit scale of the fund management business are also maintaining steady growth. In other aspects, the Company's associated company continues to contribute profit to the Group. The above was mitigated by the loss on disposal of Shougang Resources of approximately HK\$589.7 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The net assets value of the Remaining Group as at 31 December 2018, 2019 and 2020 were approximately HK\$10,971 million, HK\$11,822 million, and HK\$11,265 million, respectively.

The total assets of the Remaining Group as at 31 December 2018, 2019 and 2020 were approximately HK\$9,430 million, HK\$10,997 million, and HK\$14,126 million, respectively.

The total liabilities of the Remaining Group as at 31 December 2018, 2019 and 2020 were approximately HK\$435 million, HK\$1,174 million, and HK\$2,206 million, respectively.

The cash and cash equivalents of the Remaining Group denominated in Hong Kong Dollars, United States Dollars and Renminbi as at 31 December 2018, 2019 and 2020 were approximately HK\$3,034 million, HK\$3,057 million, and HK\$5,176 million, respectively.

The total borrowings of the Remaining Group as at 31 December 2018, 2019 and 2020 were approximately HK\$103 million, HK\$457 million, and HK\$483 million, respectively.

As at 31 December 2018, the carrying interest of unsecured loans of the Remaining Group of approximately HK\$35 million on a variable rate basis ranged from 2.16% to 4.27% per annum. The unsecured loans of HK\$35 million were denominated in United States Dollars.

As at 31 December 2019, the carrying interest of unsecured loans of the Remaining Group of approximately HK\$457 million with a weighted average interest rate of 4.89% per annum. The unsecured loans of HK\$457 million were denominated in Renminbi.

As at 31 December 2020, the carrying interest of unsecured loans of the Remaining Group of approximately HK\$483 million with a weighted average interest rate of 4.39% per annum. The unsecured loans of HK\$483 million were denominated in Renminbi.

FOREIGN EXCHANGE MANAGEMENT

The Remaining Group conducts its businesses mainly in Hong Kong and the Mainland China, it is subject to the foreign exchange fluctuation risks of HK dollars, US dollars and Renminbi. To minimize currency exposure, foreign currency assets are usually financed in the same currency as the asset or cash flow from it through borrowings.

The Remaining Group's assets, liabilities and transactions were mainly denominated in the functional currency of the operations to which the transactions relate, and so the Remaining Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Directors consider that the Remaining Group's currency exchange risk is within acceptable range, and so no hedging devices or other alternatives have been implemented.

GEARING RATIO

As at 31 December 2018, 2019 and 2020, the gearing ratio of the Remaining Group, which is calculated as total interest bearing liabilities divided by equity attributable to the owners of the Company, were 1%, 4%, and 4%, respectively.

TREASURY POLICIES

As for the treasury policies, the objectives of the Remaining Group when managing capital are to safeguard the ability of the Remaining Group to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Remaining Group generally finances its operations with internally generated resources and borrowings provided by banks. The Remaining Group endeavors to monitor its cash flow position, and to improve the cost-efficiency of funding initiatives by its treasury function.

The Remaining Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. The Remaining Group has always adopted a prudent treasury management policy and places strong emphasis on having funds readily available and accessible and is in a stable liquidity position to cope with daily operations and meet our future development demands for capital.

CAPITAL COMMITMENT

As at 31 December 2018, 2019 and 2020, the Remaining Group did not have any material capital commitments.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

During FY2019, the Company sold the 35.71% equity interest in Shougang Concord Century Holdings Limited to Shougang Holding (Hong Kong) Limited. The disposal was completed on 9 April 2019 and the Remaining Group retained no interest in Shougang Century thereafter.

Except above, the Remaining Group did not have any significant investments, material acquisition or disposal during FY2018, FY2019 and FY2020 up to the Latest Practicable Date.

CONTINGENT LIABILITIES

The Remaining Group did not have any contingent liabilities as at 31 December 2018, 2019 and 2020.

PLEDGE OF ASSETS

As at 31 December 2018, 2019 and 2020, no assets of the Remaining Group were pledged.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, 2019 and 2020, the Remaining Group had 413, 372 and 458 employees, respectively. Staff costs, including directors' remuneration, of the Remaining Group for FY2018, FY2019 and FY2020 were approximately HK\$106.8 million, HK\$161.2 million, and HK\$164.0 million, respectively.

All subsidiaries of the Company promote equal employment opportunities, and the selection and promotion of employees depends on whether the individual meets the requirements of the relevant position.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to consider local practices under various geographical locations in which the Group operates.

The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and hospitalization scheme. All the subsidiaries of the Group in Hong Kong provide pension schemes to the Hong Kong employees as part of their staff benefits. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies, welfare fund contribution and share subscription plan to subscribe for the Company's ordinary shares as part of their staff benefits. In addition, the Group continues to organise different training and development courses for its employees, and arranges a number of social, recreational and cultural activities for all employees, and its employees also actively participate in a number of meaningful community activities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2018, 2019 and 2020, save as disclosed, the Remaining Group did not have any future plans for material investment or capital assets.

NOTICE OF GM



首程控股有限公司
SHOUCHENG HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting (the “GM”) of Shoucheng Holdings Limited (the “Company”) will be held at Shougang Qiaomengyuan, 68 Shijingshan Road, Shijingshan District, Beijing, China on Friday, 28 May 2021 at 10:20 a.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day, whichever is later, for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the amended and restated sale and purchase agreement (the “**Amended and Restated Sale and Purchase Agreement**”) dated 15 January 2021 entered into between King Rich Group Limited (“**King Rich**”) and Shoujing Yifei Holdings Limited (the “**Vendor**”), as supplemented by a supplemental agreement dated 18 February 2021 (*a copy of the Amended and Restated Sale and Purchase Agreement has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for identification purpose*) and the proposed transfer of the entire issued share capital of Excel Bond Investments Limited held by the Vendor to King Rich (the “**Revised Proposed Restructuring**”) and other transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Amended and Restated Sale and Purchase Agreement and the Revised Proposed Restructuring contemplated thereunder.”

Yours faithfully,
By Order of the Board
Shoucheng Holdings Limited
Zhao Tianyang
Chairman

Hong Kong, 30 April 2021

NOTICE OF GM

Notes:

1. Any member of the Company entitled to attend and vote at the GM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the GM (i.e., at or before 10:20 a.m. on Wednesday, 26 May 2021 (Hong Kong Time)), or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the GM or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the GM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.
6. The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive) to determine the entitlement to attend and vote at the GM. During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the GM, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 24 May 2021 for registration.