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首長四方（集團）有限公司*
SHOUGANG CONCORD GRAND (GROUP) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 730)

CONTINUING CONNECTED TRANSACTION

On 23 August 2021, the Company entered into the Master Facilities Agreement with Shougang Group, pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the Facilities to Shougang Group and/or its subsidiaries in an aggregate principal amount of up to RMB2,000,000,000 (equivalent to approximately HK\$2,410,000,000) for a term of 3 years.

As at the date of this announcement, Shougang Holding is the controlling Shareholder of the Company holding approximately 50.84% of the issued share capital of the Company. Shougang Group is the holding company of Shougang Holding and is hence a connected person of the Company. Accordingly, the transactions contemplated under the Master Facilities Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as determined by Rule 14.07 of the Listing Rules for the Facilities under the Master Facilities Agreement are more than 5%, the Master Facilities Agreement is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Master Facilities Agreement.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Facilities Agreement.

A circular containing, among other things, details of the Master Facilities Agreement, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Facilities Agreement, and a notice of the special general meeting to be convened to approve the Master Facilities Agreement is expected to be despatched to the Shareholders on or before 12 September 2021.

INTRODUCTION

Reference is made to the 2015 Master Facilities Agreement and the 2018 Master Facilities Agreement between the Company and the Shougang Group in relation to the provision by the Group of financing facilities to the Shougang Group. As the 2018 Master Facilities Agreement has expired in June 2021, the Company and Shougang Group entered into the Master Facilities Agreement on 23 August 2021. The salient terms of the Master Facilities Agreement are set out below:

THE MASTER FACILITIES AGREEMENT

Date

23 August 2021

Parties

- (1) The Company; and
- (2) Shougang Group.

Major terms of the Master Facilities Agreement

Subject matter : The Company will provide or procure its subsidiaries to provide at its discretion the Facilities to Shougang Group and/or its subsidiaries (including direct and/or indirect subsidiaries) from time to time during the term of the Master Facilities Agreement.

The Group will finance the Facilities through bank borrowing and internal resources.

Term of the Master Facilities Agreement : A period of 3 years commencing from the Master Facilities Agreement becoming effective.

Principal amount of the Master Facilities Agreement : An aggregate principal amount of up to RMB2,000,000,000 (equivalent to approximately HK\$2,410,000,000).

The Facilities to be granted are non-revolving in nature and are subject to the maximum amount may not be exceeded at any time during the term of the Master Facilities Agreement.

The grant of the Facilities is subject to the maximum amount under the Master Facilities Agreement and the outstanding balance of the Facilities owed by Shougang Group for each relevant year will not exceed RMB2,000,000,000 (equivalent to approximately HK\$2,410,000,000).

Methods of provision of Facilities	<p>: The Facilities will be provided by the Group to Shougang Group by way of the following methods (each a “Loan”):</p> <ul style="list-style-type: none"> (a) entrusted payment (委托付款), in which Shougang Group as borrower will entrust the Group as lender to make payment on behalf of the borrower for procurement; (b) finance lease, in which the Group will purchase equipment/asset items for Shougang Group and lease it to Shougang Group under a finance lease arrangement; and (c) credit financing, in which the Group will provide credit financing facility to Shougang Group. <p>The relevant parties will enter into individual agreements with respect to each of the financing arrangements under the Facilities pursuant to the Master Facilities Agreement.</p>
Term of each Loan	<p>: The duration of each Loan will be negotiated on a case-by-case basis and each Loan will not have a term of longer than three years from the date of the relevant Loan.</p>
Guarantee	<p>: Shougang Group will guarantee the obligations of the relevant member(s) of the Shougang Group as borrower(s) under each entrusted payment or loan, or as lessee(s) under each finance lease. The relevant parties will enter into individual guarantee agreements with respect to each of the financing arrangements under the Facilities pursuant to the Master Facilities Agreement.</p>
Conditions precedent of the Master Facilities Agreement	<p>: The Independent Shareholders having approved the Master Facilities Agreement and the transactions contemplated thereunder at a general meeting of the Company convened for approving the Master Facilities Agreement.</p>

(A) Major terms of an entrusted payment:

Entrusted payment amount : The Company and/or its subsidiaries may, at the request of the relevant member of the Shougang Group as borrower, at its discretion make the payment to an intended payee on behalf of the borrower for procurement of the purchased items.

The loan amount under each entrusted payment shall be equivalent to the purchase price of the purchased item, but in any event, shall not exceed the unutilized portion of the Facilities.

Purchased items : The items to be used by Shougang Group and/or its subsidiaries in their respective ordinary course of business.

Interest rate : The interest rate payable by the relevant borrower shall be at a rate equal to the cost of lending of the Group plus 1% to 5%, subject to not being more than 10%.

Repayment date of the entrusted payment and interest : Unless otherwise agreed, the repayment amount under each entrusted payment, together with accrued interest, shall be at the end of the term of the relevant entrusted payment.

Handling fee : The Group shall be entitled to charge the relevant borrower for each entrust payment a non-refundable handling fee of not more than 1.5% of the principal amount of the entrust payment. Such handling fee shall be payable by the borrower at least five business days before the date of the entrust payment.

(B) Major terms of the finance lease:

Finance lease amount : The finance lease amount under each finance lease shall be the purchase price of the lease items, subject to such amount shall not exceed the unutilized portion of the Facilities.

Lease items : The lease items will be equipment and/or properties to be used by Shougang Group and/or its subsidiaries in their ordinary course of business.

- Interest rate : The interest rate payable by the relevant lessee shall be at a rate equal to the cost of lending of the Group plus 1% to 5%, subject to not being more than 10%.

- Payment date of the lease and interest : Unless otherwise agreed, payment under each finance lease and the interest accrued shall be on a quarterly basis on the 21st day of March, June, September and December.

- Handling fee : The Group shall be entitled to charge the relevant lessee for each finance lease a non-refundable handling fee of not more than 1.5% of the principal amount of the finance lease. Such handling fee shall be payable at least five business days before the drawdown of the fund.

- Security deposit : The Group shall be entitled to a security deposit of not more than 5% of the loan amount under the finance lease, and such security deposit shall be paid by the relevant lessee at least five Business Days before the commencement of the relevant finance lease term.

- Lessee's option to purchase : At the end of the finance lease, the relevant lessee will have the right to purchase the lease items at a nominal purchase price equal to 0.01% of the loan amount of the finance lease.

(C) Major terms of the credit financing:

- Credit financing amount : The credit financing amount shall be such amount requested by the Shougang Group, subject to such amount shall not exceed the unutilized portion of the Facilities.

- Interest rate : The interest rate payable by the relevant borrower shall be at a rate equal to the cost of lending of the Group plus 1% to 5%, subject to not being more than 10%.

Repayment date of the credit financing and interest	: Unless otherwise agreed, the outstanding principal of the credit financing shall be repayable at the expiry of the term of the credit financing and the interest accrued shall be paid on a quarterly basis on the 21st day of March, June, September and December.
Handling fee	: The Group shall be entitled to charge the relevant borrower a non-refundable handling fee of not more than 1.5% of the principal amount of the credit financing. Such handling fee shall be payable at least five business days before the drawdown of the credit financing.

Basis of determination of the Facilities

The aggregate principal amount of the Facilities were determined after arm's length negotiations between the parties with reference to (i) the historical transaction amount between the parties; (ii) the capability of the Group to raise the necessary fund to finance the operation, and (iii) the financing needs of the Shougang Group. The Group first entered into the 2015 Master Facilities Agreement with the Shougang Group for the provision of financing facilities to the Shougang Group. Upon the expiry of the term of the 2015 Master Facilities Agreement, the 2018 Master Facilities Agreement was entered into to continue the arrangement in the ordinary course of business of the Group. Set out below is the actual amount of the facilities used by Shougang Group for the three years ended 31 December 2020 and the six months ended 30 June 2021:

	For the year ended 31 December			For the six months ended 30 June
	2018	2019	2020	2021
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Approved amount of the facilities	5,000	5,000	5,000	5,000
Actual amount of facilities used	60	830	939	959
Annual cap	1,500	1,500	1,500	1,500
Outstanding balance	584	876	581	553

The maximum amount of the Facilities under the Master Facilities Agreement is lower than the 2015 Master Facilities Agreement and the 2018 Master Facilities Agreement, because of the fluctuation in interests rate and availability of fund in the market.

Basis of determining interest rate

The range of interest rate was determined after arm's length negotiations between the parties with reference to the prevailing market rate and a reasonable margin, which will be added to the cost of lending by the Group so as to ensure that the Group can earn a net income for providing the Facilities under the Master Facilities Agreement. The exact interest rate to be charged for each of the Loans will be determined by the Company at the relevant time after taking into account: (a) the prevailing market interest rate; and (b) the risk profile of the relevant entrusted payment or finance lease and the then business and financial conditions of the relevant member of the Shougang Group being the borrower or the lessee.

The transactions contemplated under the Master Facilities Agreement will be mostly funded by bank borrowings and the terms will be basically on a back-to-back basis, so as to minimize the risk to the Company on any fluctuations in borrowing costs.

INFORMATION ON SHOUGANG GROUP

Shougang Group is a company established in the PRC and is the holding company of Shougang Holding, the controlling shareholder of the Company. Shougang Group is a state-owned enterprise wholly-owned by the Beijing State-owned Capital Management Centre (北京國有資本經營管理中心) which is in turn wholly-owned by the Beijing State-owned Assets Supervision and Administration Commission (北京市國有資產監督管理委員會).

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

REASONS FOR ENTERING INTO OF THE MASTER FACILITIES AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial services, property leasing services, supply chain management business, asset management and consultancy services. South China Leasing, an indirect non-wholly owned subsidiary of the Company, is a prominent leasing company in the PRC.

The Group provides finance leases in its usual and ordinary course of business. The Group aims at sourcing customers in the finance lease segment with sufficient assets and good creditability in order to safeguard the credit risks of the Group. Shougang Group is rich in assets and has a good credit history with good repayment capability. As the Group has been providing financing facilities to the Shougang Group in the past, and the 2018 Master Facilities Agreement has expired in June 2021 and the Group has not been able to provide any financing services to Shougang Group, the Master Facilities Agreement is being entered into to enable the Group to continue to provide financing services to a trusted customers group. As the entering into of the Master Facilities Agreement is in the ordinary and usual course of business of the Company and will

enable the Group to earn a net interest income under the Master Facilities Agreement, the Directors (including the independent non-executive Directors but excluding the interested Directors) consider that the transactions under the Master Facilities Agreement and the proposed annual caps thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shougang Holding is a controlling Shareholder holding approximately 50.84% of the issued share capital of the Company. Shougang Group is the holding company of Shougang Holding and hence is a connected person of the Company. Accordingly, the transactions contemplated under the Master Facilities Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable ratios for the Facilities under the Master Facilities Agreement are more than 5%, the Master Facilities Agreement is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An Independent Board Committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Master Facilities Agreement.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Facilities Agreement.

A circular containing, among other things, details of the Master Facilities Agreement, a letter from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Facilities Agreement, and a notice of the special general meeting to be convened to approve the Master Facilities Agreement is expected to be despatched to the Shareholders on or before 12 September 2021.

Mr. Xu Liang, Mr. Tian Gang and Mr. Zhang Jianxun are considered to be interested in the Master Facilities Agreement and have abstained from voting on the relevant board resolutions of the Company. Apart from the above, none of the Directors has any material interest in the Agreements and is required to abstain from voting on the board resolutions approving the Agreements, the transactions contemplated thereunder and the Proposed Cap.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2015 Master Facilities Agreement”	the agreement dated 26 March 2015 entered into between the Company and the Shougang Group in relation to the provision by the Group of financing facilities to the Shougang Group;
“2018 Master Facilities Agreement”	the agreement dated 8 June 2018 entered into between the Company and the Shougang Group in relation to the provision by the Group of financing facilities to the Shougang Group;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Company”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	directors of the Company;
“Facilities”	the facilities of up to an aggregate principal amount of RMB2,000,000,000 (equivalent to approximately HK\$2,410,000,000) to be provided by the Company and/or its subsidiaries to members of the Shougang Group in accordance with the Master Facilities Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors;
“Independent Shareholders”	Shareholders of the Company other than Shougang Group and its associates;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	each advance (entrusted payment, finance lease or credit financing) under the Master Facilities Agreement extended by the Group to Shougang Group;
“Master Facilities Agreement”	the agreement dated 23 August 2021 entered into between the Company and Shougang Group pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide financing to Shougang Group and/or its subsidiaries for a term of 3 years;
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shougang Group”	Shougang Group Co., Ltd., a state-owned enterprise established in the PRC, the holding company of Shougang Holding;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong and is the controlling shareholder of the Company, which through its wholly owned subsidiaries, holds approximately 50.84% of the issued share capital in the Company as at the date of this announcement;
“South China Leasing”	South China International Leasing Company Limited, a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company which is owned as to 75% by the Company and 25% by Shougang Holding (Hong Kong) Limited, a controlling shareholder of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of HK\$1.00 to RMB0.83. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all.

By Order of the Board
Shougang Concord Grand (Group) Limited
Xu Liang
Chairman

Hong Kong, 23 August 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Xu Liang (Chairman), Mr. Tian Gang (Executive Director), Mr. Huang Donglin (Non-executive Director), Mr. Zhang Jianxun (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Zhang Xingyu (Independent Non-executive Director), Mr. Ng Man Fung, Walter (Independent Non-executive Director) and Ms. On Danita (Independent Non-executive Director).

* *For identification purpose only*