

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

**INSIDE INFORMATION
IN RELATION TO
THE PROPOSED ASSIGNMENT AND NOVATION**

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company, SCIT (an indirect wholly-owned subsidiary of the Company), MGI and Koolan are the parties to the Long Term Hematite Supply Agreement. Pursuant to the Long Term Hematite Supply Agreement, Koolan has agreed to sell, and SCIT has agreed to purchase, hematite ore extracted from the Hematite Mine, and the Company has agreed to guarantee the compliance of SCIT with its obligations under the Long Term Hematite Supply Agreement.

The Board is pleased to announce that on 31 May 2019, the Company (as the assignor) and Newton Resources (as the assignee) entered into the Assignment and Novation Agreement, pursuant to which the Company has conditionally agreed to (among others) assign and novate, and procure SCIT to assign and novate, all their rights and obligations under the Long Term Hematite Supply Agreement to Newton Resources and Ace Profit (an indirect wholly-owned subsidiary of Newton Resources), respectively, and Newton Resources has conditionally agreed to (among others) assume, and procure Ace Profit to assume, all the rights and obligations of the Company and SCIT under the Long Term Hematite Supply Agreement. Upon Completion, the Group will cease to have any rights and obligations under the Long Term Hematite Supply Agreement.

The Board is also pleased to announce that on 31 May 2019, the Company, SCIT, Newton Resources, Ace Profit, MGI and Koolan entered into the Novation Deed, pursuant to which the parties to the Novation Deed have conditionally agreed to (among others) effectuate the Proposed Assignment and Novation.

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

INTRODUCTION

The Company, SCIT (an indirect wholly-owned subsidiary of the Company), MGI and Koolan are the parties to a long term hematite ore sale agreement, which was first executed on 22 November 2008 and has subsequently been novated, amended, supplemented and restated from time to time (the “**Long Term Hematite Supply Agreement**”). Pursuant to the Long Term Hematite Supply Agreement, Koolan has agreed to sell, and SCIT has agreed to purchase, hematite ore extracted from the hematite mine situated at Koolan Island, Western Australia (the “**Hematite Mine**”), and the Company has agreed to guarantee the compliance of SCIT with its obligations under the Long Term Hematite Supply Agreement.

The Board is pleased to announce that on 31 May 2019, the Company (as the assignor) and Newton Resources (as the assignee) entered into the Assignment and Novation Agreement, pursuant to which the Company has conditionally agreed to (among others) assign and novate, and procure SCIT to assign and novate, all their rights and obligations under the Long Term Hematite Supply Agreement to Newton Resources and Ace Profit (an indirect wholly-owned subsidiary of Newton Resources), respectively, and Newton Resources has conditionally agreed to (among others) assume, and procure Ace Profit to assume, all the rights and obligations of the Company and SCIT under the Long Term Hematite Supply Agreement. Upon Completion, the Group will cease to have any rights and obligations under the Long Term Hematite Supply Agreement.

The Board is also pleased to announce that on 31 May 2019, the Company, SCIT, Newton Resources, Ace Profit, MGI and Koolan entered into the Novation Deed, pursuant to which the parties to the Novation Deed have conditionally agreed to (among others) effectuate the Proposed Assignment and Novation.

ASSIGNMENT AND NOVATION AGREEMENT

The key terms of the Assignment and Novation Agreement are summarised as follows:

Date

31 May 2019

Parties

- (1) The Company (as the assignor); and
- (2) Newton Resources (as the assignee)

Subject Matter

Subject to the terms of the Assignment and Novation Agreement, the Company will (1) assign and novate all its rights and obligations under the Long Term Hematite Supply Agreement to Newton Resources; (2) procure SCIT to assign and novate all its rights and obligations under the Long Term Hematite Supply Agreement to Ace Profit; and (3) procure all other parties to the Long Term Hematite Supply Agreement to consent to the Proposed Assignment and Novation. Newton Resources will assume, and procure Ace Profit to assume, all the rights and obligations of the Company and SCIT, respectively, under the Long Term Hematite Supply Agreement from the Completion Date.

The Proposed Assignment and Novation will be effected by way of the execution of the Novation Deed on the date of the Assignment and Novation Agreement.

Consideration

The consideration of HK\$150,000,000 is payable by Newton Resources to the Company by way of wire transfer of immediately available funds in two instalments:

- (1) as to HK\$100,000,000 is payable on the Completion Date; and
- (2) as to HK\$50,000,000 is payable on or before 31 December 2019 (the “**Second Instalment**”), provided that if, after the Completion Date, the production activities at the Hematite Mine are suspended or ceased for a continuous period of two (2) months or more and as at 31 December 2019 (other than any suspension or cessation caused by any act, omission or default of Newton Resources, Ace Profit and/or any of their respective affiliates), (i) such production activities have not resumed; or (ii) such production activities have resumed but have not been operated on a full-scale basis for at least two (2) consecutive months after the resumption date, the due date of the Second Instalment shall be postponed to the date falling two (2) months after such production activities have resumed and continued at the Hematite Mine on a full-scale basis for two (2) consecutive months. The production activities at the Hematite Mine shall be deemed to be operated on a full-scale basis if, for the consecutive two-month period, Koolan has completed the delivery of at least five (5) shipments of hematite ore to Ace Profit pursuant to the Long Term Hematite Supply Agreement as amended and restated by the Novation Deed (the “**Restated Long Term Hematite Supply Agreement**”).

Pursuant to the Assignment and Novation Agreement, where, during the period commencing on the date of the Assignment and Novation Agreement and ending on 31 December 2020, the amount of hematite ore which is available for derivation from the Hematite Mine falls below 17 million metric tonnes (estimated based on 80% of the mineral resources and ore reserves information of the Hematite Mine as publicly announced or disclosed by MGI from time to time), Newton Resources may give written notice (the “**Adjustment Notice**”) to the Company, whereby the consideration shall be deemed to be reduced by a specified amount (the “**Adjustment Amount**”). To the extent that any portion of the Second Instalment payable by Newton Resources to the Company has not been paid, the Adjustment Amount shall first be applied to reduce the Second Instalment, and (to the extent that there is any balance of the Adjustment Amount remaining) the Company shall pay to Newton Resources the balance of such Adjustment Amount within one month after the date of the Adjustment Notice. Where the Second Instalment has been paid in full by Newton Resources, the Company shall refund the full amount of the Adjustment Amount to Newton Resources within one month after the date of the Adjustment Notice.

The Adjustment Amount will be determined based on the following formula:

$$\text{Adjustment Amount} = \text{HK\$}8.82/\text{metric tonne} \times S$$

where “S” shall be the difference between the volume of hematite ore that Koolan will be able to supply to Ace Profit under the Restated Long Term Hematite Supply Agreement during the term thereof (in metric tonnes) and 17 million metric tonnes, provided that no such adjustment will be made if S is equal to or less than 0.85 million metric tonnes.

The consideration was agreed after arms’ length negotiations between the parties, taking into account, among others, the proved and probable ore reserves and expected average iron grade of the Hematite Mine, and the price offered by Koolan for the supply of hematite ore to be derived from the Hematite Mine under the Restated Long Term Hematite Supply Agreement.

Conditions Precedent

Completion is conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (1) all necessary approvals, consents, clearance and waivers (if any) as may be required under the Listing Rules and/or any other applicable law, rule or regulation for the consummation of the transactions contemplated under the Assignment and Novation Agreement having been obtained by the Company, Newton Resources and MGI and remaining in full force and effect;

- (2) all necessary approvals (if any) by the shareholders of Newton Resources and MGI as may be required under the Listing Rules and/or any other applicable law, rule or regulation in respect of the Assignment and Novation Agreement and the transactions contemplated thereunder having been granted and remaining in full force and effect;
- (3) the Novation Deed having become unconditional in all respects in accordance with its terms;
- (4) no order or judgment (whether temporary, preliminary or permanent) of any relevant governmental authority or under any applicable law or regulation which has the effect of making it unlawful for any party to complete, or otherwise prohibiting or restricting or limiting any party from completing any transaction contemplated under the Assignment and Novation Agreement having been issued or made prior to the Completion;
- (5) the warranties, representations and undertakings given by the Company under the Assignment and Novation Agreement (except for those warranties which are expressly made in respect of matters as at dates other than the Completion Date, in which case such warranties shall be true and accurate in all respects and not misleading in any respect as at such dates) remaining true and accurate in all respects and not misleading in any respect as at the Completion Date;
- (6) the warranties, representations and undertakings given by Newton Resources under the Assignment and Novation Agreement remaining true and accurate in all respects and not misleading in any respect as at the Completion Date; and
- (7) the resumption of the production activities at the Hematite Mine (as supported by certain shipping and sailing schedules and written confirmation of nominated laydays given by Koolan to SCIT and/or Ace Profit, and the relevant written approval or written notice of an alternative schedule given by SCIT to Koolan in accordance with the Long Term Hematite Supply Agreement).

The conditions set out in paragraphs (5) and (6) above may be waived (in whole or in part, whether conditionally or unconditionally) in writing by Newton Resources and the Company, respectively, at any time before the Long Stop Date.

If any of the above conditions is not fulfilled or, as the case may be, waived at or before 12:00 noon on the Long Stop Date, then (without prejudice to any other remedy available to the other party) the obligations of the Company and Newton Resources will cease and determine forthwith, and neither party shall have any claim under the Assignment and Novation Agreement against the other save for any antecedent breach.

Completion

Subject to the fulfilment or waiver (as the case may be) of the conditions set out in the paragraph headed “Conditions Precedent” above, Completion will take place at 10:00 a.m. on the Completion Date.

Upon Completion, the Group will cease to have any rights and obligations under the Long Term Hematite Supply Agreement.

NOVATION DEED

The key terms of the Novation Deed are summarised as follows:

Date

31 May 2019

Parties

- (1) The Company;
- (2) SCIT;
- (3) Newton Resources;
- (4) Ace Profit;
- (5) MGI; and
- (6) Koolan

Subject Matter

Subject to the terms of the Novation Deed, the parties to the Novation Deed will effectuate the Proposed Assignment and Novation, as well as the Restated Long Term Hematite Supply Agreement.

Conditions Precedent

The Novation Deed is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (1) all necessary approvals, consents, clearance and waivers (if any) as may be required under the Listing Rules and/or any other applicable law, rule or regulation for the consummation of the transactions contemplated under the Novation Deed having been obtained by the Company and Newton Resources and remaining in full force and effect;

- (2) all necessary approvals (if any) by the shareholders of the Company and Newton Resources as may be required under the Listing Rules and/or any other applicable law, rule or regulation in respect of the Novation Deed and the transactions contemplated thereunder having been granted and remaining in full force and effect;
- (3) Koolan having received from VMS Investment Group Limited, being a substantial shareholder of Newton Resources, one counterpart of the deed of guarantee and indemnity (the “**Deed of Guarantee and Indemnity**”) pursuant to the terms of the Novation Deed, which is to be executed contemporaneously with the execution of the Novation Deed, duly executed by it; and
- (4) Koolan having received an opinion from legal counsel reasonably acceptable to Koolan in relation to the execution by the parties to the Novation Deed (other than Koolan and MGI) and the enforceability of the Novation Deed and the guarantee and indemnity set out in the Deed of Guarantee and Indemnity as Koolan reasonably requires.

The conditions set out in paragraphs (3) and (4) above may be waived in writing by Koolan and MGI.

Any party to the Novation Deed may by notice to the other parties, terminate the Novation Deed at any time if any of the conditions set out in paragraphs (1) and (2) above is not satisfied within 90 days of the date of execution of the Novation Deed, or in the case of the condition set out in paragraph (4) above, not satisfied or waived within 14 days of the date of execution of the Novation Deed.

REASONS FOR AND BENEFITS OF THE PROPOSED ASSIGNMENT AND NOVATION

Since 2018, the Group has shifted its business focus to the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment and gradually reduced the revenue attributable from iron ore trading as well as the volume of iron ore transactions. In 2019, the Group plans to further reduce the scale of its ore trading business, and the Proposed Assignment and Novation is a strategic move of the Group to align with its business development strategy.

The Directors are of the view that the Assignment and Novation Agreement and the Novation Deed have been entered into on normal commercial terms, are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES INVOLVED

The Group

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

Newton Resources

Newton Resources and its subsidiaries are principally engaged in the supply and trading of iron ores and coals, and the mining, processing and sale of iron concentrates and gabbro-diabase and stone products. As at the date of this announcement, the controlling shareholder of the Company, 首鋼集團有限公司 (Shougang Group Co., Ltd.*), indirectly holds an aggregate of approximately 27.46% of the total issued share capital of Newton Resources.

SCIT

SCIT is an indirect wholly-owned subsidiary of the Company, and principally engaged in the trading of iron ore.

Ace Profit

Ace Profit is an indirect wholly-owned subsidiary of Newton Resources, and principally engaged in the supply and trading of iron ore.

MGI

MGI is a company incorporated in Australia, the shares of which are listed on the Australian Securities Exchange. MGI is an established producer of high quality, direct shipping grade iron ore products.

Koolan

Koolan is a company incorporated in Australia, the registered holder of the Hematite Mine and a wholly-owned subsidiary of MGI.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Ace Profit”	Ace Profit Investment Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of Newton Resources
“Assignment and Novation Agreement”	the assignment and novation agreement dated 31 May 2019 entered into between the Company and Newton Resources
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours

“Company”	Shougang Concord International Enterprises Company Limited (stock code: 697), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Proposed Assignment and Novation pursuant to the Assignment and Novation Agreement
“Completion Date”	the date on which the Completion takes place, being the tenth (10th) Business Day after the last conditions as set out in the section headed “Assignment and Novation Agreement – Conditions Precedent” is satisfied or waived in accordance with the Assignment and Novation Agreement (other than any condition which is expressed to be fulfilled on or as at the Completion Date, but subject to the fulfillment or waiver of such condition), or such other date as the Company and Newton Resources may agree in writing
“Director”	the directors of the Company
“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
“Koolan”	Koolan Iron Ore Pty Limited, a company limited by shares incorporated in Australia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the 210th day from the date of the Assignment and Novation Agreement (or such later date as the Company and Newton Resources may agree in writing from time to time)
“MGI”	Mount Gibson Iron Limited, a company limited by shares incorporated in Australia, and the shares of which are listed on the Australian Securities Exchange

“Newton Resources”	Newton Resources Ltd (stock code: 1231), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Novation Deed”	the conditional deed of novation, amendment and restatement dated 31 May 2019 entered into among the Company, SCIT, Newton Resources, Ace Profit, MGI and Koolan to effectuate the Proposed Assignment and Novation, as well as the Restated Long Term Hematite Supply Agreement
“PRC”	the People’s Republic of China and for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Assignment and Novation”	the proposed assignment and novation of the Long Term Hematite Supply Agreement pursuant to the terms and conditions of the Assignment and Novation Agreement
“SCIT”	SCIT Trading Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board of
Shougang Concord International
Enterprises Company Limited
Zhao Tianyang
Chairman

Hong Kong, 31 May 2019

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Li Shaofeng (Vice Chairman), Mr. Xu Liang and Mr. Liang Hengyi (Managing Director) as Executive Directors; Dr. Li Yinhui, Mr. Liu Jingwei, Mr. Ho Gilbert Chi Hang and Mr. Li Hao as Non-executive Directors; Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao and Ms. Zhang Quanling as Independent Non-executive Directors.

* *for identification purposes only*