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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shoucheng Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
FUND MANAGEMENT SERVICE AGREEMENT  
AND  
NOTICE OF GENERAL MEETING**

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



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Capitalised terms used in this cover page shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 14 of this circular and a letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. A letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 30 of this circular.

A notice convening the GM to be held at 10:00 a.m. on Tuesday, 31 December 2024 at Conference Room 901, Building 2, West 10th Winter Olympic Square, Liaocang Road, Shougang Park, No. 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 meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the meeting (i.e., at or before 10:00 a.m. on Saturday, 28 December 2024) or any adjournment 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 meeting or any adjourned meeting (as the case may be) should you so wish.

9 December 2024

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Company”	Shoucheng Holdings 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;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“continuing connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing Fund Management Service Agreement”	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;
“GM”	the general meeting of the Company to be convened at 10:00 a.m. on Tuesday, 31 December 2024 at Conference Room 901, Building 2, West 10th Winter Olympic Square, Liaocang Road, Shougang Park, No. 68 Shijingshan Road, Shijingshan District, Beijing, China for the purpose of considering and, if thought fit, approving the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps);
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Ms. Zhuge Wenjing, which has been formed to advise the Independent Shareholders on matters in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps);

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## DEFINITIONS

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“Independent Financial Adviser” or “Lego Corporate Finance Limited”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), which has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the New Fund Management Service Agreement;
“Independent Shareholders”	Shareholders, other than the Shareholders who have a material interest in the New Fund Management Service Agreement and the transactions contemplated thereunder (including Shougang Group and its associates);
“Investment Amount”	the amount of investment that the fund’s investment decision-making body has agreed to invest in the investee company, or the investment amount that has actually been paid to the investee company (as determined in accordance with the relevant fund transaction documents);
“Investment Cost”	the amount of investment and related costs, fees and other expenses actually paid by the fund to the investee company (as determined in accordance with the relevant fund transaction documents);
“Latest Practicable Date”	3 December 2024, being the latest practicable date for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Fund Management Service Agreement”	the private fund management service agreement dated 22 November 2024 entered into between the Company and Shougang Fund in respect of the provision of private fund management services (including closely related services arising from fund management, depending on the specific transaction) by the Company and/or its subsidiaries to Shougang Fund and/or its associates;

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## DEFINITIONS

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“PRC”	the People’s Republic of China and for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Shougang Fund”	Beijing Shougang Fund Co., Ltd.* (北京首鋼基金有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Shougang Group;
“Shougang Group”	Shougang Group Co., Ltd.* (首鋼集團有限公司), a state-owned enterprise established in the PRC and a substantial Shareholder;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, and a wholly-owned subsidiary of Shougang Group, and a substantial Shareholder;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules; and
“%”	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.*

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zhao Tianyang (*Chairman*)

Mr. Xu Liang

*Non-executive Directors:*

Mr. Wu Lishun

Mr. Li Hao (*Vice Chairman*)

Mr. Peng Jihai

Mr. Ho Gilbert Chi Hang

Mr. Liu Jingwei

*Registered Office:*

7th Floor

Bank of East Asia

Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

*Independent Non-executive Directors:*

Dr. Wang Xin

Mr. Choi Fan Keung Vic

Mr. Deng Yougao

Ms. Zhang Quanling

Ms. Zhuge Wenjing

9 December 2024

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
FUND MANAGEMENT SERVICE AGREEMENT  
AND  
NOTICE OF GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 22 November 2024 in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) detailed information about the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the GM.

### **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 18 November 2019 in relation to the Existing Fund Management Service Agreement with Shougang Fund.

As the Existing Fund Management Service Agreement will expire on 31 December 2024, on 22 November 2024, the Company entered into the New Fund Management Service Agreement with Shougang Fund to continue the continuing connected transactions thereunder.

#### **The New Fund Management Service Agreement**

Principal terms of the New Fund Management Service Agreement are set out below:

##### ***Date***

22 November 2024

##### ***Parties***

- (1) the Company; and
- (2) Shougang Fund

##### ***Subject Matter***

The Company and/or its subsidiaries will provide private fund management services (including closely related services arising from fund management, depending on the specific transaction) to Shougang Fund and/or its associates.

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## LETTER FROM THE BOARD

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### *Pricing Terms*

The provision of private fund management services shall be charged as follows:

- (i) in respect of infrastructure asset management related funds, in the range of 0.1% to 2% of the capital commitment, paid-in capital contribution, net value or Investment Amount/Investment Costs of the fund per year (as determined under the individual fund transaction documents); and
- (ii) in respect of other funds, in the range of 0.5% to 2% of the capital commitment, paid-in capital contribution, net value or Investment Amount/Investment Costs of the fund per year (as determined under the individual fund transaction documents),

which was determined with reference to the prevailing market prices offered by the other private fund management companies for the same or similar scope of service, the cost of providing fund management service, and the maximum fund management fee as approved by the finance authorities in the PRC for certain funds (if applicable).

In the event a fund managed by the Company or its subsidiaries (the “**Participating Fund**”) invests in another fund established under the New Fund Management Service Agreement as investor, the Participating Fund will not be charged management fees in respect of its portion of investment in the latter fund.

The infrastructure asset management related funds managed by the Group adhere to the principle of “long-term investment, value investment”. These funds primarily invest in high-quality infrastructure assets that offer long-term investment value, stable returns, and generate consistent distributable cash flows. Through the Group’s long-term experience in infrastructure financing and operations, coupled with the relatively large size of these funds, the Group is able to achieve economies of scale, which may help lower management fees.

On the contrary, the provision of fund management service to other types of funds requires specialized management and industry-specific strategy for each type of fund to cater for their industry needs. The cost of managing those funds are expected to be higher than managing infrastructure asset management related funds.

The actual percentage of management fee will be determined with reference to (i) the operation cost of providing fund management service to the relevant fund, (ii) the complexity of strategy required by the relevant fund, and (iii) the management fee agreed among parties to the partnerships after arm’s length negotiation. In any event, the fee to be charged by the Group to Shougang Fund and/or its associates will not be more favourable than that charged to independent funds.

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## LETTER FROM THE BOARD

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The table below sets out the range of historical percentage of management fee and the range of agreed percentage of management fee under the Existing Fund Management Service Agreement:

	<b>Range of historical percentage of management fee</b>	<b>Range of agreed percentage of management fee under the Existing Fund Management Service Agreement</b>
infrastructure asset management related funds	0.1% to 2%	0.1% to 2%
other funds	0.5% to 2%	0.5% to 2%

*Note:* The percentages of management fees set out in the above table are calculated as percentages of the capital commitment, paid-in capital contribution, net value, or Investment Amount/Investment Costs of the fund per year (as the case may be).

As shown in the above table, the range of historical percentage of management fee falls within the range of agreed percentage management fee under the Existing Fund Management Service Agreement. In addition, the range of agreed percentage management fee under the New Fund Management Service Agreement is consistent with that under the Existing Fund Management Service Agreement.

### ***Term***

Subject to the fulfilment of the condition precedent, from 1 January 2025 to 31 December 2027.

### ***Condition Precedent***

The obligations of the parties to the New Fund Management Service Agreement shall be conditional upon the relevant requirements under the Listing Rules having been satisfied, including approval of the Independent Shareholders at the GM on the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps).

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## LETTER FROM THE BOARD

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If the above condition precedent is not fulfilled on or before 31 May 2025, or such other later date as may be agreed between the parties, the New Fund Management Service Agreement will be automatically terminated. In such case, the obligations of the parties shall be discharged and neither of the parties shall be liable for breach of the New Fund Management Service Agreement.

### Historical Amounts

The historical transaction amounts and annual caps for the four years ended 31 December 2023 and the six months ended 30 June 2024 relating to the transactions under the Existing Fund Management Service Agreement are set out below:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023	For the six months ended 30 June 2024 <i>RMB</i>
Historical transaction amount	<u>186,668,000</u>	<u>141,163,000</u>	<u>152,216,000</u>	<u>164,130,000</u>	<u>88,193,000</u>
Annual Cap	<u>358,000,000</u>	<u>551,000,000</u>	<u>701,000,000</u>	<u>851,000,000</u>	<u>924,000,000</u>

The low utilization of the annual caps under the Existing Fund Management Service Agreement was attributed to various factors, such as changes in the external economic environment, fluctuations in the industries underlying the planned investments and slow progress of business negotiations with potential external investors. Meanwhile, since 2019, the Group has actively explored external fundraising channels, resulting in a more diversified and enriched investor base for its managed funds. These factors resulted in delays in fundraising and the establishment of funds that were originally planned to be established between 2020 and 2024.

### Proposed Annual Caps and Basis of Determination

The transaction amounts under the New Fund Management Service Agreement during the term of the agreement will not exceed the following annual caps:

	For the year ending 31 December		
	2025	2026	2027 <i>RMB</i>
Proposed annual caps	214,000,000	155,000,000	110,000,000

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## LETTER FROM THE BOARD

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As the Group will actively leverage its fund management role, focusing on promoting project investment and management work of the existing funds under the Existing Fund Management Service Agreement, the proposed annual caps set out above are determined with reference to:

- (i) the historical transaction amounts under the Existing Fund Management Service Agreement as reflected in the section headed “Historical Amounts” of this circular;
- (ii) the expected increase in the size of capital contributions or investments during the term of the New Fund Management Service Agreement, as 8 out of the 22 existing funds are currently in their investment periods. Among these funds, 5 are infrastructure asset management related funds, and 3 are other types of funds, and the fund size of each of these funds ranges from RMB300 million to RMB4,500 million;
- (iii) according to the relevant partnership agreements of existing funds, 14 out of the 22 existing funds will gradually enter the exit period or terminate upon the expiration of their terms over the next three years. Among these funds, 5 are infrastructure asset management related funds, while the rest are other types of funds, and the fund size of each of these funds ranges from RMB100 million to RMB10,000 million. During the exit period, most fund management fees will be calculated based on the relevant investment capital of investment projects that have not yet exited. Therefore, as the fund manager actively promotes project exits, the calculation base for fund management fees will gradually decrease; and
- (iv) since 2019, the Group has actively explored external fundraising channels, resulting in a more diversified and enriched investor base for its managed funds. Looking ahead, the Group will continue to leverage its accumulated experience and professional capabilities in fund management services to further enhance its market-oriented fundraising efforts, gradually reduce the occurrence of connected transactions, and promote greater cooperation with external investors for fund management services.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL MEASURES

The internal control measures on determining the management fee to be charged for the provision of fund management service under the New Fund Management Service Agreement are as follows:

Prior to entering into the individual partnership agreements with Shougang Fund and/or its associates, the business operation department of the Company must (i) consider the prevailing market prices offered by at least three other private fund management companies for the same or similar scope of service, (ii) be satisfied that the fee to be charged to Shougang Fund and/or its associates under the individual partnership agreements will not be more favourable than such prevailing market prices, and (iii) be satisfied that the actual percentage of management fee is determined in accordance with the pricing terms set out in the New Fund Management Service Agreement.

In most circumstances, individual partnership agreements entered into with Shougang Fund and/or its associates also involve independent funds. In such cases, the fees charged by the Group to Shougang Fund and/or its associates are equivalent to those charged to independent funds. Where individual partnership agreements do not involve independent funds, the Company must consider the fees charged to independent funds under other individual partnership agreements of the Group that involve independent funds. In any event, the fee charged by the Group to Shougang Fund and/or its associates will not be more favourable than that charged to independent funds.

The internal control measures on monitoring the proposed annual caps under the New Fund Management Service Agreement are as follows:

1. The Company's finance department regularly monitors the aggregate amount of continuing connected transactions carried out under the New Fund Management Service Agreement. In the event that the fees incurred and to be incurred for such services are expected to reach the proposed caps, the Company's finance department will follow up immediately by reporting and providing a response to the Company's management. If there is a need to revise the proposed caps, details will be reported to the Board and a Board meeting will be convened to consider the relevant matters to ensure compliance with the requirements of the Listing Rules; and
2. The independent non-executive Directors and auditor of the Company will conduct an annual review of the continuing connected transactions entered into by the Group in the previous financial year and provide annual confirmation as required under the Listing Rules to ensure that the continuing connected transactions were conducted in accordance with the terms of the New Fund Management Service Agreement and other relevant terms of agreements governing such transactions and on normal commercial terms, and are fair and reasonable and in compliance with the pricing policy and the proposed caps.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FUND MANAGEMENT SERVICE AGREEMENT

The Group is committed to becoming a sustainable infrastructure asset transformer and service provider by offering leading infrastructure asset management services. Among these, private fund management services form the core foundation of the Company's asset operations and FIME (“**fundraising, investment, management and exit**”) business and play a crucial role in the Group's “Asset Circulation + Strong Operations” business model. The fund management services under the New Fund Management Service Agreement are aligned with the Group's business strategy. While continuing to generate revenue for the Group, the private fund management services also help uncover more potential business opportunities in asset circulation and operations, based on the foundation of asset management.

From the existing cooperation, the participation of Shougang Fund and/or its associates in the funds managed by the Company and/or its subsidiaries has provided confidence to other investors, assisting the Group in raising more capital from external investors for the funds it manages. The entering into of the New Fund Management Service Agreement will help reduce the time spent on negotiations and transaction costs involved in the ongoing transactions between the contracting parties, thereby promoting a long-term and stable cooperative relationship between the Company and the relevant funds.

Looking ahead, as the Company gradually expands its assets under management in fund management services and accumulates more management experience, the Company will actively develop external channels, promote market-oriented fundraising, and attract a higher proportion of external social capital. The cooperation in fund management services will bring continuous revenue to the Group during the course of its daily operations, contributing to the maximization of overall returns for the Company and its Shareholders.

In view of the above reasons, the Directors (including the members of the Independent Board Committee whose view is set out in the letter from the Independent Board Committee, but excluding the Directors who have abstained from voting on the relevant Board resolutions) consider that the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES

#### *The Company*

The Company is incorporated in Hong Kong and the shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in infrastructure asset management.

#### *Shougang Fund and Shougang Group*

Shougang Fund is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Shougang Group. It is principally engaged in investment activities with its own funds and equity investment, investment management and asset management activities with private equity funds.

Shougang Group is a state-owned enterprise established in the PRC and a substantial Shareholder. It is ultimately owned by the State-owned Assets Supervision and Administration Commission of Beijing Municipal People's Government. It is principally engaged in a wide variety of businesses such as steel industry, mining, machinery and equipment development, electronics, building, real estate, and related services, etc.

### LISTING RULES IMPLICATION

As at the Latest Practicable Date, Shougang Group is a substantial Shareholder. As Shougang Fund is a wholly-owned subsidiary of Shougang Group, i.e. an associate of Shougang Group, Shougang Fund is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the New Fund Management Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the proposed annual caps under the New Fund Management Service Agreement are more than 5%, the New Fund Management Service Agreement and the transactions contemplated thereunder are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhao Tianyang and Mr. Xu Liang, by virtue of their connection with Shougang Group, have abstained from voting on the Board resolutions proposed to approve the New Fund Management Service Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has any material interest in the New Fund Management Service Agreement and the transactions contemplated thereunder and therefore none of the Directors has been required to abstain from voting on the relevant Board resolutions.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed pursuant to the requirements of the Listing Rules to advise the Independent Shareholders as to whether the terms of the New Fund Management Service Agreement and the transactions contemplated thereunder as well as the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the relevant resolution to be proposed at the GM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### GM

The GM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) by way of an ordinary resolution.

A notice convening the GM to be held at 10:00 a.m. on Tuesday, 31 December 2024 at Conference Room 901, Building 2, West 10th Winter Olympic Square, Liaocang Road, Shougang Park, No. 68 Shijingshan Road, Shijingshan District, Beijing, China 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 meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the meeting (i.e., at or before 10:00 a.m. on Saturday, 28 December 2024) or any adjournment 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 meeting or any adjourned meeting (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.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Shougang Group, through its indirect subsidiaries China Gate Investments Limited, Lyre Terrace Management Limited and Jingxi Holdings Limited, holds 1,817,411,917 Shares, representing approximately 24.94% of the total number of Shares in issue. The above Shareholders will abstain from voting at the GM in respect of the resolution to approve the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps). As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed herein, no other Shareholders will be required to abstain from voting in respect of the relevant resolution.

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders in respect of the New Fund Management Service Agreement; and (ii) the letter of advice from the Independent Financial Adviser set out on pages 17 to 30 of this circular which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders in respect of the New Fund Management Service Agreement.

The Directors (including the members of the Independent Board Committee whose view is set out in the letter from the Independent Board Committee, but excluding the Directors who have abstained from voting on the relevant Board resolutions) consider that the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the GM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of  
**Shoucheng Holdings Limited**  
**Zhao Tianyang**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the terms of the New Fund Management Service Agreement.*



首程控股有限公司  
SHOUCHENG HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 697)

9 December 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO  
FUND MANAGEMENT SERVICE AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 9 December 2024 (the “**Circular**”), to which this letter forms a part. Unless the context requires otherwise, capitalized 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 New Fund Management Service Agreement and the transactions 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 New Fund Management Service Agreement and the transactions contemplated thereunder as set out on pages 17 to 30 of the Circular and the letter from the Board set out on pages 4 to 14 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 New Fund Management Service Agreement and the transactions contemplated thereunder are fair and reasonable, are entered into on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the New Fund Management Service Agreement and the transactions contemplated thereunder to be proposed at the GM.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Dr. Wang Xin**  
**Mr. Choi Fan Keung Vic**  
**Mr. Deng Yougao**  
**Ms. Zhang Quanling**  
**Ms. Zhuge Wenjing**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a 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 incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the New Fund Management Service Agreement and the transactions contemplated thereunder (including the proposed annual caps).*



9 December 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FUND MANAGEMENT SERVICE AGREEMENT**

#### **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 terms of the New Fund Management Service Agreement and the transactions contemplated thereunder together with the proposed annual caps (the “**Annual Caps**”), 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 9 December 2024 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As the Existing Fund Management Service Agreement will expire on 31 December 2024, on 22 November 2024, the Company entered into the New Fund Management Service Agreement with Shougang Fund, the terms of which are substantially the same as the Existing Fund Management Service Agreement except for the duration and proposed annual caps as set out below, to continue the continuing connected transactions thereunder. Subject to the fulfilment of the condition precedent, the terms of the New Fund Management Service Agreement shall commence on 1 January 2025 and continue up to and including 31 December 2027.

As at the Latest Practicable Date, Shougang Group is a substantial shareholder of the Company. As Shougang Fund is a wholly-owned subsidiary of Shougang Group, i.e. an associate of Shougang Group, Shougang Fund is a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the New Fund Management Service Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee has been formed pursuant to the requirements of the Listing Rules to advise the Independent Shareholders as to whether (i) the terms of the New Fund Management Service Agreement and the transactions contemplated thereunder (including the Annual Caps) 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; and (ii) the entering into of the New Fund Management Service Agreement are in the ordinary and usual course of business of the Group based on normal commercial terms or better, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution to be proposed at the GM. 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.

### OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Company and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we consider that we are eligible to give independent advice in respect of the New Fund Management Service Agreement and the transactions contemplated thereunder.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Management 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 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 thereof and may be relied upon. We have also assumed that all such statements of belief, opinions and intentions of the Management 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 and/or the advisers of the Group. We have also sought and received confirmation from the Management 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 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, and any of their respective subsidiaries and associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in respect of the New Fund Management Service Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons.

#### **1. Background of the Company and the parties to the New Fund Management Service Agreement**

##### ***The Company***

The Company is incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in infrastructure asset management.

##### ***Shougang Fund and Shougang Group***

Shougang Fund is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Shougang Group. It is principally engaged in investment activities with its own funds and equity investment, investment management and asset management activities with private equity funds.

Shougang Group is a state-owned enterprise established in the PRC and a substantial Shareholder. It is ultimately owned by the State-owned Assets Supervision and Administration Commission of Beijing Municipal People's Government. It is principally engaged in a wide variety of businesses such as steel industry, mining, machinery and equipment development, electronics, building, real estate, and related services, etc.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Despite the increase in total revenue of the Group, the Group's net profit decreased from approximately HK\$345.6 million for the six months ended 30 June 2023 to approximately HK\$244.0 million for the six months ended 30 June 2024, mainly attributable to (i) the decrease in dividend income; and (ii) the decrease in gain on change in fair value of investment properties.

Total assets of the Group increased from approximately HK\$13,522.5 million as at 31 December 2023 to approximately HK\$14,352.1 million as at 30 June 2024, mainly due to (i) the increase in non-current investments of approximately HK\$1,172.0 million; (ii) the increase in right-of-use assets of approximately HK\$444.9 million; and (iii) the increase in bank balances and cash of approximately HK\$444.3 million, which was partially offset by (i) the decrease in current investments of approximately HK\$1,002.2 million; and (ii) the decrease in time deposits with maturity over three months of approximately HK\$435.6 million.

Total liabilities of the Group increased from approximately HK\$3,481.8 million as at 31 December 2023 to approximately HK\$4,197.2 million as at 30 June 2024, mainly due to (i) the increase in non-current bond payables of approximately HK\$530.6 million; (ii) the increase in non-current lease liabilities of approximately HK\$365.0 million; and (iii) the increase in dividend payables of approximately HK\$160.6 million.

### ***For the years ended/as at 31 December 2022 and 2023***

As illustrated in the table above, total revenue of the Group decreased from approximately HK\$1,599.8 million for the year ended 31 December 2022 to approximately HK\$883.5 million for the year ended 31 December 2023. As disclosed in the 2023 Annual Report, such decrease was mainly due to the significant price fluctuations in the secondary market of Real Estate Investment Trusts (“REITs”), which resulted in unrealised loss from the decline in REITs measured at fair value through profit or loss. The unrealised loss is not cash in nature and did not have any impact on the cash flows nor the normal business operation of the Group. The net profit decreased from HK\$914.3 million for the year ended 31 December 2022 to approximately HK\$459.5 million for the year ended 31 December 2023, which was in line with the decrease in revenue.

Total assets of the Group decreased from approximately HK\$13,656.2 million as at 31 December 2022 to approximately HK\$13,522.5 million as at 31 December 2023, mainly due to (i) the decrease in bank balances and cash of approximately HK\$1,311.1 million; (ii) the decrease in the current investments of approximately HK\$322.0 million; and (iii) the decrease in the right-of-use assets of approximately HK\$228.4 million, which was partially offset by the increase in time deposits with maturity over three months of approximately HK\$1,600.7 million.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Total liabilities of the Group decreased from approximately HK\$3,632.1 million as at 31 December 2022 to approximately HK\$3,481.8 million as at 31 December 2023, mainly due to the decrease in current borrowings of approximately HK\$424.7 million, which was partially offset by the increase in non-current bond payable of approximately HK\$183.8 million.

### **2. Reasons for and benefits of entering into the New Fund Management Service Agreement**

As disclosed in the Letter from the Board, the Group is committed to becoming a sustainable infrastructure asset transformer and service provider by offering leading infrastructure asset management services. Among these, private fund management services form the core foundation of the Company's asset operations and FIME (which refers to fundraising, investment, management and exit) business and play a crucial role in the Group's "Asset Circulation + Strong Operations" business model. The fund management services under the New Fund Management Service Agreement are aligned with the Group's business strategy. While continuing to generate revenue for the Group, the private fund management services also help uncover more potential business opportunities in asset circulation and operations, based on the foundation of asset management.

We have reviewed the 2023 Annual Report and noted that the Group will deploy key asset categories such as parking assets, long-term rental apartment (guarantee housing) and commercial assets with stable cash returns over the long term and high potential in the PRC, to make a gain through long-term transformation and enhancement of asset value. Meanwhile, the Group will further collaborate with insurance funds and government guided funds of long maturity in the market that are optimistic about the public offering REITs market and to establish long-term funds focusing on investing in public offering REITs, investing in high-quality infrastructure assets, and aiming in obtaining long-term stable returns.

We have discussed with the Management and were given to understand that the asset management market in China is competitive, and for a fund to be successful, one greatest challenge will be attracting investor capital. From the existing cooperation, the participation of Shougang Fund and/or its associates in the funds managed by the Company and/or its subsidiaries has provided confidence to other investors, assisting the Group in raising more capital from external investors for the funds it manages. The entering into of the New Fund Management Service Agreement will help reduce the time spent on negotiations and transaction costs involved in the ongoing transactions between the contracting parties, thereby promoting a long-term and stable cooperative relationship between the Company and the relevant funds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the Management, looking ahead, as the Company gradually expands its assets under management in fund management services and accumulates more management experience, the Company will actively develop external channels, promote market-oriented fundraising, and attract a higher proportion of external social capital. The cooperation in fund management services will bring continuous revenue to the Group during the course of its daily operations, contributing to the maximization of overall returns for the Company and its Shareholders.

Having considered that (i) the fund management business is one of the core businesses of the Group; (ii) the participation of Shougang Fund and/or its associates in the funds managed by the Group will provide confidence to other investors and allow such funds to raise more capital from external investors; and (iii) the cooperation in fund management services will bring stable revenue to the Group, we are of the view that the entering into of the New Fund Management Service Agreement is in the ordinary and usual course of business of the Group, and is in the interest of the Company and the Shareholders as a whole.

### 3. Principal terms of the New Fund Management Service Agreement

#### *Pricing terms*

We have reviewed the Existing Fund Management Service Agreement and the New Fund Management Service Agreement and noted that the pricing terms are the same. Pursuant to the terms of the New Fund Management Service Agreement, the provision of private fund management services shall be priced between either (i) 0.1% and 2% of the capital commitment, paid-in capital contribution, net value or Investment Amount/ Investment Costs of the fund per year (as determined under the individual fund transaction documents) for infrastructure asset management related funds; or (ii) 0.5% and 2% of the capital commitment, paid-in capital contribution, net value or Investment Amount/ Investment Costs of the fund per year (as determined under the individual fund transaction documents) for any other types of funds; which was determined with reference to the prevailing market prices offered by the other private fund management companies for the same or similar scope of service, the cost of providing fund management service, and the maximum fund management fee as approved by the finance authorities in the PRC for certain funds (if applicable).

In the event a fund managed by the Company or its subsidiaries (the “**Participating Fund**”) invests in another fund established under the New Fund Management Service Agreement as investor, the Participating Fund will not be charged management fees in respect of its portion of investment in the latter fund.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The infrastructure asset management related funds managed by the Group adhere to the principle of “long-term investment, value investment”. These funds primarily invest in high-quality infrastructure assets that offer long-term investment value, stable returns, and generate consistent distributable cash flows. Through the Group’s long-term experience in infrastructure financing and operations, coupled with the relatively large size of these funds, the Group is able to achieve economies of scale, which may help lower management fees.

On the contrary, the provision of fund management service to other types of funds requires specialized management and industry-specific strategy for each type of fund to cater for their industry needs. The cost of managing those funds are expected to be higher than managing infrastructure asset management related funds.

The actual percentage of management fee will be determined with reference to (i) the operation cost of providing fund management service to the relevant fund, (ii) the complexity of strategy required by the relevant fund, and (iii) the management fee agreed among parties to the partnerships after arm’s length negotiation. In any event, the fee to be charged by the Group to Shougang Fund and/or its associates will not be more favourable than that charged to independent funds.

The table below sets out the range of historical percentage of management fee and the range of agreed percentage of management fee under the Existing Fund Management Service Agreement:

	<b>Range of historical percentage of management fee</b>	<b>Range of agreed percentage of management fee under the Existing Fund Management Service Agreement</b>
infrastructure asset management related funds	0.1% to 2%	0.1% to 2%
other funds	0.5% to 2%	0.5% to 2%

*Note:* The percentages of management fees set out in the above table are calculated as percentages of the capital commitment, paid-in capital contribution, net value, or Investment Amount/Investment Costs of the fund per year (as the case may be).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the above table, the range of historical percentage of management fee falls within the range of agreed percentage management fee under the Existing Fund Management Service Agreement. In addition, the range of agreed percentage management fee under the New Fund Management Service Agreement is consistent with that under the Existing Fund Management Service Agreement.

In assessing the fairness and reasonableness of the pricing terms of management fees under the New Fund Management Service Agreement, we reviewed all existing partnership agreements (the “**Existing Partnership Agreements**”) involving the participation and capital contributions by both Shougang Fund and/or its associates and the independent third parties, and noted that the management fees charged by the Group for infrastructure asset management funds ranged from 0.1% to 2% and the management fees charged by the Group for other types of funds ranged from 0.5% to 2%, which were consistent with the Group’s pricing terms. Based on the review of the terms of the Existing Partnership Agreements involving the participation and capital contributions by both Shougang Fund and/or its associates and the independent third parties with similar scope of service, we further noted that the management fee charged by the Group to Shougang Fund and/or its associates are no more favourable than those charged to independent third parties.

With regard to the effectiveness of the pricing mechanism under the New Fund Management Service Agreement, having considered that there are stipulated ranges of management fee level for the provision of private fund management services, the Group will be able to capture a higher level of management fee of up to 2%, while setting a reasonable floor for the management fee level.

We noted that the New Fund Management Service Agreement stipulates separate ranges of management fee level for infrastructure asset management related funds and other types of funds. As disclosed in the Letter from the Board, the Group has accumulated experience in managing infrastructure asset management related funds with a bigger scale, allowing the Group to achieve economies of scale and potentially a lower management fee percentage. On the other hand, the provision of fund management service to other types of funds requires specialized management and industry-specific strategy for each type of fund to cater for their industry needs. Accordingly, the cost of managing other types of funds are relatively higher than infrastructure asset management related funds. As such, the lower end of the price range for other types of funds is higher than infrastructure asset management related funds. To this end and as discussed above, we noted that the management fees charged by the Group for its existing infrastructure asset management related funds ranged from 0.1% to 2% and the management fees charged by the Group for its existing other types of funds ranged from 0.5% to 2%. Therefore, it is justifiable to stipulate separate ranges for infrastructure asset management related funds and other types of funds under the New Fund Management Service Agreement to accommodate the possibly lower level of management fee for infrastructure asset management related funds.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the foregoing, we are of the view that the pricing terms of the New Fund Management Service Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

### ***Term***

Subject to the fulfilment of the condition precedent, the term of the New Fund Management Service Agreement is from 1 January 2025 to 31 December 2027.

### ***Condition Precedent***

The obligations of the parties to the New Fund Management Service Agreement shall be conditional upon the relevant requirements under the Listing Rules having been satisfied, including approval of the Independent Shareholders at the GM on the New Fund Management Service Agreement and the transactions contemplated thereunder (including the Annual Caps).

If the above condition precedent is not fulfilled on or before 31 May 2025, or such other later date as may be agreed between the parties, the New Fund Management Service Agreement will be automatically terminated. In such case, the obligations of the parties shall be discharged and neither of the parties shall be liable for breach of the New Fund Management Service Agreement.

## **4. The Annual Caps**

### ***Historical transaction amounts***

The historical transaction amounts and annual caps for the four years ended 31 December 2023 and the six months ended 30 June 2024 relating to the transactions under the Existing Fund Management Service Agreement are set out below:

	For the year ended 31 December 2020 <i>in RMB million</i>	For the year ended 31 December 2021 <i>in RMB million</i>	For the year ended 31 December 2022 <i>in RMB million</i>	For the year ended 31 December 2023 <i>in RMB million</i>	For the six months ended 30 June 2024 <i>in RMB million</i>
Historical transaction amount	186.7	141.2	152.2	164.1	88.2
Annual cap	358.0	551.0	701.0	851.0	924.0
Utilisation rate <sup>(Note)</sup>	52.2%	25.6%	21.7%	19.3%	9.6%

*Note:* The utilisation rate is calculated as the historical transaction amount for the respective year/period divided by the existing annual caps for the respective year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As disclosed in the Letter from the Board, the low utilisation of the annual caps under the Existing Fund Management Service Agreement was primarily attributable to various factors, such as changes in the external economic environment, fluctuations in the industries underlying the planned investments and slow progress of business negotiations with potential external investors. Meanwhile, since 2019, the Group has actively explored external fundraising channels, resulting in a more diversified and enriched investor base for its managed funds. These factors resulted in delays in fundraising and the establishment of funds that were originally planned to be established between 2020 and 2024.

### ***Assessment of the Annual Caps***

The transaction amounts under the New Fund Management Service Agreement during the term of the agreement will not exceed the following Annual Caps:

	For the year ending 31 December		
	2025	2026	2027
	<i>in RMB million</i>	<i>in RMB million</i>	<i>in RMB million</i>
Annual Caps	214.0	155.0	110.0

In order to assess the fairness and reasonableness of the Annual Caps, we have obtained and reviewed the estimation of the Annual Caps prepared by the Company, and discussed with the Management regarding the basis and assumptions underlying the estimation of the Annual Caps. During our review of the calculation of the Annual Caps (the “**Schedule**”), we noted that the Annual Caps are determined based on (i) the estimated management fees to be received by the Group pursuant to the Existing Partnership Agreements subsisting during the three years ending 31 December 2027; and (ii) the expected reduction in the connected transactions during the three years ending 31 December 2027.

In respect of the estimated management fees to be received by the Group pursuant to the Existing Partnership Agreements subsisting during the three years ending 31 December 2027, which are included in the determination of the Annual Caps, we have reviewed the terms of such Existing Partnership Agreements, including their respective level of management fees, their respective term, and their respective amount of capital contribution, and checked to the calculation of the Annual Caps.

We noted that the management fees under the Existing Fund Management Service Agreement amounted to approximately RMB186.7 million, RMB141.2 million, RMB152.2 million and RMB164.1 million for the four years ended 31 December 2023, representing approximately 87.2%, 66.0%, 71.1%, 76.7% of the Annual Cap of approximately RMB214.0 million for the year ending 31 December 2025, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We further noted that the annualised amount of the management fees under the Existing Fund Management Service Agreement for the year ending 31 December 2024 (which is calculated based on the actual management fee received by the Group of approximately RMB88.2 million for the six months ended 30 June 2024) of approximately RMB176.4 million represents approximately 82.4%, 113.8% and 160.4% of the Annual Caps of approximately RMB214.0 million, RMB155.0 million and RMB110.0 million for the three years ending 31 December 2027, respectively.

Based on our review of the Schedule as well as the Existing Partnership Agreements and the discussion with the Management, we were given to understand that notwithstanding that eight out of the 22 existing funds, of which five are infrastructure asset management related funds, and three are other types of funds, and the fund size of each of these funds ranges from RMB300 million to RMB4,500 million, are currently in their investment periods and thus the size of capital contributions or investments of such funds are expected to increase during the term of the New Fund Management Service Agreement, 14 out of the 22 existing funds, of which five are infrastructure asset management related funds, while the rest are other types of funds, and the fund size of each of these funds ranges from RMB100 million to RMB10,000 million, will gradually enter the exit period or liquidate pursuant to their terms under relevant Existing Partnership Agreements over the next three years, which results in overall expected decrease in the Annual Caps.

In light of the above, we are of the view that the Annual Caps and the major factors considered as the bases of determining the Annual Caps 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.

However, the Shareholders should note that as the Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent any forecasts or estimations of the Group's financial performance. Consequently, we express no opinion as to how closely the actual future transaction amounts of the continuing connected transactions will correspond with the Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INTERNAL CONTROL MEASURES

As disclosed in the Letter from the Board, the internal control measures on determining the management fee to be charged for the provision of fund management service under the New Fund Management Service Agreement are as follows:

Prior to entering into the individual partnership agreements with Shougang Fund and/or its associates, the business operation department of the Company must (i) consider the prevailing market prices offered by at least three other private fund management companies for the same or similar scope of service, (ii) be satisfied that the fee to be charged to Shougang Fund and/or its associates under the individual partnership agreements will not be more favourable than such prevailing market prices, and (iii) be satisfied that the actual percentage of management fee is determined in accordance with the pricing terms set out in the New Fund Management Service Agreement.

In most circumstances, individual partnership agreements entered into with Shougang Fund and/or its associates also involve independent funds. In such cases, the fees charged by the Group to Shougang Fund and/or its associates are equivalent to those charged to independent funds. Where individual partnership agreements do not involve independent funds, the Company must consider the fees charged to independent funds under other individual partnership agreements of the Group that involve independent funds. In any event, the fee charged by the Group to Shougang Fund and/or its associates will not be more favourable than that charged to independent funds.

As disclosed in the Letter from the Board, the internal control measures on monitoring the Annual Caps are as follows:

The Company's finance department regularly monitors the aggregate amount of continuing connected transactions carried out under the New Fund Management Service Agreement. In the event that the fees incurred and to be incurred for such services are expected to reach the proposed caps, the Company's finance department will follow up immediately by reporting and providing a response to the Company's management. If there is a need to revise the proposed annual caps, details will be reported to the Board and a Board meeting will be convened to consider the relevant matters to ensure compliance with the requirements of the Listing Rules.

The independent non-executive Directors and auditor of the Company shall conduct an annual review of the continuing connected transactions entered into by the Group in the previous financial year and provide annual confirmation as required under the Listing Rules to ensure that the continuing connected transactions were conducted in accordance with the terms of the New Fund Management Service Agreement and other relevant terms of agreements governing such transactions and on normal commercial terms, and are fair and reasonable and in compliance with the pricing policy and the proposed annual caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the annual reports of the Company for the four years ended 31 December 2023 and noted that the independent non-executive Directors and auditor of the Company have confirmed that the continuing connected transactions under the Existing Fund Management Service Agreement have been entered into on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

In view of (i) the Company's finance department regularly monitors the aggregate amount of continuing connected transactions carried out under the New Fund Management Service Agreement; and (ii) the continuing connected transactions under the New Fund Management Service Agreement are subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures have been and will be in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the New Fund Management Service Agreement has been entered into in the ordinary and usual course of the Group's business based on normal commercial terms, and the terms thereof together with the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and 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(s) to approve the New Fund Management Service Agreement and the transactions contemplated thereunder (including the Annual Caps) at the GM.

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 20 years of experience in the accounting and investment banking industries.*

\* *for identification purpose only*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the 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:

#### *Long positions in the Shares and underlying Shares of the Company*

Name of Director	Capacity in which interests were held		Number of Shares and underlying Shares held (Note 1)	Approximate % of the total number of Shares in issue as at the Latest Practicable Date
Zhao Tianyang	Beneficial owner	Shares:	600,000	0.0082%
		Share options:	2,380,000	0.0327%
Xu Liang	Beneficial owner	Shares:	900,000	0.0124%
		Share options:	1,700,000	0.0233%
Liu Jingwei	Beneficial owner	Shares:	4,293,200	0.0589%
Wang Xin	Beneficial owner	Shares:	290,000	0.0040%
	Interest of spouse	Shares:	200,000	0.0027%

#### *Notes:*

- Each share option entitles the holder thereof to purchase 1 Share pursuant to the terms of the Share Incentive Plan of the Company which was granted on 5 November 2021.
- As at the Latest Practicable Date, the total number of issued Shares was 7,286,015,440.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or 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 interest 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 (other than a Director or chief executive of the Company) 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:

Name of shareholder	Capacity in which interests were held	Number of Shares held	Approximate % of the total number of Shares in issue as at the Latest Practicable Date (approximately)	Notes
Shougang Group	Interests of controlled corporations	1,817,411,917	24.9438%	1, 7
ORIX Corporation	Interests of controlled corporations	1,044,081,679	14.3299%	2, 7
Cheng Yu Tung Family (Holdings II) Limited	Interests of controlled corporations	835,485,105	11.4670%	3, 7
Cheng Yu Tung Family (Holdings) Limited	Interests of controlled corporations	835,485,105	11.4670%	3, 7
Rocket Parade Limited	Beneficial owner	535,485,105	7.3495%	3, 7
Beijing State-owned Capital Operation and Management Company Limited* (北京國有資本運營管理有限公司)	Interests of controlled corporations	728,035,520	9.9922%	4, 7
Sunshine Insurance Group Company Limited	Interests of controlled corporations	586,944,246	8.0558%	5, 7

Name of shareholder	Capacity in which interests were held	Number of Shares held	Approximate % of the total number of Shares in issue as at the Latest Practicable Date (approximately)	Notes
HOPU Investments Co. III Ltd	Interests of controlled corporations	507,072,891	6.9595%	6, 7
HOPU USD Master Fund III, L.P	Interests of controlled corporations	507,072,891	6.9595%	6, 7

## Notes:

1. Shougang Group is interested in all the Shares held by its indirect subsidiaries, namely, China Gate Investments Limited (holding 899,050,068 Shares), Lyre Terrace Management Limited (holding 46,000 Shares) and Jingxi Holdings Limited (holding 918,315,849 Shares).
2. 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 (renamed Chow Tai Fook Life 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 (renamed Chow Tai Fook Life 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 73.19% by Century Acquisition Limited. Century Acquisition Limited is a wholly-owned subsidiary of 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. Beijing State-owned Capital Operation and Management Company Limited\* (北京國有資本運營管理有限公司) is interested in 728,035,520 Shares held by its indirect wholly-owned subsidiary Beijing State-owned Capital Operation and Management Investment and Operation Limited.
5. Sunshine Insurance Group Company Limited is interested in 334,142,000 Shares and 252,802,246 Shares held by its wholly-owned subsidiary Sunshine Property and Casualty Insurance Company Limited and 99.99%-owned subsidiary Sunshine Life Insurance Corporation Limited, respectively.

6. HOPU Investments Co. III Ltd (“**HOPU Investments**”) is interested in 507,072,891 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.
7. As at the Latest Practicable Date, the total number of issued Shares was 7,286,015,440.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by 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' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

- (a) Mr. Zhao Tianyang is a deputy general manager of Shougang Group, a director of Shougang Holding, and the vice chairman and general manager of Shougang Fund;
- (b) Mr. Xu Liang is the managing director of Shougang Holding;
- (c) Mr. Wu Lishun is the party secretary (黨委書記) and the chairman of Beijing State-owned Capital Operation and Management Company Limited\* (北京國有資本運營管理有限公司);
- (d) Mr. Li Hao is the executive officer (responsible for Greater China Group) and general manager of Greater China Group at ORIX Corporation and the director and president of each of ORIX (China) Investment Company Limited and ORIX Asia Capital Limited, both of which are wholly-owned subsidiaries of ORIX Corporation, and the director and the chief executive officer of ORIX China Industrial Holdings Limited, which is an affiliate of ORIX Corporation;
- (e) Mr. Peng Jihai is an executive director, co-chief executive officer and deputy general manager, chief financial officer, head of investment and chief investment officer of Sunshine Insurance Group Company Limited;
- (f) Mr. Ho Gilbert Chi Hang is the executive director and co-chief executive officer of NWS Holdings Limited and is a co-chief executive officer of Chow Tai Fook Enterprises; and
- (g) Mr. Liu Jingwei is an external director of Shougang Group.

#### 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which would not expire or would not be determinable by the employer within one year without payment of compensation (other than statutory compensation).

#### 5. 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 were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were 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 <sup>#</sup>	Fund management	Vice Chairman and General Manager
Wu Lishun	Beijing State-owned Capital Operation and Management Company Limited* (北京國有資本運營管理有限公司) <sup>#</sup>	Fund management	Party Secretary and Chairman
Peng Jihai	Sunshine Asset Management Corporation Limited <sup>#</sup>	Asset management	Director and General Manager
Ho Gilbert Chi Hang	Urban Parking Limited <sup>#</sup>	Car park management	Director

<sup>#</sup> Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Hong Kong Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group as if each of them was treated as a controlling Shareholder of the Company under Rule 8.10 of the Hong Kong Listing Rules.

**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 2023 (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. 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 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**9. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given its advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have 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 2023, being the date to which the latest published audited consolidated financial statements of the Group was made up; and was not 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.

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which they respectively appear. The letter from Lego Corporate Finance Limited is given as of the date of this circular for incorporation in this circular.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The share registrar of the Company is Tricor Tengis Limited located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The company secretary of the Company is Ms. Chan Weng Mui, who is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the respective websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.shouchengholdings.com/>) for a period of 14 days from the date of this circular:

- (a) the New Fund Management Service Agreement;
- (b) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 30 of this circular;
- (c) the written consent of the Independent Financial Adviser referred to in the paragraph headed “Experts’ Qualifications and Consents” in this appendix.

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## NOTICE OF GM

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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)

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a general meeting of Shoucheng Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on Tuesday, 31 December 2024 at Conference Room 901, Building 2, West 10th Winter Olympic Square, Liaocang Road, Shougang Park, No. 68 Shijingshan Road, Shijingshan District, Beijing, China for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the private fund management service agreement dated 22 November 2024 (the “**New Fund Management Service Agreement**”) entered into between the Company and Beijing Shougang Fund Co., Ltd.\* (北京首鋼基金有限公司) (“**Shougang Fund**”), pursuant to which the Company and/or its subsidiaries will provide private fund management services to Shougang Fund and/or its associates (a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the proposed annual cap amounts for each of the three financial years ending 31 December 2027 in relation to the transactions contemplated under the New Fund Management Service Agreement as set out in the circular of the Company dated 9 December 2024 be and are hereby approved; and

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## NOTICE OF GM

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- (c) any one director of the Company (“**Director**”), or any two Directors or two other persons authorized by the board of Directors if the affixation of the common seal is necessary, be and is/are hereby authorised to do all such further acts and things and to sign and execute all such documents (and to affix the common seal of the Company thereon, if necessary) and to take all such steps which in his/her opinion may be necessary, appropriate, desirable or expedient to implement and/or give effect to the New Fund Management Service Agreement and the transactions contemplated thereunder and, subject to and in accordance with the applicable laws and regulations, to approve and make such immaterial variation, amendment, supplement or waiver of immaterial matters relating thereto in the interests of the Company and its shareholders as a whole.”

By order of the Board  
**Shoucheng Holdings Limited**  
**Zhao Tianyang**  
*Chairman*

Hong Kong, 9 December 2024

*Notes:*

1. Any shareholder entitled to attend and vote at the meeting 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 shareholder of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the meeting (i.e., at or before 10:00 a.m. on Saturday, 28 December 2024) or any adjournment thereof (as the case may be).
4. The register of members of the Company will be closed from Tuesday, 24 December 2024 to Tuesday, 31 December 2024 (both days inclusive) to determine the entitlement to attend and vote at the meeting. 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 meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 23 December 2024 for registration.
5. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting 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.
6. 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 meeting, 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.