



首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

**GROUP REORGANIZATION
INVOLVING ISSUE OF CONVERTIBLE NOTE,
ASSET ACQUISITION AND ASSET DISPOSAL**

DISCLOSEABLE, MAJOR AND CONNECTED TRANSACTIONS

SUMMARY

The Board intends to put forward a conditional group reorganization which, in summary, involves the following steps:

1. Issue of the Convertible Note

On 10 April 2002, the Issuer and the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Issuer will issue and the Subscriber will subscribe the Convertible Note with a principal amount of HK\$200 million to repay part of the Existing Shareholder's Loans. The principal terms of the Convertible Note are summarized in the paragraph headed "Principal terms of the Convertible Note" below.

2. Asset Acquisition

On 10 April 2002, Shougang Corp and SCPPHL entered into the Asset Acquisition Agreement, pursuant to which, Shougang Corp has agreed to sell and SCPPHL has agreed to purchase a 51% interest in BSFPCL for a consideration of about HK\$198.2 million which is to be satisfied in cash as to about HK\$116.6 million by internal financial resources of the Group and as to about HK\$81.6 million by the cash proceeds from the Asset Disposal upon completion.

3. Asset Disposal

3.1 On 10 April 2002, pursuant to the Asset Disposal Agreements entered into between certain wholly-owned subsidiaries of the Company of one part and Shougang Corp and a wholly-owned subsidiary of Shougang HK of the other part, the Company will dispose of part of its current 65% interest in each of Shougang Pohseng, Shougang Liwoh and Shougang Gitane to Shougang Corp and Shougang HK in the proportion of 40% and 10% at an aggregate consideration of about HK\$102 million as to about HK\$81.6 million which will be payable by Shougang Corp in cash and as to about HK\$20.4 million which will be applied to repay part of the Existing Shareholder's Loans respectively. Upon completion of the Asset Disposal, the Company will retain a 15% interest in each of Shougang Pohseng, Shougang Liwoh and Shougang Gitane.

Upon completion of the Group Reorganization, the outstanding balance of the Existing Shareholder's Loans will be about HK\$64.7 million.

3.2 On 11 April 2002, the Shougang Grand Shares Agreement has been entered into between the Company of one part and the First Purchaser and the Second Purchaser of the other part pursuant to which, the Company has agreed to sell and the First Purchaser has agreed to acquire 430,491,315 Shougang Grand Shares (representing about 52.00% of Shougang Grand) and the Second Purchaser has agreed to acquire 91,491,193 Shougang Grand Shares (representing about 11.05% of Shougang Grand) respectively at a price of HK\$0.33 per Shougang Grand Share. Including Cheung Kong and its Associates' current holding of about 5.02% interest in Shougang Grand, Cheung Kong and its Associates will have an interest of about 16.07% in Shougang Grand upon completion of the Shougang Grand Shares Agreement and the Company will have no interest in Shougang Grand.

On 21 March 2002, a confirmation has been received from the Executive that Shougang HK and Cheung Kong and their respective parties acting in concert (as defined in the Takeovers Code) are not obliged to make a general offer for Shougang Grand Shares (other than those owned or to be acquired by the First Purchaser and the Second Purchaser and their respective parties acting in concert) as a result of completion of the Shougang Grand Shares Agreement pursuant to Note 6 to Rule 26.1 of the Takeovers Code.

GENERAL

In view of the interests of Shougang Corp, Shougang HK and Cheung Kong in the Group Reorganization, the Asset Disposal constitutes a major and connected transaction, the Asset Acquisition constitutes a discloseable and connected transaction and the Ongoing Connected Transactions will constitute ongoing connected transactions of the Company pursuant to the Listing Rules. The Asset Disposal and the Asset Acquisition are inter-conditional. The Group Reorganization is subject to, among other things, the approvals by the Independent Shareholders at the EGM. Shougang HK and Cheung Kong and their respective Associates will abstain from voting at the EGM in relation to the Group Reorganization.

A circular, containing further information of the Group Reorganization and the notice to convene the EGM, will be dispatched to the Shareholders as soon as practicable.

TRADING

At the request of the boards of directors of the Company and Shougang Grand, trading in the shares of the Company and Shougang Grand on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 April 2002. Applications have been made by the Company and Shougang Grand to the Stock Exchange to resume trading with effect from 9:30 a.m. on 15 April 2002.

A. GROUP REORGANIZATION

The Board intends to put forward a conditional group reorganization pursuant to various agreements and/or arrangements entered into with relevant parties. Details of which are set out below:

1. Issue of the Convertible Note

On 10 April 2002, the Issuer and the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Issuer will issue and the Subscriber will subscribe the Convertible Note to repay part of the Existing Shareholder's Loans. Upon completion of the Group Reorganization, the outstanding balance of such loan will be about HK\$64.7 million.

1.1 The Subscription Agreement

Date: 10 April 2002

Parties

Issuer: Sino Fortune Investments Limited, a wholly-owned subsidiary of the Company

Subscriber: China Gate Investments Limited, a wholly-owned subsidiary of Shougang HK

Guarantor: the Company

Subscription: 3.0% HK\$200 million Convertible Note due 2004

1.2 Principal terms of the Convertible Note:

The principal terms of the Convertible Note were determined after arm's length negotiation between the relevant parties and are summarized as follows:

Principal amount

HK\$200,000,000

Interest

The Noteholder will be entitled from the date of issue of the Convertible Note to receive interest at the rate of 3.0% per annum on the principal amount outstanding, which will be payable half-yearly in arrears (on 30 June and 31 December of each year).

Maturity

The second anniversary from the date of issue of the Convertible Note.

Conversion Period

The period starting from the first day following the expiry of three months after the issue of the Convertible Note until the Maturity Date.

Conversion Rights

The Noteholder will have the right at any time during the Conversion Period to convert in whole or in part the Convertible Note into new Shares at the Conversion Price (subject to adjustments). Conversion Shares to be allotted and issued by the Company upon the exercise of the Conversion Rights in respect of the Convertible Note will rank pari passu in all respects with the Shares in issue as at the date of conversion. There is no minimum amount of conversion for the Noteholder.

Conversion Price

The Convertible Note is convertible into Shares at the option of the Noteholder at any time during the Conversion Period at the initial Conversion Price of HK\$0.35 and is subject to adjustments in the event of, among others, consolidation, sub-division or re-classification, capitalization of profits or reserves, capital distribution, rights issue and other dilutive event.

Conversion Shares

Based on the initial conversion price of HK\$0.35 per new Share, 571,428,571 new Shares will fall to be issued upon full conversion of the conversion rights attached to the Convertible Note, representing about 24.89% of the existing issued Shares and about 19.93% of the issued Shares as enlarged by the issue of such new Shares.

The Conversion Price were determined after arm's length negotiation between the relevant parties and represents a discount of about 2.8% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on 10 April 2002 (being the last day on which the Shares were traded prior to the suspension of trading in the Shares on 11 April 2002) and a premium of about 10.4% over the average closing price of HK\$0.317 per Share over the 45 trading days up to and including 10 April 2002. It also represents a discount of about 1.96% to the average closing price of HK\$0.357 per Share for the 5 trading days up to and including 10 April 2002.

Final redemption and repayment

On the Maturity Date, the Issuer shall pay to the Noteholder at par of the principal amount of the Convertible Note outstanding and the unpaid interest due other than on the interest payment date.

Redemption and repayment

The Issuer shall be entitled by written notice to the Noteholder given at any time and from time to time prior to the Maturity Date to redeem the whole amount, but not part, of the Convertible Note if either the Issuer or the Company is required to do so under the applicable law. The amount payable on redemption in each of such cases shall be an amount equal to the total of the outstanding amount of the principal plus any unpaid interest due other than on the interest payment date.

Voting

The holder of the Convertible Note shall not be entitled to attend or vote at any meeting of the Issuer or the Company by reason only of it being the Noteholder.

Transferability

The Convertible Note may only be assigned or transferred to Shougang HK or any wholly-owned subsidiary of Shougang HK. Save as provided for in the Subscription Agreement, no assignment or transfer of part of the Convertible Note may be made. The Company will notify Stock Exchange any transfer in the Convertible Note from time to time immediately upon the Company becoming aware of it.

Guarantee

The Company shall guarantee the performance of the obligations of the Issuer, including the warranties, representations, undertakings and agreements in the Subscription Agreement. The Company unconditionally and irrevocably undertakes with the Subscriber that it shall guarantee the due and punctual payment of all sums payable by the Issuer to the Subscriber under the Convertible Note, including but not limited to the principal and interest on the Convertible Note.

1.3 Conditions:

The issue of the Convertible Note will be conditional upon:

- i. the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, all the Conversion Shares; and
- ii. an ordinary resolution being passed by the Independent Shareholders at the EGM to approve the Subscription.

1.4 Expected completion date:

It is expected that completion of the Subscription Agreement will take place on the third business day after the conditions have become unconditional.

1.5 Changes in the share capital of the Company

Upon exercise of the conversion rights attached to the Convertible Note, the shareholding structure of the Company will be as follows:

Shareholder	Before conversion of the Convertible Note		Upon conversion of the Convertible Note in full	
	No. of Shares	%	No. of Shares*	%*
Shougang HK and its Associates	900,821,925	39.24%	1,472,250,496	51.35%
Cheung Kong and its Associates	255,401,955	11.13%	255,401,955	8.91%
Public	1,139,322,574	49.63%	1,139,322,574	39.74%
Total issued share capital	2,295,546,454	100.00%	2,866,975,025	100.00%

* based on the initial Conversion Price

2. The Asset Acquisition

Date: 10 April 2002

Parties

Purchaser: SCPPHL

Vendor: Shougang Corp

Assets to be acquired: a 51% interest in BSFPCL

Transaction:

Pursuant to the Asset Acquisition Agreement, Shougang Corp has agreed to sell and SCPPHL has agreed to purchase a 51% interest in BSFPCL.

Consideration:

The consideration of the Asset Acquisition is about HK\$198.2 million which was arrived at after arm's length negotiation between the relevant parties and is based on a price-to-earnings ratio of about 5.9 times of the guaranteed net profit before tax of BSPPC of RMB70 million for the year ended 31 December 2001 (as if the restructuring had been effective on 1 January 2000). Such consideration will be financed partly by the cash proceeds from the Asset Disposal of about HK\$81.6 million and the balance by internal financial resources of the Group.

Profit guarantee

Pursuant to the terms and conditions of the Asset Acquisition Agreement, in the event that the audited net profit before tax of BSFPCL (prepared in accordance with HK GAAP) for each of the two financial years ending 31 December 2002 falls short of RMB70 million, Shougang Corp will pay an amount equal to the shortfall to BSFPCL in cash within one month after the issuance of the relevant audited accounts on a dollar to dollar basis.

Dividend payout

Pursuant to the terms and conditions of the Asset Acquisition Agreement, 30% of the audited net profit after tax of BSFPCL (commencing from the date of its incorporation) for the year ending 31 December 2002 will be declared in the form of dividend in proportion to the equity interest of Shougang Corp (being 49%) and SCPPHL (being 51%) in BSFPCL.

Conditions:

The Asset Acquisition Agreement is subject to the following conditions being fulfilled:

- i. an ordinary resolution being passed by the Independent Shareholders at the EGM to approve the Group Reorganization;
- ii. all necessary consents and approvals (if applicable) from the relevant PRC authorities required for the Asset Acquisition having been obtained; and
- iii. the delivery of a legal opinion in such form, to the satisfaction of the Company, to be issued by the PRC legal advisor of the Company with respect to the Asset Acquisition and the necessary documents including, but not limited to, obtaining the necessary business licence, capital verification report, foreign investment enterprise approval certificates.

Expected completion date:

It is expected that completion of the Asset Acquisition will take place within three months from the date on which the Group Reorganization becomes unconditional.

Information of BSPPC and BSFPCL

BSPPC has principally engaged in power generation and electricity dispatch businesses in the PRC since November 1997. Pursuant to the restructuring in preparation for the Asset Acquisition, the electricity dispatch business together with its related assets and liabilities has been transferred out from BSPPC to a newly established enterprise owned by Shougang Corp, leaving the power generation business together with the relating assets and liabilities to BSPPC. Upon completion of the Asset Acquisition, BSPPC will be transformed to become a Sino-foreign equity joint venture and will be renamed to BSFPCL and owned as to 51% by SCPPHL and as to 49% by Shougang Corp.

According to the pro forma audited financial information of BSPPC (as if the restructuring had been effective on 1 January 2000) for the financial year ended 31 December 2000, the audited pro forma net asset value of BSPPC as at 31 December 2000 was about RMB96.0 million (equivalent to about HK\$90.6 million), the audited pro forma net profit before tax was about RMB68.3 million (equivalent to about HK\$64.4 million) and the audited pro forma net profit after tax was about RMB45.8 million (equivalent to about HK\$43.2 million). No audited financial information of BSPPC for the financial year ended 31 December 1999 is available.

Statement of unaudited pro forma net asset value of BSFPCL

Upon the transformation of BSPPC into a Sino-foreign equity joint venture and to be reorganized as BSFPCL, the development cost of the land occupied by BSFPCL of about RMB84.0 million (equivalent to about HK\$79.2 million) will be contributed by Shougang Corp as part of the registered capital of BSFPCL.

Set out below is a statement of unaudited pro forma net asset value of BSFPCL based on the audited pro forma net asset value of BSPPC as at 31 December 2000 and adjusted as follows:

	RMB million
The audited pro forma net asset value of BSPPC as at 31 December 2000	96.0
<i>Add:</i>	
Gross revaluation surplus of certain fixed assets of BSPPC according to a valuation report prepared by an independent professional valuer as at 30 April 2001 (<i>Note 1</i>)	81.2
Capitalization of the land development cost (as at 30 April 2001) as part of the registered capital of BSFPCL to be contributed by Shougang Corp upon transformation of BSPPC into a Sino-foreign equity joint venture (<i>Note 2</i>)	84.0
Unaudited adjusted pro forma net profit after tax of BSPPC for the year ended 31 December 2001 (<i>Notes 1 and 2</i>)	70.1
<i>Less:</i>	
Full distribution of the unaudited adjusted pro forma net profit after tax of BSPPC for the year ended 31 December 2001 (<i>Note 3</i>)	(70.1)
Unaudited pro forma net asset value of BSFPCL as at 31 December 2001	<u>261.2</u>

Note 1: Certain fixed assets at 30 April 2001 were revalued by Beijing Development Appraisal Company, independent professional valuers, at depreciated replacement cost and existing use basis; and a gross revaluation surplus of about RMB81.2 million was resulted from the revaluation. These fixed assets will be contributed by Shougang Corp as part of the registered capital of BSFPCL. Had the contribution of these fixed assets as registered capital been effective on 1 January 2001, depreciation charge of about RMB2.4 million should be recognized in respect of these fixed assets for the year ended 31 December 2001, and such depreciation charge of RMB2.4 million has already been accounted for in the unaudited adjusted pro forma net profit after tax of BSPPC for the year ended 31 December 2001.

Note 2: Upon the transformation of BSPPC to a Sino-foreign joint venture enterprise, the land development costs of the land occupied by BSFPCL of about RMB84 million (based on a valuation as at 30 April 2001 performed by Beijing Development Appraisal Company, independent professional valuers, at depreciated replacement cost and existing use basis) will be contributed by Shougang Corp as part of the registered capital of BSFPCL. Had the contribution of land development cost as registered capital been effective on 1 January 2001, depreciation charge of about RMB4.2 million should be recognized in respect of the land development cost for the year ended 31 December 2001 based on the lease term of 20 years, and such depreciation charge of RMB4.2 million has already been accounted for in the unaudited adjusted pro forma net profit after tax of BSPPC for the year ended 31 December 2001.

Note 3: The power generation business's profit for the year ended 31 December 2001 will be fully distributed to the vendor.

3. The Asset Disposal

Pursuant to the following sale and purchase agreements entered into between various parties on 10 April 2002, the assets to be disposed of by the Company are set out below:

3.1 The Pohseng Sale and Purchase Agreement

Date: 10 April 2002

Parties

Vendor: Poh Seng Int'l

First purchasing party: Shougang Corp

Second purchasing party: Forich

Transaction:

Pursuant to the Pohseng Sale and Purchase Agreement, Poh Seng Int'l has agreed to sell and Shougang Corp and Forich have agreed to purchase a 40% and 10% interest in the registered share capital of Shougang Pohseng respectively for an aggregate consideration of about HK\$6.9 million, of which about HK\$5.5 million will be payable in cash by Shougang Corp and about HK\$1.4 million will be applied to repay part of the Existing Shareholder's Loans upon completion of the Pohseng Disposal respectively. Immediately after completion of the Pohseng Disposal, the Company will have a remaining indirect interest of 15% in the registered share capital of Shougang Pohseng.

Consideration:

The aggregate consideration of the Pohseng Disposal of about HK\$6.9 million was arrived at after arm's length negotiation between the relevant parties and determined by reference to the net asset value of Shougang Pohseng included in the audited consolidated financial statements of the Company as at 31 December 2000.

Information about Shougang Pohseng

Shougang Pohseng is a Sino-foreign equity joint venture principally engaged in the production and sale of steel strip in the PRC. The net asset value of Shougang Pohseng included in the audited consolidated financial statements of the Company as at 31 December 2000 was about HK\$13.9 million. The net loss of Shougang Pohseng for each of the two financial years ended 31 December 1999 and 2000 included in the audited consolidated financial statements of the Company was about HK\$89.9 million and about HK\$70.8 million respectively.

3.2 The Liwoh Sale and Purchase Agreement

Date: 10 April 2002

Parties

Vendor: Li Woh Int'l

First purchasing party: Shougang Corp

Second purchasing party: Forich

Transaction:

Pursuant to the Liwoh Sale and Purchase Agreement, Li Woh Int'l has agreed to sell and Shougang Corp and Forich have agreed to purchase a 40% and 10% interest in the registered share capital of Shougang Liwoh respectively for an aggregate consideration of about HK\$63.6 million, of which about HK\$50.9 million will be payable in cash by Shougang Corp and about HK\$12.7 million will be applied to repay part of the Existing Shareholder's Loans upon completion of the Liwoh Disposal respectively. Immediately after completion of the Liwoh Disposal, the Company will have a remaining indirect interest of 15% in the registered share capital of Shougang Liwoh.

Consideration:

The aggregate consideration of the Liwoh Disposal of about HK\$63.6 million was arrived at after arm's length negotiation between the relevant parties and determined by reference to the net asset value of Shougang Liwoh included in the audited consolidated financial statements of the Company as at 31 December 2000.

Information about Shougang Liwoh

Shougang Liwoh is a Sino-foreign equity joint venture principally engaged in the production and sale of steel bar in the PRC. The net asset value of Shougang Liwoh included in the audited consolidated financial statements of the Company as at 31 December 2000 was about HK\$127.2 million. The net loss of Shougang Liwoh for each of the two financial years ended 31 December 1999 and 2000 included in the audited consolidated financial statements of the Company was about HK\$12.6 million and about HK\$7.0 million respectively.

3.3 The Gitane Sale and Purchase Agreement

Date: 10 April 2002

Parties

Vendor: Gitane Enterprises

First purchasing party: Shougang Corp

Second purchasing party: Forich

Transaction:

Pursuant to the Gitane Sale and Purchase Agreement, Gitane Enterprises has agreed to sell and Shougang Corp and Forich have agreed to purchase a 40% and 10% interest in the registered share capital of Shougang Gitane respectively for an aggregate consideration of about HK\$31.4 million, of which about HK\$25.1 million will be payable in cash by Shougang Corp and about HK\$6.3 million will be applied to repay part of the Existing Shareholder's Loans upon completion of the Gitane Disposal respectively. Immediately after completion of the Gitane Disposal, the Company will have a remaining indirect interest of 15% in the registered share capital of Shougang Gitane.

Consideration:

The aggregate consideration of the Gitane Disposal of about HK\$31.4 million was arrived at after arm's length negotiation between the relevant parties and determined by reference to the net asset value of Shougang Gitane included in the audited consolidated financial statements of the Company as at 31 December 2000.

Information about Shougang Gitane

Shougang Gitane is a Sino-foreign equity joint venture principally engaged in the manufacture and sale of steel wire products in the PRC. The net asset value of Shougang Gitane included in the audited consolidated financial statements of the Company as at 31 December 2000 was about HK\$62.8 million. The net loss of Shougang Gitane for each of the two financial years ended 31 December 1999 and 2000 included in the audited consolidated financial statements of the Company was about HK\$24.8 million and about HK\$39.2 million respectively.

Conditions

Each of the Pohseng Sale and Purchase Agreement, the Liwoh Sale and Purchase Agreement and the Gitane Sale and Purchase Agreement is subject to the following conditions being fulfilled:

- i. an ordinary resolution being passed at the EGM by the Independent Shareholders to approve the Group Reorganization; and
- ii. all necessary consents and approvals (if applicable) from the relevant PRC authorities required for the relevant Asset Disposal having been obtained.

Expected completion date of the Asset Disposal

It is expected that the completion of the Asset Disposal will take place within three months from the date on which the Group Reorganization becomes unconditional.

3.4 Shougang Grand Shares Agreement

Date: 11 April 2002

Vendor: the Company

First Purchaser: Wheeling Holdings Limited, a wholly-owned subsidiary of Shougang HK

Second Purchaser: Max Same Investment Limited, a wholly-owned subsidiary of Cheung Kong

Transaction:

Pursuant to the Shougang Grand Shares Agreement, the Company has agreed to sell or procure its wholly-owned subsidiaries to sell and the First Purchaser has agreed to acquire 430,491,315 Shougang Grand Shares (representing about 52.00% of Shougang Grand) and the Second Purchaser has agreed to acquire 91,491,193 Shougang Grand Shares (representing about 11.05% of Shougang Grand) at a price of HK\$0.33 per Shougang Grand Share. Including Cheung Kong and its Associates' current holding of about 5.02% interest in Shougang Grand, Cheung Kong and its Associates will have an interest of about 16.07% in Shougang Grand upon completion of the Shougang Grand Shares Agreement. There is no change in control of Shougang Grand due to completion of this agreement.

On 21 March 2002, a confirmation has been received from the Executive that Shougang HK and Cheung Kong and their respective parties acting in concert (as defined in the Takeovers Code) are not obliged to make a general offer for Shougang Grand Shares (other than those owned or to be acquired by Shougang HK and Cheung Kong and their respective parties acting in concert) as a result of completion of the Shougang Grand Shares Agreement pursuant to Note 6 to Rule 26.1 of the Takeovers Code.

Consideration:

The aggregate consideration of the Shougang Grand Shares Agreement, amounting to about HK\$172.3 million, was arrived at after arm's length negotiation between the relevant parties. About HK\$142.1 million and HK\$30.2 million of the consideration will be payable by the First Purchaser and the Second Purchaser in cash respectively. The price was determined with reference to the average closing price of HK\$0.31 per Shougang Grand Share over the 60 trading days up to and including 10 April 2002 (being the last trading day prior to the suspension of trading of Shougang Grand Shares on 11 April 2002). This acquisition price also represents a discount of about 4.35% to the closing price of HK\$0.345 per Shougang Grand Share as quoted on the Stock Exchange on 10 April 2002 (being the last day on which the Shougang Grand Shares were traded prior to the suspension of trading in the Shougang Grand Shares) and a discount of about 5.98% over the average closing price of HK\$0.351 per Shougang Grand Share over the 10 trading days up to and including 10 April 2002.

Conditions:

The Shougang Grand Shares Agreement is subject to, among other things, the approval of Independent Shareholders at the EGM and the Group Reorganization becoming unconditional.

Expected completion date:

It is expected that completion of the Shougang Grand Shares Agreement will take place within three months from the date on which the Group Reorganization becomes unconditional.

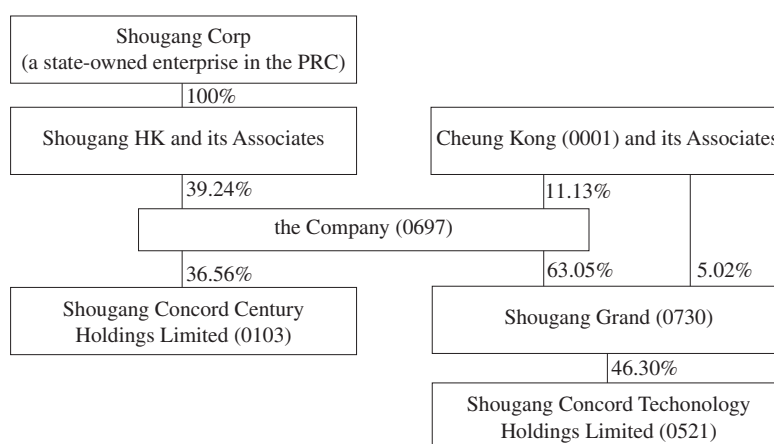
Information of Shougang Grand

Shougang Grand is an investment holding company and is owned as to about 63.05% by the Company as at the date hereof. Upon completion of the Shougang Grand Shares Agreement, it will be owned as to about 52.00% by the First Purchaser and as to about 16.07% by the Second Purchaser as set out in the shareholding chart of Shougang Grand below.

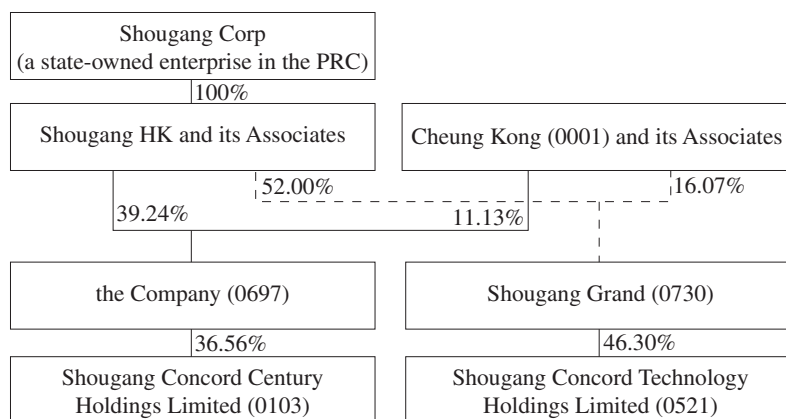
Shougang Grand and its subsidiaries are principally engaged in the property investment, development and management in the PRC. Shougang Grand had an audited consolidated net asset value of about HK\$708.4 million as at 31 December 2000. The audited consolidated net profits before tax of Shougang Grand for the two financial years ended 31 December 2000 were about HK\$24.9 million and HK\$7.3 million respectively. The audited consolidated net profits attributable to shareholders for the same period were about HK\$18.2 million and HK\$4.4 million respectively.

The change in the shareholding structure

Prior to completion of the Shougang Grand Shares Agreement



Upon completion of the Shougang Grand Shares Agreement



Use of proceeds

The net proceeds of about HK\$55.6 million from the Group Reorganization will be used as general working capital of the Group.

B. THE ONGOING CONNECTED TRANSACTIONS

Upon completion of the Asset Acquisition, BSFPCL will be owned as to 51% indirectly by the Company and 49% by Shougang Corp. The positions of Shougang Corp or its Associates as the sole manager of the electricity dispatch business counterpart with BSFPCL and as a major supplier of various materials and services to BSFPCL means that, of commercial necessity, BSFPCL will enter into a number of agreements and/or arrangements (in relation to the sales of electricity, steam and hot water, the purchases of water and recycled water, chemicals, coal, coal gas and nitrogen and spare parts, the construction of fixed assets, the repair and maintenance service, the management service and the leasing arrangement) with Shougang Corp or its Associates. Such agreements and/or arrangements will constitute ongoing connected transactions for the Company under the Listing Rules.

The Ongoing Connected Transactions will be entered into in the ordinary and usual course of business of BSFPCL. They will also be conducted on normal commercial terms to be determined after arm's length negotiation between the relevant parties. The Board considers that it will facilitate the smooth operations of BSFPCL by engaging in the Ongoing Connected Transactions because of the reliable services provided by Shougang Corp or its Associates.

The Company will make an application to the Stock Exchange for the Ongoing Connected Transaction Waiver as soon as practicable.

It is envisaged that the Ongoing Connected Transactions, among other things, will be subject to the following conditions being fulfilled:

- i. completion of the Asset Acquisition having been taken place;
- ii. an ordinary resolution being passed at the EGM by the Independent Shareholders to approve the Ongoing Connected Transactions; and
- iii. the Ongoing Connected Transaction Waiver having been granted by the Stock Exchange to the Company.

A further announcement in connection with the details of these Ongoing Connected Transactions and the conditions to which the Ongoing Connected Transaction Waiver will be made by the Company in due course.

C. REASONS FOR THE GROUP REORGANIZATION

The Company is an investment holding company. The Company and its subsidiaries and associated companies are principally engaged in the manufacture and sale of steel products, manufacture and sale of electrical and electronic products and telecommunications products, transportation and shipping, and property development and investment, and manufacture and sale of metallic products.

As stated in the annual report of the Company for the financial year ended 31 December 2000, the Board will consider new restructuring programs, reassess the non-performing investments of the Group so as to improve the performance of the Group and deploy funds for new investments, and consider to invest jointly with Shougang Corp in new investments to exploit its competitive advantage in the PRC.

Since 2000, the Group has been planning to invest in new investments such that it would strengthen its investment and operation and improve the financial performance of the Group. The Board envisages that the Group Reorganization is in line with the Group's stated objectives and could complement its existing businesses and broaden its earnings bases.

The Board believes that the Group Reorganization is an integral element to streamline the corporate structure of the Group and the terms and conditions of which are determined after arm's length negotiations between relevant parties. The Board, including the independent non-executive Directors, believes that such terms and conditions are fair and reasonable and are in the interests of the Group and the shareholders of the Company as a whole.

D. EXTRAORDINARY GENERAL MEETING

In view of the interests of Shougang Corp, Shougang HK and Cheung Kong in the Group Reorganization, the Asset Disposal constitutes a major and connected transaction, the Asset Acquisition constitutes a discloseable and connected transaction and the Ongoing Connected Transactions will constitute ongoing connected transactions of the Company pursuant to the Listing Rules. The Group Reorganization is subject to, among other things, the approvals by the Independent Shareholders at the EGM to be convened as soon as practicable. Shougang HK and Cheung Kong and their respective Associates will abstain from voting at the EGM in these regards.

E. GENERAL

A circular containing, among other things, further information of the Group Reorganization, the Ongoing Connected Transaction Waiver, the letter from the independent financial advisor containing its advice to the Independent Board Committee in relation to the Group Reorganization, the recommendation of the Independent Board Committee, and a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

F. TRADING

At the request of the boards of directors of the Company and Shougang Grand, trading in the shares of the Company and Shougang Grand on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 April 2002. Applications have been made by the Company and Shougang Grand to the Stock Exchange to resume trading with effect from 9:30 a.m. on 15 April 2002.

G. DEFINITIONS

"Asset Acquisition"	the proposed acquisition of a 51% interest in BSFPCL pursuant to the terms and conditions of the Asset Acquisition Agreement
"Asset Acquisition Agreement"	the conditional acquisition agreement entered into between SCPPHL and Shougang Corp in connection with the acquisition of a 51% interest in BSFPCL (to be transformed and renamed from BSPPC) by SCPPHL
"Asset Disposal"	the Pohseng Disposal, the Liwoh Disposal, the Gitane Disposal and the disposal of the Shougang Grand Shares pursuant to the Shougang Grand Shares Agreement
"Asset Disposal Agreements"	the Pohseng Sale and Purchase Agreement, the Liwoh Sale and Purchase Agreement and the Gitane Sale and Purchase Agreement
"Associate"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Director(s)

“BSFPCL”	Beijing Shougang Firstlevel Power Co., Ltd., a Sino-foreign equity joint venture to be owned as to 51% by SCPPHL and 49% by Shougang Corp and to be established pursuant to the terms and conditions of the Asset Acquisition Agreement
“BSPPC”	Beijing Shougang Power Plant Corporation, a state-owned enterprise established in Beijing, the PRC, on 28 November 1997, which is wholly owned by Shougang Corp as at the date of this announcement and to be reorganized as BSFPCL pursuant to the terms and conditions of the Asset Acquisition Agreement
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Convertible Note”	the 3.0% convertible note due 2004 in the principal amount of HK\$200 million to be issued by the Issuer pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened as soon as practicable to consider and approve, if considered fit, the Group Reorganization and the Ongoing Connected Transactions including any adjourned meeting thereof
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Existing Shareholder’s Loans”	loans with a total outstanding amount of about HK\$285.1 million as at the date hereof due by the Company to a wholly-owned subsidiary of Shougang HK
“First Purchaser”	Wheeling Holdings Limited, a company incorporated in Samoa with limited liability and is a wholly-owned subsidiary of Shougang HK
“Forich”	Forich Investments Limited, a company registered in Samoa with limited liability and is a wholly-owned subsidiary of Shougang HK
“Gitane Disposal”	the proposed disposal of a 40% and 10% interest in the registered share capital of Shougang Gitane by Gitane Enterprises to Shougang Corp and Forich respectively
“Gitane Enterprises”	Gitane Enterprises Limited, a company registered in Samoa with limited liability and is an indirect wholly-owned subsidiary of the Company
“Gitane Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 10 April 2002 entered into between Gitane Enterprises, Shougang Corp and Forich in relation to the disposal of an aggregate of a 50% interest in the registered share capital of Shougang Gitane by Gitane Enterprises
“Group Reorganization”	the Subscription, the Asset Acquisition and the Asset Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK GAAP”	Generally Accepted Accounting Principles of Hong Kong
“Independent Board Committee”	an independent committee of the board of directors to be appointed by the Directors to advise the Independent Shareholders in respect of the Group Reorganization and the Ongoing Connected Transactions

“Independent Shareholders”	the shareholders of the Company other than Shougang HK and its Associates and/or Cheung Kong and its Associates
“Issuer”	Sino Fortune Investments Limited, a company incorporated in Samoa with limited liability and is a wholly-owned subsidiary of the Company
“Li Woh Int’l”	Li Woh International Limited, a company registered in Samoa with limited liability and is an indirect wholly-owned subsidiary of the Company
“Listing Committee”	Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liwoh Disposal”	the proposed disposal of a 40% and 10% interest in the registered share capital of Shougang Liwoh by Li Woh Int’l to Shougang Corp and Forich respectively
“Liwoh Sale and Purchase Agreement”	a conditional sale and purchase agreement dated 10 April 2002 entered into between Li Woh Int’l, Shougang Corp and Forich in relation to the disposal of an aggregate of a 50% interest in the registered share capital of Shougang Liwoh by Li Woh Int’l
“Maturity Date”	the maturity date of the Convertible Note, being the second anniversary of the date of issue of the Convertible Note
“Noteholder(s)”	holder(s) of the Convertible Note
“Ongoing Connected Transaction Waiver”	a waiver from strict compliance with the requirements of Chapter 14 of the Listing Rules in respect of the Ongoing Connected Transactions subject to the approval by the Independent Shareholders for a period of three financial years ending 31 December 2004 under various conditions stated herein
“Ongoing Connected Transactions”	various possible agreements and/or arrangements to be entered into between BSFPCL and Shougang Corp or its Associates in relation to the sales of electricity, steam and hot water, the purchases of water and recycled water, chemicals, coal, coal gas and nitrogen and spare parts, construction of fixed assets, repair and maintenance service, management service and the leasing arrangement
“Poh Seng Int’l”	Poh Seng International Limited, a company registered in Samoa with limited liability and is an indirect wholly-owned subsidiary of the Company
“Pohseng Disposal”	the proposed disposal of a 40% and 10% interest in the registered share capital of Shougang Pohseng by Poh Seng Int’l to Shougang Corp and Forich respectively
“Pohseng Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 10 April 2002 entered into between Poh Seng Int’l, Shougang Corp and Forich in relation to the disposal of an aggregate of a 50% interest in the registered share capital of Shougang Pohseng by Poh Seng Int’l
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SCPPHL”	Shougang Concord Power Plant Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Second Purchaser”	Max Same Investment Limited, a wholly-owned subsidiary of Cheung Kong

“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of nominal value of HK\$0.20 each in the capital of the Company
“Shougang Corp”	Shougang Corporation, a state-owned enterprise in the PRC and the holding company of Shougang HK
“Shougang Gitane”	Beijing Shougang-Gitane Alloy Materials Co., Ltd., a Sino-foreign equity joint venture owned as to 35% by Shougang Corp and as to 65% by Gitane Enterprises as at the date hereof
“Shougang Grand Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of Shougang Grand
“Shougang Grand Shares Agreement”	the conditional agreement made on 11 April 2002 between the Company of one part and the First Purchaser and the Second Purchaser of the other pursuant to which, the Company has agreed to sell and the First Purchaser and Second Purchaser have agreed to acquire an about 63.05% interest in Shougang Grand (as to 430,491,315 Shougang Grand Shares, representing about 52.00% by the First Purchaser and as to 91,491,193 Shougang Grand Shares, representing about 11.05% by Second Purchaser) at a price of HK\$0.33 per Shougang Grand Share
“Shougang Grand”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange and is a 63.05% owned subsidiary of the Company as at the date hereof
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shougang Corp and the single largest shareholder of the Company
“Shougang Liwoh”	Beijing Shougang-Liwoh Bar Steel Co., Ltd., a Sino-foreign equity joint venture owned as at to 35% by Shougang Corp and 65% by Li Woh Int’l as at the date hereof
“Shougang Pohseng”	Beijing Shougang-Pohseng Strip Steel Co., Ltd., a Sino-foreign equity joint venture owned as to 35% by Shougang Corp and as to 65% by Poh Seng Int’l as at the date hereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Gate Investments Limited, a company incorporated in Samoa with limited liability and is a wholly-owned subsidiary of Shougang HK
“Subscription Agreement”	the conditional subscription agreement dated 10 April 2002 entered into between the Issuer, the Company and the Subscriber in connection with the subscription of the Convertible Note
“Subscription”	the issue and subscription of the Convertible Note
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“US\$”

United States dollars, the lawful currency of the United States of America

By order of the Board

Shougang Concord International Enterprises Company Limited

Cao Zhong

Managing Director

Hong Kong, 12 April 2002

Unless otherwise stated, the translation of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB1.06 and the translation of Hong Kong dollars into United States dollars is based on the exchange rate of US\$1.00 = HK\$7.80

Please also refer to the published version of this announcement in the Hong Kong iMail.