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首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(the “Company”)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that each of Pohseng and Qinhuangdao intends to enter into the Transactions with Shougang Corporation.

Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial shareholder of the Company. Accordingly, the Transactions will constitute connected transactions of the Company. In view of the expected frequency of the Transactions, it will be impracticable to make disclosures and/or obtain prior shareholders’ approvals for entering into the Transactions. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements set out in Rule 14.26 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Parties

“Pohseng”	Beijing Shougang Pohseng Strip Steel Company Limited, a Sino-foreign joint venture established in the PRC and owned as to 65% by the Company and 35% by Shougang Corporation
“Qinhuangdao”	Qinhuangdao Shougang Plate Mill Company Limited, a Sino-foreign joint venture established in the PRC and owned as to 51% by the Company, 39% by Shougang Holding, 8% by Shougang Corporation and 2% by an independent third party
“Shougang Corporation”	Shougang Corporation, a PRC state-owned enterprises and the holding company of Shougang Holding, and/or its associates
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a wholly-owned subsidiary of Shougang Corporation and holds approximately 39% interests in the Company

Pohseng and Qinhuangdao are principally engaged in the production and sale of steel products. Shougang Corporation is one of the largest steel producers in the PRC. The proposed transactions will be entered into between Shougang Corporation and each of Pohseng and Qinhuangdao, each a subsidiary of the Company, and will constitute connected transactions of the Company under the Listing Rules.

The transactions

Pohseng and Qinhuangdao intend to purchase from Shougang Corporation raw materials (principally steel billets, iron ingots and steel slabs), spare parts, energy, services (principally repair and maintenance services) in relation to the production of steel products and other related products (the “Purchases”) and Shougang Corporation intends to purchase from Pohseng and Qinhuangdao steel products (principally wire products, steel bars, steel plates), scrap materials (principally scrap metals), services (principally processing services) and other related products (the “Sales”, together with the Purchases the “Transactions”). On 7 July, 1999, the independent shareholders of the Company approved transactions similar to the Transactions previously carried out by Pohseng and Qinhuangdao and the Stock Exchange granted a waiver in respect of such transactions from strict compliance with the requirements set out in Chapter 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the three financial years ended 31 December, 2001.

Reasons of the transactions

The board of directors of the Company (the “Board”) considers that the Transactions are of the type that are entered into in the ordinary and usual course of business of Pohseng and Qinhuangdao and on a frequent but irregular basis. It also considers the business relationships between Shougang Corporation and each of Pohseng and Qinhuangdao in the past are in the interests of its shareholders. For the three financial years ending 31 December, 2004, each of Pohseng and Qinhuangdao intends to enter into the Transactions with Shougang Corporation.

The waiver application

Shougang Corporation is the holding company of Shougang Holding which holds approximately 39% interests in the Company. Under the Listing Rules, for so long as Shougang Corporation is the holding company of Shougang Holding, Shougang Holding is a substantial shareholder of the Company and each of Pohseng and Qinhuangdao is a subsidiary of the Company, the Transactions would constitute “connected transactions” of the Company and would require disclosure by way of press notice, circular to shareholders and/or prior approval by independent shareholders on each occasion as they are entered into. In view of the expected frequency of the Transactions, the Board considers that it will be impracticable to make disclosures and/or obtain prior shareholders’ approvals for entering into the Transactions on each occasion when they arise. The Company has submitted an application to the Stock Exchange for a waiver from strict compliance with the requirements set out in Rule 14.26 of the Listing Rules in respect of the Transactions subject to the following conditions:

- (a) the Transactions shall be:
 - (i) entered into in the ordinary and usual course of business of the relevant members of the Group;

- (ii) conducted either (A) on normal commercial terms; or (B) if there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company, taken a whole, are concerned; and
 - (iii) entered into either (A) in accordance with the terms of the agreements governing such Transactions; or (B) if there are no such agreements, on terms that are no less favourable than terms available to or from independent third parties;
- (b)
 - (i) the amount of the Purchases by each of Pohseng and Qinhuangdao for each of the three financial years ending 31 December, 2004 will not exceed 20% and 27% of the turnover of the Group respectively for each immediately preceding financial year;
 - (ii) the amount of the Sales by each of Pohseng and Qinhuangdao for each of the three financial years ending 31 December, 2004 will not exceed 1.5% and 5% of the turnover of the Group respectively for each immediately preceding financial year;
- (c) brief details of the Transactions will be disclosed as required under Rule 14.25(1)(A) to (D) of the Listing Rules in the Company's next and each successive annual report together with a statement of the opinion of the independent non-executive directors of the Company and the auditors of the Company (the "Auditors") referred to in paragraphs (d) and (e) below;
- (d) the independent non-executive directors of the Company shall review annually the Transactions and confirm in the Company's annual report and accounts that such Transactions were conducted in the manner as stated in paragraphs (a) and (b) above;
- (e) each year the Auditors shall review the Transactions and shall provide the Board with a letter (the "Auditors' Letter") (with a copy to the Stock Exchange) in respect of each relevant financial year, during which the Transactions were conducted, stating that:
 - (i) the Transactions have received the approval of the Board;
 - (ii) the Transactions have been entered into in accordance with the terms of the agreements governing such Transactions;
 - (iii) the consideration have not exceeded the annual limit set out in paragraph (b) above; and
 - (iv) the Transactions have been entered into in accordance with the pricing policies of the Company as stated in the Company's financial statements,

and where for whatever reason, the Auditors decline to accept the engagement or are unable to provide the Auditors' Letter, the directors of the Company shall contact the Listing Division of the Stock Exchange immediately; and

- (f) the Company and Shougang Corporation shall provide to the Stock Exchange an undertaking that, for so long as the shares of the Company (the “Shares”) are listed on the Stock Exchange, it will provide the Auditors with full access to its relevant records for the purpose of the Auditors’ review of the Transactions referred to in (e) above.

An independent board committee of directors of the Company will be formed to advise the independent shareholders of the Company and an independent financial advisor will be appointed to advise the independent board committee of the Company in respect of the above connected transactions.

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting (the “EGM”) of the Company will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the continuing connected transactions. Shougang Corporation, Shougang Holding and their associates will abstain from voting on the resolution in respect of the continuing connected transactions. A circular containing, inter alia, further information on the continuing connected transactions, the advice of the independent financial adviser to the independent board committee of the Company in relation to the continuing connected transactions, the recommendation of the independent board committee of the Company to the shareholders of the Company in relation to the continuing connected transactions and the notice of EGM will be despatched to the shareholders of the Company as soon as possible.

By order of the Board
**Shougang Concord International Enterprises
Company Limited**
Cao Zhong
Managing Director

17 April, 2002

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