



首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

DETAILS OF THE ONGOING CONNECTED TRANSACTIONS AND DISPATCH OF CIRCULAR IN RELATION TO GROUP REORGANIZATION INVOLVING ISSUE OF CONVERTIBLE NOTE, ASSET ACQUISITION AND ASSET DISPOSAL AND ONGOING CONNECTED TRANSACTIONS

SUMMARY

It was announced on 12 April 2002 that the Board put forward a conditional group reorganization involving issue of Convertible Note, Asset Acquisition and Asset Disposal and Ongoing Connected Transactions arising from the completion of the Asset Acquisition. Upon completion of the Asset Acquisition, BSFPCL will be owned as to 51% by SCPPHL and 49% by Shougang Corp. By virtue of Shougang Corp's interest in the Asset Acquisition, Shougang Corp is considered a connected person under the Listing Rules. The Ongoing Connection Transactions with Shougang Corp will constitute connected transactions and will be subject to Independent Shareholders' approval and disclosure requirements under Rule 14.26 of the Listing Rules.

It is envisaged that upon completion of the Asset Acquisition, Shougang Corp or its Associates will act as the sole manager of the electricity dispatch business counterpart with BSFPCL and as a major supplier of various materials and services to BSFPCL. Accordingly, it is envisaged that, upon completion of the Asset Acquisition, a number of agreements and/or arrangements will be entered into between BSFPCL and Shougang Corp or its Associates in relation to the Ongoing Connected Transactions.

Application has been made by the Company to the Stock Exchange for a waiver for the three financial years ending 31 December 2004 from strict compliance with the relevant disclosure and approval requirements under the Listing Rules applicable to the Ongoing Connected Transactions on each occasion when they take place as set out below.

DISPATCH OF CIRCULAR

The Circular, containing further details of the Transactions, letters from the Independent Board Committee and from the independent financial adviser to the Independent Board Committee on the Transactions and a notice to the Shareholders convening an EGM to be convened on 3 June 2002 to approve the Transactions and the Ongoing Connected Transaction Waiver and all the transactions as contemplated therein, has been dispatched to Shareholders on 17 May 2002.

12 April 2002 (the "Announcement") and the Circular to Shareholders dated 17 May 2002 (the "Circular"), unless otherwise requires.

THE ONGOING CONNECTED TRANSACTIONS

As mentioned in the Announcement and the Circular, upon completion of the Asset Acquisition, Shougang Corp or its Associates will act as the sole manager of the electricity dispatch business counterpart with BSFPCL and as a major supplier of various materials and services to BSFPCL. Accordingly, it is envisaged that, upon completion of the Asset Acquisition, a number of agreements and/or arrangements will be entered into between BSFPCL and Shougang Corp or its Associates in relation to:

- (a) the sales of electricity, steam and hot water to Shougang Corp by BSFPCL (the "Sales");
- (b) the purchases of water and recycled water, chemical, raw materials, coal, coal gas, nitrogen, spare parts and other related ancillary raw materials, energy and products by BSFPCL from Shougang Corp (the "Purchases");
- (c) the construction of fixed assets of plants, machineries and equipment by Shougang Corp for BSFPCL (the "Construction"); and
- (d) the repair and maintenance service for plants, machineries and equipment and any other related ancillary service provided to BSFPCL by Shougang Corp (the "Services").

(the Sales, the Purchases, the Construction and the Services, together, the "Ongoing Connected Transactions").

Connected Transactions contemplated under the Ongoing Connected Transaction waiver for the two years ended 31 December 2001:

Type of Ongoing Connected Transactions	Amount in RMB/% of the turnover of the Group for the year ended 31 December 2000	Amount in RMB/% of the turnover of the Group for the year ended 31 December 2001
Sales –		
Sale of electricity, steam and hot water	328.4 million/14.0%	343.0 million/16.7%
Purchases –		
Purchases of water and recycled water, chemical, raw materials, coal, coal gas, nitrogen, spare parts and other related ancillary raw materials, energy and products	163.7 million/7.0%	163.2 million/7.9%
Construction –		
Construction of fixed assets of plants, machineries and equipment	24.0 million/1.0%	21.2 million/1.0%
Services –		
Repair and maintenance service for plants, machineries and equipment and any other related ancillary service	18.7 million/0.8%	17.5 million/0.8%

The Ongoing Connected Transactions constitute connected transactions of the Company under Rule 14.26 of the Listing Rules and it is expected that:

- (a) the aggregate amount for the Sales to Shougang Corp by BSFPCL for each of the three financial years ending 31 December 2004 will not exceed 30% of the turnover of the Group for each relevant financial year;
- (b) the aggregate amount for the Purchases by BSFPCL from Shougang Corp for each of the three financial years ending 31 December 2004 will not exceed 15% of the turnover of the Group for each relevant financial year;
- (c) the aggregate amount payable by BSFPCL to Shougang Corp as a result of the Construction for each of the three financial years ending 31 December 2004 will not exceed 3% of the turnover of the Group for each relevant financial year; and
- (d) the aggregate amount payable for the Services provided to BSFPCL by Shougang Corp for each of the three financial years ending 31 December 2004 will not exceed 3% of the turnover of the Group for each relevant financial year.

Shareholders and disclosure requirements applicable to connected transactions under Chapter 14 of the Listing Rules.

APPLICATION FOR ONGOING CONNECTED TRANSACTION WAIVER

The Directors consider that the Ongoing Connected Transactions will be conducted on an arm's length basis, on normal commercial terms, in the usual and ordinary course of the business of the BSFPCL and are fair and reasonable as far as the Shareholders are concerned. The Directors are of the view that the Ongoing Connected Transactions will facilitate the smooth operations of BSFPCL.

As the Ongoing Connected Transactions will be entered into continuously by BSFPCL, it would not be practical for BSFPCL to strictly comply with the disclosure and approval requirements under the Listing Rules applicable to the Ongoing Connected Transactions on each occasion when they take place.

Accordingly, application has been made by the Company for a waiver for the three financial years ending 31 December 2004 from strict compliance with the relevant requirements of the Listing Rules in respect of the Ongoing Connected Transactions which will become connected transactions of the Company upon completion of the Asset Acquisition.

For the purposes of corporate governance, the Company agrees to apply the following procedures in consideration of the Stock Exchange granting a waiver from strict compliance with the disclosure and approval requirements as set out in Chapter 14 of the Listing Rules in respect of the Ongoing Connected Transactions.

The Ongoing Connected Transaction Waiver will be subject to the following conditions:

- (a) the Ongoing Connected Transactions shall be:
 - (i) entered into in the ordinary and usual course of business 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, taken as a whole, are concerned; and
 - (iii) entered into either (A) in accordance with the terms of the agreements governing such Ongoing Connected Transactions; or (B) if there are no such agreements, on terms that are no less favourable than terms available to or from (as the case may be) independent third parties;
- (b) (i) the aggregate amount for the Sales to Shougang Corp by BSFPCL for each of the three financial years ending 31 December 2004 will not exceed 30% of the turnover of the Group for each relevant financial year;

three financial years ending 31 December 2004 will not exceed 15% of the turnover of the Group for each relevant financial year;

- (iii) the aggregate amount payable by BSFPCL to Shougang Corp as a result of the Construction for each of the three financial years ending 31 December 2004 will not exceed 3% of the turnover of the Group for each relevant financial year; and
 - (iv) the aggregate amount payable for the Services provided to BSFPCL by Shougang Corp for each of the three financial years ending 31 December 2004 will not exceed 3% of the turnover of the Group for each relevant financial year;
- (c) details of the Ongoing Connected 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;
 - (d) the independent non-executive Directors shall review annually the Ongoing Connected Transactions and confirm in the Company's annual report and accounts that such Ongoing Connected Transactions were conducted in the manner as stated in paragraphs (a) and (b) above;
 - (e) each year the auditors of the Company shall review the Ongoing Connected Transactions and shall provide the board of Directors with a letter (the "Auditors' Letter") (with a copy to the Stock Exchange) in respect of each relevant financial year, during which the Ongoing Connected Transactions were conducted, stating that:
 - (i) the Ongoing Connected Transactions have been approved by the Board;
 - (ii) the Ongoing Connected Transactions have been entered into in accordance with the terms of the agreements governing such Ongoing Connected Transactions;
 - (iii) the consideration have not exceeded the annual limit set out in paragraph (b) above (the "Cap");
 - (iv) the Ongoing Connected Transactions have been entered into in accordance with the pricing policies 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 shall contact the Listing Division of the Stock Exchange immediately; and

- (f) in the event that the relevant Cap is to be greater than the percentage of the turnover of the Group set out in paragraph (b) above, the Company will have to comply with relevant provisions of the Listing Rules.

Shougang IIR and its Associates will abstain from voting at the EGM in these regards (including the Group Reorganization).

THE VIEWS OF THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by the independent financial adviser and the principal factors and reasons taken into consideration by it in arriving at its advice as set out in the Circular, the Independent Board Committee considers that the procedures for entering into the Ongoing Connected Transactions and their terms are fair and reasonable so far as the Group and its Independent Shareholders are concerned and the Ongoing Connected Transactions and the Ongoing Connected Transaction Waiver are in the interests of the Group and the Shareholders (including the Independent Shareholders) as a whole.

GENERAL

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.

DISPATCH OF CIRCULAR

The Circular, containing further details of the Transactions, the letters from the Independent Board Committee and from the independent financial adviser to the Independent Board Committee on the Transactions and a notice to the Shareholders convening the EGM to be convened on 3 June 2002 to approve the Transactions and the Ongoing Connected Transaction Waiver and all the transactions as contemplated therein, has been dispatched to Shareholders on 17 May 2002.

By Order of the Board

Shougang Concord International Enterprises Company Limited

Cao Zhong

Managing Director

17 May 2002

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