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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 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 under the Listing Rules. In view of the expected frequency of the Transactions, it will be impracticable to make disclosure and/or obtain prior shareholders’ approval on each occasion when the Transactions are entered into. 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 for the three financial years ending 31 December 2005.

A circular containing, amongst other things, a notice convening the EGM and further details relating to the Transactions, the waiver application, the relevant capped amounts and a letter from an independent financial adviser to be appointed to advise the independent board committee on the Transactions will be despatched to the shareholders of the Company as soon as practicable.

## **CONTINUING CONNECTED TRANSACTIONS**

### **Parties**

Qinhuangdao Shougang Plate Mill Company Limited (“**Qinhuangdao**”) is a subsidiary of the Company and is a Sino-foreign joint venture established in the PRC and owned as to 51% by the Company, as to 39% by Shougang Corporation (“**Shougang Corporation**”), 8% by 首鋼賓館開發公司, an associate of Shougang Corporation, and as to 2% by 秦皇島市環保設備廠 (Qinhuangdao Environmental Protection Equipment Factory), an independent third party not connected with the directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates. Qinhuangdao is principally engaged in the production and sale of steel products.

Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”) is a wholly-owned subsidiary of Shougang Corporation and holds an approximately 39% interest in the Company. Shougang Corporation is a PRC state-owned enterprise. Other than its interest in Shougang Holding, Shougang Corporation does not have any shareholding in the Company. Shougang Corporation is one of the largest steel producers in the PRC.

## The Transactions

Qinhuangdao purchases from Shougang Corporation and its associates 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 and its associates purchase from Qinhuangdao steel products (principally steel plates), scrap materials (principally scrap metals), services (principally processing services) and other related products (“**Sales**”, together with the Purchases, the “**Transactions**”). The Transactions have been and will be entered into in the ordinary course of business of the relevant members of the Group on normal commercial terms no less favourable to the Group than the terms available from independent third parties.

On 3 June 2002, the independent shareholders of the Company approved the Transactions for the three financial years ending 31 December 2004 and the Stock Exchange has, on 2 July 2002, granted a waiver in respect of the Transactions from strict compliance with the requirements of disclosure by way of press notice, circular to shareholders and independent shareholders’ approval as stipulated in Rule 14.26 of Chapter 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). That waiver is subject to certain conditions. One of such conditions is that the amount of the Purchases for each of these three financial years will not exceed 27% of the total turnover of the Company and its subsidiaries (the “**Group**”) for each immediately preceding financial year and the amount of the Sales for each of these three financial years will not exceed 5% of the total turnover of the Group for each immediately preceding financial year. A summary of the turnover of the Group and the breakdown in the Sales and the Purchases is set out below:

Year	Turnover of the Group (HK\$)	Sales (HK\$)	% to the turnover of the preceding year	Purchases (HK\$)	% to the turnover of the preceding year
2000	2,211,873,000	59,113,230	2.2%	418,434,605	15.7%
2001	1,942,269,000	75,346,816	3.4%	427,025,390	19.3%
2002	2,000,485,000	91,215,231	4.7%	466,571,355	24.0%
Seven months ended 31 July 2003 <sup>2</sup>	1,312,278,000 <sup>1</sup>	77,573,015 <sup>1</sup>	3.9%	298,036,270 <sup>1</sup>	14.9%

Notes:

1. unaudited figures

2. As at the date of this announcement, the Company’s accounts for 2003 have only been made up to 31 July 2003.

Due to a buoyant steel market in the PRC, it is anticipated that the production of Qinhuangdao will increase considerably. As such, Qinhuangdao expects that the amount for each of the Sales and the Purchases will exceed the capped amounts for the financial year ending 31 December 2003. Qinhuangdao intends to continue the Transactions and has applied to the Stock Exchange for an upward revision of the capped amounts for the year ending 31 December 2003 and to renew the waiver on that basis in respect of the Sales and the Purchases for the three financial years ending 31 December 2005.

### **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 Qinhuangdao and on a frequent and regular basis. The Board also considers that such business relationship between Shougang Corporation and Qinhuangdao is in the interest of its shareholders because it would guarantee a stable supply of raw materials from the biggest steel producer in the PRC as well as regular sales to such company.

### **Principal activities of the Company**

The Company is principally engaged in the business of manufacturing, sale and trading of steel products, manufacturing and installation of kitchen and laundry equipment, shipping and electricity generation.

### **The waiver application**

Shougang Corporation is the holding company of Shougang Holding which holds an approximately 39% interest 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 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 as stipulated under Rule 14.26 of the Listing Rules on each occasion as they are entered into.

The Company has submitted an application to the Stock Exchange for an upward revision of the capped amounts to 40% and 15% in respect of each of the Purchases and the Sales respectively and applies for a new waiver for the three financial years ending 31 December 2005 on the basis of the average growth rate for the Purchases and the Sales for the three preceding years and subject to the following conditions:

- (a) the Transactions will 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 Qinhuangdao for each of the three financial years ending 31 December 2005 will not exceed 40% of the turnover of the Group for the immediately preceding financial year; and
- (ii) the amount of the Sales by Qinhuangdao for each of the three financial years ending 31 December 2005 will not exceed 15% of the turnover of the Group for the immediately preceding financial year;
- (c) the independent non-executive directors of the Company will review annually the Transactions and confirm in the Company's annual report and accounts for each of the financial year during which the Transactions are conducted that such Transactions were conducted in the manner as stated in paragraphs (a) and (b) above;
- (d) each year the auditors of the Company (the "**Auditors**") shall review the Transactions and will 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.

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

- (e) 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 referred to in paragraph (c) above; and
- (f) the Company shall provide to the Stock Exchange an undertaking that, for so long as the shares of the Company ("**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 (d) 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 Transactions and the relevant capped amounts.

## **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, the waiver application and the capped amounts. Shougang Corporation, Shougang Holding and their associates will abstain from voting on the resolution in respect of the continuing connected transactions. A circular containing, amongst others, 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*

26 September, 2003

“Please also refer to the published version of this announcement in The Standard”.