

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**首長國際企業有限公司**

**SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 697)

## **DISCLOSEABLE TRANSACTION**

The Board wishes to announce that on 6 June 2006, MGI, MGM, Sky Choice and the Company have entered into the Share Sale Agreement, pursuant to which Sky Choice has agreed to purchase the Sale Shares, representing approximately 72.6% of the issued share capital of Asia Iron for an aggregate consideration of AUD\$52,500,000 (equivalent to approximately HK\$306,075,000).

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to the Acquisition will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:32 a.m. on 8 June 2006 pending the release of this announcement. An application to the Stock Exchange has been made to resume trading in the Shares from 9:30 a.m. on 9 June 2006.

# **THE SHARE SALE AGREEMENT**

## **Date of the agreement**

6 June 2006

## **Parties to the agreement**

- (1) MGI, an Australian company listed on the Australian Stock Exchange Limited, is principally engaged in investment holding and mining and is one of the Sellers of the Sale Shares;
- (2) MGM, a wholly owned subsidiary of MGI, is an Australian company that is principally engaged in investment holding and is one of the Sellers of the Sale Shares;
- (3) Sky Choice, a wholly-owned subsidiary of the Company, as the purchaser of the Sale Shares; and
- (4) the Company, as the guarantor of Sky Choice's obligations under the Share Sale Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of MGI and MGM and MGI's substantial shareholders are independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates.

## **Assets to be acquired**

Pursuant to the Share Sale Agreement, Sky Choice will acquire 61,200,000 shares and 67,500,000 shares in the issued share capital of Asia Iron held by MGI and MGM, respectively. The Sale Shares represent approximately 72.6% of the issued share capital of Asia Iron. The remaining shares of Asia Iron are held by the Minority Shareholders, who are independent third parties and none of them holds a substantial interest in Asia Iron.

The audited net asset value of Asia Iron as at 31 December 2004 and the unaudited net asset value of Asia Iron as at 31 December 2005 were approximately HK\$57,036,000 and approximately HK\$125,212,000, respectively. The net losses of Asia Iron for the period from the date of incorporation (i.e. 12 January 2004) to 31 December 2004 and the year ended 31 December 2005 were approximately HK\$386,000 and approximately HK\$17,180,000, respectively.

## **Consideration**

The consideration for the Acquisition of the Sale Shares is an aggregate amount of AUD\$52,500,000 (equivalent to approximately HK\$306,075,000), which is determined after arm's length negotiation and takes into consideration the estimated operating cost of AUD\$37 per tonne of magnetite concentrate and the estimated market price for magnetite concentrate of approximately AUD\$43 per tonne for an estimated volume of 240 million tonnes for the biggest iron mines held by Asia Iron. The premium for the consideration over the net asset value of Asia Iron was arrived at having taken into consideration of the economic benefits arising from the Acquisition.

The consideration will be satisfied by the internal resources of the Group and is payable in full at Completion to an interest-bearing escrow account. Interest accrued shall be paid in equal proportions to the Sellers and Sky Choice at the time of release of the consideration. The consideration may only be released to the Sellers upon, amongst other conditions, the obtaining of the Environmental Approval relating to the Extension Hill magnetite project, one of the key projects of Asia Iron. If the Environmental Approval and the other conditions for the release of the consideration are not satisfied by 30 November 2007, Sky Choice may terminate the Share Sale Agreement at its discretion by giving a written termination notice to the Sellers before 31 January 2008. In the event that the Share Sale Agreement is so terminated, the parties shall cause such actions to be taken to reverse the actions taken in connection with the Share Sale Agreement, including the releasing of the consideration to Sky Choice within the shortest practicable amount of time and the transferring of the Sale Shares back to the Sellers for no consideration.

## **Conditions**

Completion of the Acquisition is conditional upon the fulfillment of the following conditions:

- (1) if Sky Choice is required to make a notification of the Acquisition under the Foreign Acquisitions and Takeovers Act 1975 of Australia:
  - (a) Sky Choice has received a written notice from the relevant Australian authority stating that or to the effect that the Commonwealth Government of Australia does not object to the transactions contemplated by the Share Sale Agreement, either unconditionally or on terms that do not impose unduly onerous obligations on Sky Choice; or

- (b) the Treasurer of the Commonwealth of Australia becomes precluded from making an order in relation to the subject matter of the Share Sale Agreement and the transactions contemplated by it under the Foreign Acquisitions and Takeovers Act 1975 of Australia; or
  - (c) the period for making a final order prohibiting the transactions contemplated by the Share Sale Agreement elapses and no final order has been made, if an interim order is made under the Foreign Acquisitions and Takeovers Act 1975 of Australia in respect of the transactions contemplated under the Share Sale Agreement; and
- (2) the Minority Shareholders fail to elect to purchase the Sale Shares and enter into a binding agreement with the Sellers on terms equivalent to the Share Sale Agreement not later than 28 days after the Sale Shares are being offered to the Minority Shareholders.

The Sellers shall offer the Sale Shares to the Minority Shareholders on the day following the date of the Share Sale Agreement. If condition (1) above is not satisfied or waived by 31 August 2006 or such later date as the parties may agree in writing, or condition (2) above is not satisfied or waived within 28 days after the Sale Shares are being offered to the Minority Shareholders, or the parties agree that a condition in (1) and (2) above cannot be satisfied, a party may terminate the Share Sale Agreement at any time before Completion by giving 2 Business Days' notice to the others.

### **Completion**

Completion will take place on the 10th Business Day after the satisfaction or waiver of the conditions of the Share Sale Agreement.

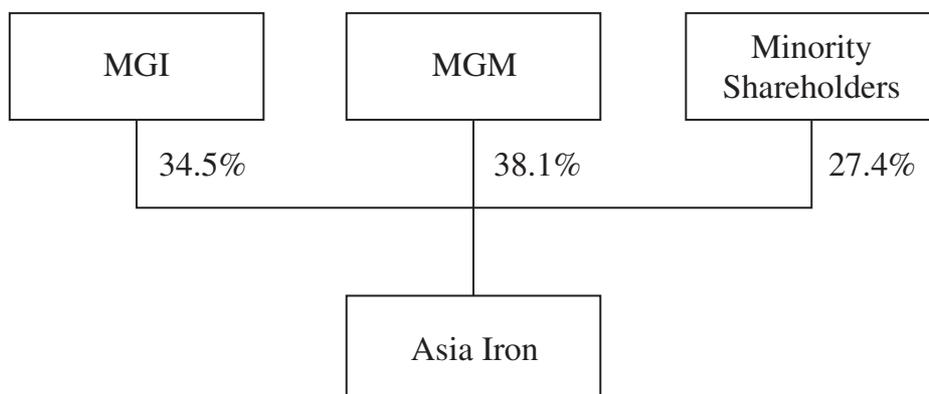
### **Loan**

From Completion until the earlier of the release date of the consideration and the termination of the Share Sale Agreement, Sky Choice will provide funding up to a maximum of HK\$30,000,000 as working capital to Asia Iron or its subsidiaries. The advances will be in the form of an unsecured loan on normal commercial terms and will bear interest of not higher than 7% per annum. Such loan is repayable upon the earlier of the release date of the consideration and termination of the Share Sale Agreement.

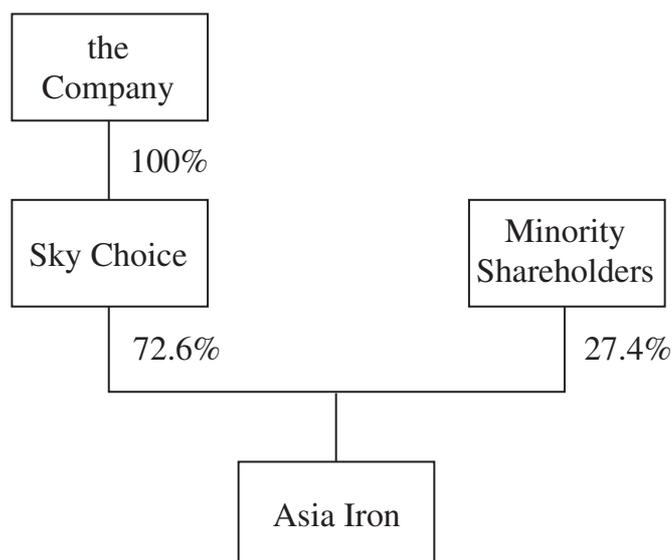
## Shareholding Structure

The shareholding structures of Asia Iron before and after Completion are as follows:

### *Before Completion*



### *After Completion*



## Asia Iron

Asia Iron is a company incorporated in Hong Kong and as at the date of this announcement is, through its subsidiaries, interested in a series of mining tenements in Mount Gibson, Extension Hill, Koolanooka and other parts of Western Australia. These tenements give Asia Iron's subsidiaries rights to explore and mine iron ore, which would produce magnetite concentrate for the production of steel. The tenements are subject to tenement conditions and statutory approvals which allow mining operations as long as the tenements remain in good standing.

## **Board of Directors of Asia Iron**

The board of Asia Iron currently comprises nine directors. At completion, the five directors appointed by the Sellers to the board of Asia Iron shall resign and Sky Choice will appoint five directors to the board of Asia Iron. Asia Iron will be accounted for as a subsidiary of the Company.

## **Reason for the transaction**

The Group is principally engaged in the manufacture, sale and trading of steel products, shipping operations and electricity generation.

In order to enhance the Group's position in the manufacture and sale of steel products in the PRC, the Board believes that the investment in Asia Iron, whose subsidiaries hold mining tenements to iron ore, is in the interest of the Shareholders as it would secure a long-term and stable source of supply of raw materials with not less than 240 million tonnes of magnetite concentrate for the Group's steel manufacturing operation. The Company also plans to sell any excess raw materials not used for the Group's steel manufacturing operation in the PRC.

The Directors (including the independent non-executive Directors) consider that the Share Sale Agreement has been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders as a whole.

## **GENERAL**

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to the Acquisition will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:32 a.m. on 8 June 2006 pending the release of this announcement. An application to the Stock Exchange has been made to resume trading in the Shares from 9:30 a.m. on 9 June 2006.

## DEFINITIONS

In this announcement, the following expressions have the following meanings unless otherwise requires:

“Acquisition”	the acquisition of the Sale Shares by Sky Choice from the Sellers
“AUD\$”	Australian dollar, the lawful currency of Australia
“Asia Iron”	Asia Iron Holdings Limited, a company incorporated in Hong Kong
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day on which banks are open for business in Australia and Hong Kong, other than a Saturday, Sunday or public holiday in Perth or Hong Kong
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong, the securities of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Director(s)”	the director(s) of the Company
“Environmental Approval”	the environmental approval for mining, processing and transportation of magnetite from the Extension Hill Magnetite Project under sections 38 and 45 of the Environmental Protection Act 1986 of Western Australia
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“MGI”	Mount Gibson Iron Limited, an Australian company and one of the Sellers of the Sale Shares
“MGM”	Mount Gibson Mining Limited, an Australian company and one of the Sellers of the Sale Shares
“Minority Shareholders”	all shareholders of Asia Iron as at the date of the Share Sale Agreement and as at the date of Completion other than the Sellers
“PRC”	the People’s Republic of China
“Sale Shares”	61,200,000 shares and 67,500,000 shares in the issued share capital of Asia Iron to be sold by MGI and MGM, respectively, to Sky Choice in accordance with the terms of the Share Sale Agreement
“Sellers”	MGI and MGM
“Shareholder(s)”	holder(s) of Shares
“Share Sale Agreement”	the agreement dated 6 June 2006, entered into by and between MGI, MGM, Sky Choice and the Company in respect of the Acquisition
“Shares”	ordinary shares of HK\$0.20 each in the share capital of the Company
“Sky Choice”	Sky Choice International Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

For illustration purposes, amounts in AUD\$ in this announcement have been translated into HK\$ at AUD\$1 = HK\$5.83.

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

Hong Kong, 8 June 2006

*As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Managing Director), Mr. Chen Zhouping (Deputy Managing Director), Mr. Luo Zhenyu (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond, Mr. Leung Shun Sang, Tony, Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Kwan Bo Ren, Dick (Independent Non-executive Director) and Mr. Wong Kun Kim (Independent Non-executive Director).*

Please also refer to the published version of this announcement in South China Morning Post - Classified.