

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)

CONTINUING CONNECTED TRANSACTIONS

The Board announces that on 21 September 2007, Shougang Corporation entered into the Agreements with certain subsidiaries of the Company in respect of the Continuing Connected Transactions. Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, the entering into of the Agreements between the subsidiaries of the Company and Shougang Corporation constitutes connected transactions of the Company under the Listing Rules.

As the aggregate annual amount of the Continuing Connected Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Shougang Holding and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of the Continuing Connected Transactions.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreements and an independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders on the terms of the Agreements and the relevant cap amounts in respect of each of the Agreements in relation to the Continuing Connected Transactions.

A circular containing, amongst other things, a notice convening the Extraordinary General Meeting and further details relating to the Agreements and the Continuing Connected Transactions and a letter from an independent financial adviser to be appointed to advise the Independent Board Committee and Independent Shareholders on the Continuing Connected Transactions will be despatched to the Shareholders as soon as practicable.

(1) THE QHD AGREEMENT

Date: 21 September 2007

- Parties: QHD
Shougang Corporation
- Subject: Pursuant to the QHD Agreement, Shougang Corporation will, and will procure its associates, to provide raw materials (including steel billets, iron ingots and steel slabs), spare parts, energy and services (including repair and maintenance services) in relation to the production of steel products and other related products to QHD and/or its associates (the “**QHD Purchases**”) and QHD and/or its associates will in turn supply to Shougang Corporation and/or its associates steel products (including steel plates), scrap materials (including scrap metals), services (including processing services) and other related products (the “**QHD Sales**”, together with the QHD Purchases, the “**QHD Transactions**”).
- Term: The QHD Agreement has a fixed term of three financial years ending on 31 December 2009 and will be subject to the approval by the Independent Shareholders at the Extraordinary General Meeting.
- Price: The basis of determining the prices for the QHD Transactions will be in accordance with: (1) a comparable market price; or (2) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.
- Condition: The QHD Agreement is subject to approval by the Independent Shareholders.
- Payment: Payments for the QHD Transactions shall be at credit terms to be agreed by the parties in accordance with their respective normal term of supplies to third parties.

The Directors propose that the cap amounts of the QHD Transactions under the QHD Agreement for each of the financial years ending 31 December 2009 will not exceed the followings:

	2007 <i>HK\$' million</i>	2008 <i>HK\$' million</i>	2009 <i>HK\$' million</i>
QHD Purchases	150	230	420
QHD Sales	800	1,100	1,400

The cap amounts are determined with reference to the historical figures of the transaction amounts between QHD and Shougang Corporation and/or its associates for the three years ended 31 December 2006 and the 6 months ended 30 June 2007, and the anticipated business volume of QHD for the three financial years ending 31 December 2009.

On 22 November 2005, QHD and Shougang Corporation entered into a master agreement (the “**Old QHD Agreement**”) in respect of the QHD Transactions for a fixed term of three

financial years ending 31 December 2008. Details of the transactions contemplated under the Old QHD Agreement were disclosed in the circular of the Company dated 9 December 2005 and the Old QHD Agreement was approved by the then independent shareholders at the extraordinary general meeting held on 4 January 2006.

As it is expected that the annual caps for 2007 and 2008 under the Old QHD Agreement would be exceeded based on the current business projection, it is proposed that the QHD Agreement be entered and upon its becoming effective, the Old QHD Agreement would be terminated and replaced by the QHD Agreement.

The historical transaction amounts between QHD and Shougang Corporation and/or its associates for the three financial years ended 31 December 2006 and the 6 months ended 30 June 2007 are as follows:

Type of transactions	For the year ended	For the year ended	For the year ended	For the 6 months ended
	31 December	31 December	31 December	30 June 2007
	2004	2005	2006	
	Amount	Amount	Amount	Amount*
	HK\$' million	HK\$' million	HK\$' million	HK\$' million
QHD Purchases	494.86	76.51	25.56	17.37
QHD Sales	153.22	181.11	159.94	127.48

** unaudited figures*

REASONS FOR THE QHD TRANSACTIONS

QHD is principally engaged in the production and sale of steel products, steel related processed products and by-products and will need to purchase raw materials to satisfy its production requirements. As Shougang Corporation is one of the largest steel producers in the PRC, the Directors consider that the QHD Transactions with Shougang Corporation are in the interest of the Shareholders because it would guarantee a stable source of supply of raw materials and regular sales to one of the largest steel companies in the PRC.

QHD is a wholly-owned subsidiary of the Company established in the PRC. Shougang Corporation is a PRC state-owned enterprise and is one of the largest steel producers in the PRC. It is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, transactions between QHD and Shougang Corporation and/or its associates will constitute connected transactions of the Company under the Listing Rules. Shougang Holding and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of, inter alia, the QHD Transactions.

(2) THE SHOUQIN AGREEMENT

Date: 21 September 2007

- Parties: Shouqin
Shougang Corporation
- Subject: Pursuant to the Shouqin Agreement, Shougang Corporation will, and will procure its associates, to provide raw materials (including ore powders and iron ores), materials (including steel materials, wire-rods, flame durable bricks and flame durable materials), fuel (including coal and coking coal), equipment (including various types of equipment for the production of steel products) and services (including repair and maintenance services) to Shouqin and/or its associates (the “**Shouqin Purchases**”) and Shouqin and/or its associates will in turn supply to Shougang Corporation and/or its associates steel products (including steel slabs and steel plates), services (including processing services) and other related products and/or services (the “**Shouqin Sales**”, together with the Shouqin Purchases, the “**Shouqin Transactions**”).
- Term: The Shouqin Agreement has a fixed term of three financial years ending on 31 December 2009 and will be subject to the approval by the Independent Shareholders at the Extraordinary General Meeting.
- Price: The basis of determining the prices for the Shouqin Transactions will be in accordance with: (1) a comparable market price; or (2) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.
- Condition: The Shouqin Agreement is subject to approval by the Independent Shareholders.
- Payment: Payments for the Shouqin Transactions shall be at credit terms to be agreed by the parties in accordance with their respective normal term of supplies to third parties.

The Directors propose that the cap amounts of the Shouqin Transactions under the Shouqin Agreement for each of the financial years ending 31 December 2009 will not exceed the followings:

	2007 <i>HK\$' million</i>	2008 <i>HK\$' million</i>	2009 <i>HK\$' million</i>
Shouqin Purchases	6,000	6,000	6,000
Shouqin Sales	5,500	7,500	7,500

The cap amounts are determined with reference to the historical figures of the transaction amounts between Shouqin and Shougang Corporation and/or its associates for the three years ended 31 December 2006 and the 6 months ended 30 June 2007, and the anticipated

business volume of Shouqin and/or its associates for the three financial years ending 31 December 2009.

On 5 August 2005, Shouqin and Shougang Corporation entered into a master agreement (the “**First Shouqin Agreement**”) in respect of the Shouqin Purchases for a fixed term of three financial years ending 31 December 2007. Details of the transactions contemplated under the First Shouqin Agreement were disclosed in the circular of the Company dated 30 September 2005 and the First Shouqin Agreement was approved by the then independent shareholders at the extraordinary general meeting held on 17 October 2005.

On 3 January 2006, Shouqin and Shougang Corporation entered into a master agreement (the “**Second Shouqin Agreement**”) in respect of the Shouqin Sales for a fixed term of three financial years ending 31 December 2008. Details of the transactions contemplated under the Second Shouqin Agreement were disclosed in the circular of the Company dated 9 February 2006 and the Second Shouqin Agreement was approved by the then independent shareholders at the extraordinary general meeting held on 28 February 2006.

As it is expected that the annual caps for 2007 and 2008 under the First Shouqin Agreement and the Second Shouqin Agreement would be exceeded based on the current business projection, it is proposed that the Shouqin Agreement be entered and upon its becoming effective, the First Shouqin Agreement and the Second Shouqin Agreement would be terminated and replaced by the Shouqin Agreement.

The historical transaction amounts between Shouqin and Shougang Corporation and/or its associates for the three financial years ended 31 December 2006 and the 6 months ended 30 June 2007 were as follows:

Type of transactions	For the year ended 31 December 2004 Amount <i>HK\$' million</i>	For the year ended 31 December 2005 Amount <i>HK\$' million</i>	For the year ended 31 December 2006 Amount <i>HK\$' million</i>	For the 6 months ended 30 June 2007 Amount* <i>HK\$' million</i>
Shouqin Purchases	NIL	341.86	2,626.59	1,688.27
Shouqin Sales	NIL	NIL	251.26	643.19

** unaudited figures*

REASONS FOR THE SHOUQIN TRANSACTIONS

Shouqin is principally engaged in the manufacture and sale of high quality steel slabs, steel products, steel related processed products and by-products. As Shougang Corporation is one of the largest steel producers in the PRC, the Directors consider that the Shouqin Transactions with Shougang Corporation are in the interest of the Shareholders because it would guarantee a stable source of supply of raw materials and regular sales to one of the largest steel companies in the PRC.

Shouqin is a 76% owned subsidiary of the Company established in the PRC. Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, transactions between Shouqin and Shougang Corporation and/or its associates will constitute connected transactions of the Company under the Listing Rules. Shougang Holding and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of, inter alia, the Shouqin Transactions.

(3) THE BSFPCL AGREEMENT

Date: 21 September 2007

Parties: BSFPCL
Shougang Corporation

Subject: Pursuant to the BSFPCL Agreement, Shougang Corporation will, and will procure its associates, to provide energy, raw materials (including water, coal, gas, nitrogen, coal gas for high temperature boilers and furnaces, compressed air, steam and chemical), products (including spare parts and components) and services (including construction, repair and maintenance and daily amenity services) to BSFPCL and/or its associates (the “**BSFPCL Purchases**”) and BSFPCL and/or its associates will in turn supply to Shougang Corporation and/or its associates energy, raw materials and products (principally electricity, steam and hot water) (“**BSFPCL Sales**”, together with the BSFPCL Purchases, the “**BSFPCL Transactions**”).

Term: The BSFPCL Agreement has a fixed term of three financial years ending on 31 December 2009 and will be subject to the approval by the Independent Shareholders at the Extraordinary General Meeting.

Price: The basis of determining the prices for the BSFPCL Transactions will be in accordance with: (1) state-quoted price, if the pricing of such a transaction is governed by the pricing policies of the PRC; (2) a comparable market price, if the transaction is not governed by the pricing policies of the PRC; or (3) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.

Condition: The BSFPCL Agreement is subject to approval by the Independent Shareholders.

Payment: Payments for the BSFPCL Transactions shall be in the manner as reasonably requested by the parties.

The Directors propose that the cap amounts of the BSFPCL Transactions under the BSFPCL Agreement for each of the financial years ending 31 December 2009 will not exceed the followings:

	2007 <i>HK\$' million</i>	2008 <i>HK\$' million</i>	2009 <i>HK\$' million</i>
BSFPCL Purchases	400	450	450
BSFPCL Sales	600	600	600

The cap amounts are determined with reference to the historical figures of the transaction amounts between BSFPCL and Shougang Corporation and/or its associates for the three years ended 31 December 2006 and the 6 months ended 30 June 2007, and the anticipated business volume of BSFPCL for the three financial years ending 31 December 2009.

On 21 January 2005, BSFPCL and Shougang Corporation entered into a master agreement (the “**Old BSFPCL Agreement**”) in respect of the BSFPCL Transactions for a fixed term of three financial years ending 31 December 2007. Details of the transactions contemplated under the Old BSFPCL Agreement were disclosed in the circular of the Company dated 8 February 2005 and the Old BSFPCL Agreement was approved by the then independent shareholders at the extraordinary general meeting held on 28 February 2005.

As it is expected that the annual caps for 2007 under the Old BSFPCL Agreement would be exceeded based on the current business projection, it is proposed that the BSFPCL Agreement be entered and upon its becoming effective, the Old BSFPCL Agreement would be terminated and replaced by the BSFPCL Agreement.

The historical transaction amounts between BSFPCL and Shougang Corporation and/or its associates for the three financial years ended 31 December 2006 and the 6 months ended 30 June 2007 were as follows:

Type of transactions	For the year ended 31 December 2004 Amount HK\$' million	For the year ended 31 December 2005 Amount HK\$' million	For the year ended 31 December 2006 Amount HK\$' million	For the 6 months ended 30 June 2007 Amount* HK\$' million
BSFPCL Purchases	252.86	272.62	283.61	148.57
BSFPCL Sales	381.41	411.02	424.64	228.79

** unaudited figures*

REASONS FOR THE BSFPCL TRANSACTIONS

BSFPCL is principally engaged in electricity generation. The Directors consider that the BSFPCL Transactions with Shougang Corporation are in the interest of the Shareholders because it would guarantee a stable source of materials supply from Shougang Corporation and regular sale of electricity to one of the largest steel companies in the PRC.

BSFPCL is a Sino-foreign joint venture established in the PRC and owned as to 51% indirectly by the Company and as to 49% by Shougang Corporation. Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, transactions between BSFPCL and Shougang Corporation and/or its associates will constitute connected transactions of the Company under the Listing Rules. Shougang Holding and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of, inter alia, the BSFPCL Transactions.

(4) THE STEEL AGREEMENT

- Date: 21 September 2007
- Parties: Shougang Concord Steel
Shougang Corporation
- Subject: Pursuant to the Steel Agreement, Shougang Corporation will, and will procure its associates, to provide raw materials (including steel slabs) and products (including steel products) to Shougang Concord Steel (the “**Steel Purchases**”), and Shougang Concord Steel and/or its associates will in turn supply to Shougang Corporation and/or its associates raw materials (including iron ore) and steel products and other related products (“**Steel Sales**”, together with Steel Purchases, the “**Steel Transactions**”).
- Term: The Steel Agreement has a fixed term of three financial years ending on 31 December 2010 and will be subject to the approval by the Independent Shareholders at the Extraordinary General Meeting.
- Price: The basis of determining the prices for the Steel Transactions will be in accordance with: (1) a comparable market price; or (2) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.
- Condition: The Steel Agreement is subject to approval by the Independent Shareholders.
- Payment: Payments for the Steel Transactions shall be in the manner as reasonably requested by the parties.

The Directors propose that the cap amounts of the Steel Transactions under the Steel Agreement for each of the financial years ending 31 December 2010 will not exceed the followings:

	2008 <i>HK\$' million</i>	2009 <i>HK\$' million</i>	2010 <i>HK\$' million</i>
Steel Purchases	1,000	1,000	1,000
Steel Sales	300	300	300

The cap amounts are determined with reference to the historical figures of the transaction amounts between Shougang Concord Steel and Shougang Corporation and/or its associates for the three years ending 31 December 2006 and the 6 months ended 30 June 2007 in respect of Steel Purchases, and the anticipated business volume of Shougang Concord Steel for the three financial years ending 31 December 2010.

On 22 February 2005, Shougang Concord Steel and Shougang Corporation entered into an agreement (the “**Old Steel Agreement**”) in respect of the Steel Purchases for a fixed term of three financial years ending 31 December 2007. Details of the transactions contemplated under the Old Steel Agreement were disclosed in the circular of the Company dated 16 March 2005 and the Old Steel Agreement was approved by the then independent shareholders at the extraordinary general meeting held on 1 April 2005.

As the Old Steel Agreement is due to expire on 31 December 2007, it is proposed that the Steel Agreement be entered to govern the Steel Transactions.

The historical transaction amounts between Shougang Concord Steel and Shougang Corporation and/or its associates for the three financial years ended 31 December 2006 and the 6 months ended 30 June 2007 were as follows:

Type of transactions	For the year ended 31 December 2004 Amount HK\$' million	For the year ended 31 December 2005 Amount HK\$' million	For the year ended 31 December 2006 Amount HK\$' million	For the 6 months ended 30 June 2007 Amount* HK\$' million
Steel Purchases	NIL	709	209	168
Steel Sales	NIL	NIL	NIL	NIL

** unaudited figures*

REASONS FOR THE STEEL TRANSACTIONS

Shougang Concord Steel is principally engaged in trading of steel products. As Shougang Corporation is one of the largest steel producers in the PRC, the Directors consider that the Steel Transactions with Shougang Corporation are in the interest of the Shareholders because it would ensure a stable supply of steel products to Shougang Concord Steel and regular sales of materials and steel products to one of the largest steel companies in the PRC.

Shougang Concord Steel is a wholly-owned subsidiary of the Company. Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, transactions between Shougang Concord Steel and Shougang Corporation and/or its associates will constitute connected transactions of the Company under the Listing Rules. Shougang Holding and its associates will abstain from voting in the Extraordinary General Meeting to be convened for the approval of, inter alia, the Steel Transactions.

GENERAL

The Group is principally engaged in the business of manufacture, sale and trading of steel products, shipping operations and electricity generation. As at the date of this announcement, Shougang Holding and its associates were beneficially interested as to approximately 40.7% of the issued share capital of the Company.

As the aggregate annual amount of the Continuing Connected Transactions will exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group and the terms of the Continuing Connected Transactions have been negotiated and will be conducted on an arm's length basis and on normal commercial terms, between the Group and Shougang Corporation and/or its associates. The Directors (including the independent non-executive Directors) are of the view that as far as the Independent Shareholders are concerned, the terms of the Agreements are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

The Company will therefore seek the approval by the Independent Shareholders of the Agreements and the proposed cap amounts in relation to the Continuing Connected Transactions under the Agreements on terms in compliance with Rules 14A.37 to 14A.41 of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Agreements and the relevant cap amounts in relation to the Continuing Connected Transactions where Shougang Corporation, Shougang Holding and their respective associates will abstain from voting. The Circular containing, amongst others, further information on the Agreements and the relevant cap amounts in relation to the Continuing Connected Transactions, the advice of the independent financial adviser to the Independent Board Committee and Independent Shareholders in relation to the Continuing Connected Transactions, the recommendation of the Independent Board Committee to the Shareholders in relation to the Continuing Connected Transactions, and the notice of the Extraordinary General Meeting will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Agreements”	the QHD Agreement, the Shouqin Agreement, the BSFPCL Agreement and the Steel Agreement
“associate”	has the same meaning as given to it under the Listing Rules

“Board”	the board of Directors
“BSFPCL”	Beijing Shougang Firstlevel Power Co., Ltd., an indirect 51% owned subsidiary of the Company
“BSFPCL Agreement”	the master agreement entered into between BSFPCL and Shougang Corporation on 21 September 2007
“Circular”	the circular to be despatched to the Shareholders regarding the Agreements and the relevant cap amounts in relation to the Continuing Connected Transactions
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Continuing Connected Transactions”	the transactions contemplated under the Agreements
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to approve the Agreements and the relevant cap amounts in relation to the Continuing Connected Transactions, or any adjournment thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Continuing Connected Transactions
“Independent Shareholders”	the shareholders of the Company other than Shougang Holding and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“QHD”	Qinhuangdao Shougang Plate Mill Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC
“QHD Agreement”	The master agreement entered into between QHD and Shougang Corporation on 21 September 2007

“Shareholders”	holders of the shares of the Company
“Shougang Concord Steel”	Shougang Concord Steel International Trading Co. Ltd., a limited liability company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company
“Shougang Corporation”	Shougang Corporation, a state-owned enterprise in the PRC and the holding company of the entire interest of Shougang Holding
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Corporation and the controlling shareholder of the Company
“Shouqin”	Qinhuangdao Shouqin Metal Materials Co., Ltd., a Sino-foreign joint venture enterprise established in the PRC and is a 76% owned subsidiary of the Company
“Shouqin Agreement”	the master agreement entered into between Shouqin and Shougang Corporation on 21 September 2007
“Steel Agreement”	the master agreement entered into between Shougang Concord Steel and Shougang Corporation on 21 September 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“%”	per cent.

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

Hong Kong, 2 October 2007

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. Zhang Wenhui (Deputy Managing Director), Mr. Luo Zhenyu (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond (Non-executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).