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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)*

(Stock Code: 697)

## **CONTINUING CONNECTED TRANSACTIONS**

The Board announces that on 7 May 2008, Shougang Corporation entered into the Master Agreement with 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 transactions under the Master Agreement between Shougang Corporation and the Company constitute continuing connected transactions for the Company under the Listing Rules.

As the aggregate annual amounts of the Continuing Connected Transactions will exceed the 2.5% threshold as 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 Master Agreement and an independent financial adviser will be appointed to advise the Independent Board Committee and Independent Shareholders on the terms of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions under the Master Agreement.

A circular containing, amongst other things, a notice convening the Extraordinary General Meeting and further details relating to the Master Agreement 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 Master Agreement and the cap amounts in relation to Continuing Connected Transactions will be despatched to the Shareholders as soon as practicable.

## THE MASTER AGREEMENT

- Date: 7 May 2008
- Parties: The Company  
Shougang Corporation
- Subject: Pursuant to the Master Agreement, the Group and Shougang Corporation and/or its associates will enter into various transactions as detailed under the paragraph headed “Continuing Connected Transactions” below.
- Term: The Master Agreement has a fixed term of three financial years ending on 31 December 2010.
- Price: The basis of determining the prices for the Continuing Connected 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 Master Agreement is subject to approval by the Independent Shareholders.

### **Non-exempt continuing connected transactions**

#### *(a) QHD Transactions*

On 21 September 2007, QHD and Shougang Corporation entered into the QHD Agreement pursuant to which, among others, Shougang Corporation agreed to provide or 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 agreed to in turn supply steel products (including steel plates), scrap materials (including scrap metals), services (including processing services) and other related products to Shougang Corporation and/or its associates (the “**QHD Sales**”). The QHD Agreement has a fixed term of three financial years ending on 31 December 2009. On 30 October 2007, the Independent Shareholders approved, among others, the cap amounts of the transactions contemplated under the QHD Agreement for each of the three financial years ending 31 December 2009 would not exceed the followings:

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

QHD is a wholly-owned subsidiary of the Company which is principally engaged in the production and sale of steel products, steel related processed products and by-products.

(b) *Shouqin Transactions*

On 21 September 2007, Shouqin and Shougang Corporation entered into the Shouqin Agreement pursuant to which, among others, Shougang Corporation agreed to provide or 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 agreed to in turn supply steel products (including steel slabs and steel plates), services (including processing services) and other related products and/or services to Shougang Corporation and/or its associates (the “**Shouqin Sales**”). The Shouqin Agreement has a fixed term of three financial years ending on 31 December 2009. On 30 October 2007, the Independent Shareholders approved, among others, the cap amounts of the transactions contemplated under the Shouqin Agreement for each of the three financial years ending 31 December 2009 would not exceed the followings:

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

Shouqin is a 76% owned subsidiary of the Company which is principally engaged in the manufacture and sale of high quality steel slabs, steel products, steel related processed products and by-products.

(c) *Steel Transactions*

On 21 September 2007, Shougang Concord Steel and Shougang Corporation entered into the Steel Agreement pursuant to which, among others, Shougang Corporation agreed to provide or procure its associates to provide raw materials (including steel slabs) and products (including steel products) to Shougang Concord Steel and/or its associates (the “**Steel Purchases**”) and Shougang Concord Steel and/or its associates agreed to in turn supply raw materials (including iron ore) and steel products and other related products to Shougang Corporation and/or its associates (the “**Steel Sales**”). The Steel Agreement has a fixed term of three financial years ending on 31 December 2010. On 30 October 2007, the Independent Shareholders approved, among others, the cap amounts of the transactions contemplated under the Steel Agreement for each of the three financial years ending 31 December 2010 would not exceed the followings:

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

Shougang Concord Steel is a wholly-owned subsidiary of the Company which is principally engaged in the trading of steel products.

The aggregate cap amounts for the QHD Purchases, the Shouqin Purchases and the Steel Purchases and the aggregate cap amounts for the QHD Sales, the Shouqin Sales and the Steel Sales for the two financial years ending 31 December 2009 are as follows:

	<b>2008</b> <i>HK\$' million</i>	<b>2009</b> <i>HK\$' million</i>
<b>Aggregate cap amounts for the QHD Purchases, the Shouqin Purchases and the Steel Purchases</b>	7,230	7,420
<b>Aggregate cap amounts for the QHD Sales, the Shouqin Sales and the Steel Sales</b>	8,900	9,200

### **Continuing Connected Transactions**

Due to the unexpected and unprecedented increases in the prices of raw materials and steel products and the exchange rate of Renminbi took place during the past six months, the Directors expect that the aggregate annual caps for 2008 and 2009 under the QHD Agreement, the Shouqin Agreement and the Steel Agreement would be exceeded based on the current business projection. In order to enhance the flexibility of the operation of the Group, it is proposed that one Master Agreement be entered which covers the QHD Purchases, the Shouqin Purchases, the Steel Purchases, the QHD Sales, the Shouqin Sales and the Steel Sales. Upon the Master Agreement becoming effective, the QHD Agreement, the Shouqin Agreement and the Steel Agreement would be terminated. Pursuant to the Master Agreement, Shougang Corporation and/or its associates will continue to provide raw materials, materials, fuel, energy, equipment, spare parts, steel products and services (the “**Purchases**”) to the Group and the Group will continue to supply raw materials, scrap materials, steel products and services (the “**Sales**”) to Shougang Corporation and/or its associates.

It is proposed that the cap amounts of the Purchases and Sales for each of the financial years ending 31 December 2010 will not exceed the followings:

	<b>2008</b> <i>HK\$' million</i>	<b>2009</b> <i>HK\$' million</i>	<b>2010</b> <i>HK\$' million</i>
<b>Aggregate cap amounts for the Purchases</b>	14,230	18,620	23,150
<b>Aggregate cap amounts for the Sales</b>	12,800	15,500	18,500

The cap amounts are determined by reference to the anticipated future demand of the raw materials and steel products by the Group and Shougang Corporation and/or its associates and the anticipated increase in the prices of the raw materials and steel products and the anticipated increase in the exchange rate of Renminbi.

## **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 41% of the issued share capital of the Company.

Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Shougang Corporation is principally engaged in the manufacture and sale of steel products. The transactions under the Master Agreement between Shougang Corporation and the Company constitute continuing connected transactions for the Company under the Listing Rules.

As the aggregate annual amounts of the Continuing Connected Transactions will exceed the 2.5% threshold as 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 Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial advisor) consider that the terms of the Master Agreement have been negotiated on an arm's length basis and the Continuing Connected Transactions will be conducted on normal commercial terms, between the Group and Shougang Corporation and/or its associates. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial advisor) are of the view that as far as the Independent Shareholders are concerned, the terms of the Master Agreement 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 Master Agreement and the proposed cap amounts in relation to the Continuing Connected Transactions under the Master Agreement 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 Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions. The voting at the Extraordinary General Meeting will be taken by poll and Shougang Holding and its associates will abstain from voting for the resolutions to be proposed at the Extraordinary General Meeting to approve the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions. The circular containing, amongst others, further information on the Master Agreement 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 Independent 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:

“associate”	has the same meaning as given to it under the Listing Rules
“Board”	the board of Directors
“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 Master Agreement
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to approve the Master Agreement 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 other than Shougang Holding and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement entered into between Shougang Corporation and the Company on 7 May 2008
“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
“%”	per cent.

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

8 May 2008

*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).*