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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)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
(2) APPLICATION FOR WHITEWASH WAIVER  
AND  
(3) RESUMPTION OF TRADING**

On 5 May 2011, the Company and Shougang Holding entered into the Agreement, pursuant to which Shougang Holding has conditionally agreed to sell the Sale Share, representing the entire issued share capital of Fair Gain, to the Company at a consideration of HK\$785,704,263, which will be satisfied in full by the allotment and issue by the Company of the Consideration Shares to Shougang Holding or its nominee at the Issue Price.

The Consideration Shares represent (i) approximately 9.52% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.69% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date save for the issue of the Consideration Shares).

As Shougang Holding and its associates hold an aggregate of approximately 41.90% of the issued share capital of the Company, Shougang Holding is therefore a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the applicable ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under the Listing Rules. Given that the applicable ratios for the Acquisition are more than 5% and the transaction is with a connected person, the Acquisition is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shougang Holding and parties acting in concert with it hold an aggregate of approximately 47.47% of the issued share capital of the Company. Assuming no further Shares will be issued by the Company prior to the allotment and issue of the Consideration Shares upon Completion, the interests in the issued share capital of the Company held by Shougang Holding and parties acting in

concert with it will increase by more than 2% (from 47.47% to 52.04%) as a result of the issue of the Consideration Shares. Shougang Holding and parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to Shougang Holding or its nominee upon Completion. Shougang Holding will apply to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code on the basis that, among other things, the Acquisition and the Whitewash Waiver shall be subject to the approval by the Independent Shareholders at the EGM on a vote taken by way of a poll whereby Shougang Holding, its associates and parties acting in concert with any of them and those who are involved in or interested in the Acquisition and the Whitewash Waiver will abstain from voting.

The Independent Board Committee comprising Mr. Wong Kun Kim, Ms. Kan Lai Kuen, Alice and Mr. Leung Kai Cheung has been formed to advise the Independent Shareholders on the Acquisition, the issue of Consideration Shares and the Whitewash Waiver. As Mr. Ip Tak Chuen, Edmond and Mr. Leung Shun Sang, Tony, non-executive Directors of the Company, are directors of Cheung Kong (Holdings) Limited and/or its associates, and Cheung Kong (Holdings) Limited is party acting in concert with Shougang Holding, they are therefore not considered to be independent and have been excluded from the Independent Board Committee for the purpose of advising the Independent Shareholders on the Acquisition, the issue of Consideration Shares and the Whitewash Waiver. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver in accordance with the Listing Rules and the Takeovers Code.

A circular containing, among other things, particulars of the Acquisition, the issue of Consideration Shares and the Whitewash Waiver, recommendations of the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and notice convening the EGM will be sent to the Shareholders. As the Company will require time to prepare the financial information to be included in the circular in accordance with the requirements of the Listing Rules and the Takeovers Code and such financial information will not be ready on or before 27 May 2011, the Company will make application to the Executive for a waiver from the strict compliance with Rule 8.2 of the Takeovers Code such that the despatch date of the circular will be postponed from 27 May 2011 to a date no later than 10 June 2011 and the Executive has indicated that it is minded to grant the consent to the postponement.

**As the Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 1:30 p.m. on Thursday, 5 May 2011 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Monday, 9 May 2011.

## **THE AGREEMENT**

### **Date**

5 May 2011

### **Parties**

Purchaser: The Company

Vendor: Shougang Holding

Shougang Holding is an investment holding company and is the controlling shareholder of the Company.

### **Assets to be acquired**

The Sale Share represents the entire issued share capital of Fair Gain. Fair Gain is a wholly-owned subsidiary of Shougang Holding and is an investment holding company. The sole asset held by Fair Gain is the holding of 149,089,993 Fushan Shares, representing approximately 2.77% of the issued share capital of Fushan International as at the date of this announcement. Fushan International and its subsidiaries are principally engaged in coking coal mining, production and sales of coking coal products and side products.

### **Consideration**

The consideration for the Acquisition shall be HK\$785,704,263, which will be satisfied in full by the allotment and issue by the Company of the Consideration Shares to Shougang Holding or its nominee at the Issue Price.

The consideration for the Acquisition in the amount of HK\$785,704,263, or the equivalence of HK\$5.27 per Fushan Share held by Fair Gain, was determined after arm's length negotiation between the Company and Shougang Holding with reference to the closing price of HK\$5.27 per Fushan Share on the Last Trading Date. The purchase price of HK\$5.27 per Fushan Share held by Fair Gain represents:

- (i) the closing price of HK\$5.27 per Fushan Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.34% to the average closing price per Fushan Share of approximately HK\$5.452 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 6.33% to the average closing price per Fushan Share of approximately HK\$5.626 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and

- (iv) a premium of approximately 56.38% over the audited equity attributable to owners per Fushan Share of approximately HK\$3.37 as at 31 December 2010.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) are of the view that the consideration for the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Consideration Shares**

The Consideration Shares will be issued at the Issue Price of HK\$1.01 per Share which was determined after arm's length negotiation between the Company and Shougang Holding with reference to the closing price of HK\$1.01 per Share on the Last Trading Day. The Consideration Shares represent (i) approximately 9.52% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.69% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank *pari passu* in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price represents:

- (i) the closing price of HK\$1.01 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 2.32% to the average closing price per Share of approximately HK\$1.034 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 4.27% to the average closing price per Share of approximately HK\$1.055 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 13.68% to the audited equity attributable to owners per Share of approximately HK\$1.17 as at 31 December 2010.

The Consideration Shares are to be issued by the Company under a specific mandate to be sought from the Shareholders at the EGM.

### **Conditions precedent**

Completion shall be conditional upon the fulfilment of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted listing of, and permission to deal in, the Consideration Shares;

- (b) the passing by the Independent Shareholders who are permitted to vote under the Listing Rules and the Takeovers Code at a general meeting of the Company of resolutions to approve the Acquisition, the issue of the Consideration Shares, the Whitewash Waiver and other transactions contemplated under the Agreement; and
- (c) the grant of the Whitewash Waiver by the Executive in respect of the Consideration Shares.

None of the conditions can be waived by the Company or Shougang Holding. The conditions precedent are required to be fulfilled on or before 31 December 2011 or such other date as the Company and Shougang Holding may agree. If the conditions precedent have not been satisfied on or before the date aforesaid, the Agreement shall cease and terminate.

### Completion

Completion of the Agreement shall take place on the Completion Date, subject to the conditions precedent being fulfilled in accordance with the Agreement.

### CHANGES TO THE SHAREHOLDING IN THE COMPANY AS A RESULT OF THE ISSUE OF CONSIDERATION SHARES

The following table sets out the shareholding structure of the Company (based on the best knowledge of the Directors) immediately before and after the Completion (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date save for the issue of the Consideration Shares):

	<u>Immediately Before Completion</u>		<u>Immediately After Completion</u>	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Shougang Holding and its associates ( <i>Note 1</i> )	3,425,850,686	41.90	4,203,775,699	46.95
Cheung Kong (Holdings) Limited and its associates ( <i>Note 2</i> )	455,401,955	5.57	455,401,955	5.09
<b>Total of Shougang Holding and parties acting in concert with it</b>	<b>3,881,252,641</b>	<b>47.47</b>	<b>4,659,177,654</b>	<b>52.04</b>
Other public Shareholders	4,294,128,573	52.53	4,294,128,573	47.96
<b>Total</b>	<b>8,175,381,214</b>	<b>100.00</b>	<b>8,953,306,227</b>	<b>100.00</b>

Notes:

1. The 3,425,850,686 Shares are held as to 332,481,160 Shares by Shougang Holding, as to 1,979,904,761 Shares by China Gate Investments Limited, as to 768,340,765 Shares by Grand Invest International Limited, as to

*344,894,000 Shares by Wide Success Holdings Limited and as to 230,000 Shares by Lyre Terrace Management Limited. Each of China Gate Investments Limited, Grand Invest International Limited and Wide Success Holdings Limited is a wholly-owned subsidiary of Shougang Holding, whereas Lyre Terrace Management Limited is an associate of Shougang Holding.*

- 2. The 455,401,955 Shares are held as to 7,220,000 Shares by Centerlin Investments Limited, as to 423,054,586 Shares by Max Same Investment Limited and as to 25,127,369 Shares by CEF Holdings Limited. Each of Centerlin Investments Limited and Max Same Investment Limited is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited, whereas CEF Holdings Limited is an associate of Cheung Kong (Holdings) Limited.*

## **REASONS FOR ENTERING INTO THE AGREEMENT**

The Group is principally engaged in the manufacture, sale and trading of steel products, shipping operations and mineral exploration. The Acquisition will further increase the Company's interest in Fushan International from 24.44% to 27.21%, which would reinforce the Group's relationship with Fushan International. Accordingly, the Board believes that the Acquisition is in the interest of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the independent financial adviser) consider that the terms of the Agreement are normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors consider the issue of Consideration Shares to settle the consideration for the Acquisition is fair and reasonable and in the best interest of the Shareholders as a whole, as the Company is free from utilizing its monetary resources for the Acquisition.

## **APPLICATION FOR WHITEWASH WAIVER**

Shougang Holding and parties acting in concert with it hold an aggregate of approximately 47.47% of the issued share capital of the Company. Assuming no further Shares will be issued by the Company prior to the allotment and issue of the Consideration Shares upon Completion, the interests in the issued share capital of the Company held by Shougang Holding and parties acting in concert with it will increase by more than 2% (from 47.47% to 52.04%) as a result of the issue of the Consideration Shares. Shougang Holding and parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares to Shougang Holding or its nominee upon Completion. Shougang Holding will apply to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code on the basis that, among other things, the Acquisition and the Whitewash Waiver shall be subject to the approval by the Independent Shareholders at the EGM on a vote taken by way of a poll whereby Shougang Holding, its associates and parties acting in concert with any of them and those who are involved in or interested in the Acquisition and the Whitewash Waiver will abstain from voting.

Shougang Holding has confirmed that it and/or parties acting in concert with it have not dealt with the relevant securities (as defined in the Takeovers Code) of the Company within the 6-month period prior to the date of this announcement and up to and including the date of this announcement.

As at the date of this announcement:

- (i) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Acquisition and the Whitewash Waiver;
- (ii) there is no other agreement or arrangement to which Shougang Holding is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition or the Whitewash Waiver;
- (iii) there is no outstanding derivative in respect of relevant securities (as defined in the Takeovers Code) in the Company which has been entered into by Shougang Holding or any parties acting in concert with it;
- (iv) save for the share options granted to certain directors of Shougang Holding (namely Mr. Li Shaofeng, Mr. Zhang Wenhui and Mr. Chen Zhouping, who are also the directors of the Company) under the share option scheme of the Company adopted on 7 June 2002, neither Shougang Holding nor any parties acting in concert with it holds any convertible securities, warrants, derivatives or options of the Company;
- (v) neither Shougang Holding nor any parties acting in concert with it has received an irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Acquisition and the Whitewash Waiver; and
- (vi) there are no relevant securities (as defined in the Takeovers Code) in the Company which Shougang Holding or any parties acting in concert with it has borrowed or lent.

## **INFORMATION ON FAIR GAIN AND FUSHAN INTERNATIONAL**

Fair Gain is a company incorporated in the British Virgin Islands on 13 June 2007. Fair Gain is a wholly-owned subsidiary of Shougang Holding and is an investment holding company. The sole asset held by Fair Gain is the holding of 149,089,993 Fushan Shares, representing approximately 2.77% of the issued share capital of Fushan International as at the date of this announcement. Fushan International and its subsidiaries are principally engaged in coking coal mining, production and sales of coking coal products and side products.

The Company's investments in Fushan International are currently accounted for as "investment in an associate". Upon Completion, the Company's investments in Fushan International will continue to be accounted for as "investment in an associate". Accordingly, the results of Fushan International will continue to be accounted for in the Company as share of the results of an associate.

Under Rules 14.58(6) and 14.58(7) of the Listing Rules, the Company is required to include the value of asset which is the subject of the transaction, and the net profits (both before and after taxation and extraordinary items) of Fair Gain for the two financial years immediately preceding the transaction (the "**Required Financial Information**") in this announcement.

In connection with the abovementioned requirements, an application for waiver was made by the Company to the Stock Exchange for excluding the Required Financial Information in this announcement (the "**Waiver**"). Such application was made mainly for reasons that (i) the Required Financial Information is unaudited and unpublished figures (which is the only available form as at the date of this announcement) and if disclosed in this announcement, they will constitute profit forecasts

within the meaning of Rule 10 of the Takeovers Code which would need to be reported on by an auditor and a financial adviser of the Company; and (ii) it would be burdensome for the Company to withhold this announcement until such reports are available. If the Waiver is granted, such Required Financial Information prepared in accordance with the requirements of the Listing Rules and the Takeovers Code will be included in the circular to be despatched to the Shareholders in respect of the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver.

The original acquisition cost of Fushan Shares held by Fair Gain is approximately HK\$998,786,688. The financial information extracted from the consolidated audited financial statements of Fushan International and its subsidiaries for the two financial years ended 31 December 2010 is as follows:

	<b>Year ended 31 December 2010 (audited) HK\$'000</b>	<b>Year ended 31 December 2009 (audited) HK\$'000</b>
Revenue	5,775,513	4,470,131
Profit before taxation	2,744,192	1,870,333
Profit after taxation (including non-controlling interests)	2,215,067	1,442,483
Net assets (including non-controlling interests)	19,623,222	17,329,764

## **GENERAL**

As Shougang Holding and its associates hold an aggregate of approximately 41.90% of the issued share capital of the Company, Shougang Holding is therefore a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As the applicable ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition also constitutes a discloseable transaction for the Company under the Listing Rules. Given that the applicable ratios for the Acquisition are more than 5% and the transaction is with a connected person, the Acquisition is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shougang Holding and parties acting in concert with it hold an aggregate of approximately 47.47% of the issued share capital of the Company. Assuming no further Shares will be issued by the Company prior to the allotment and issue of the Consideration Shares upon Completion, the interests in the issued share capital of the Company held by Shougang Holding and parties acting in concert with it will increase by more than 2% (from 47.47% to 52.04%) as a result of the issue of the Consideration Shares. Shougang Holding and parties acting in concert with it will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the issue of the



“Agreement”	the agreement dated 5 May 2011 entered into between the Company and Shougang Holding in relation to the Acquisition;
“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are open for business;
“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;
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Agreement;
“Completion Date”	the third Business Day after the day on which the last condition precedent is fulfilled or such other date as the Company and Shougang Holding may agree;
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“Consideration Shares”	777,925,013 new Shares to be allotted and issued by the Company under the Agreement;
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve, among other things, the Acquisition, the issue of the Consideration Shares and the Whitewash Waiver;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate;
“Fair Gain”	Fair Gain Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially and wholly-owned by Shougang Holding;
“Fushan International”	Fushan International Energy Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange;

“Fushan Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Fushan International;
“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;
“Independent Board Committee”	an independent committee of the Board comprising Mr. Wong Kun Kim, Ms. Kan Lai Kuen, Alice and Mr. Leung Kai Cheung, the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Acquisition, the issue of Consideration Shares and the Whitewash Waiver;
“Independent Shareholders”	the Shareholders other than (i) Shougang Holding, its associates and parties acting in concert with any of them, (ii) Cheung Kong (Holdings) Limited, its associates and parties acting in concert with any of them and, (iii) those who are involved in or interested in the Agreement and the Whitewash Waiver;
“Issue Price”	an issue price of HK\$1.01 per Consideration Share;
“Last Trading Day”	4 May 2011, being the last full trading day on which the Shares were traded on the Stock Exchange prior to the date of the Agreement;
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Sale Share”	1 share of US\$1.00 in the capital of Fair Gain, representing the entire issued share capital of Fair Gain;
“SFC”	the Securities and Futures Commission;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	shares of HK\$0.20 each in the share capital of the Company;
“Shareholders”	holders of the Shares;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise in the PRC;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Shougang Holding and parties acting in concert with it to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by Shougang Holding or parties acting in concert with it which would otherwise arise as a result of the issue of the Consideration Shares to Shougang Holding or its nominee upon completion of the Acquisition;
“%”	per cent.

By Order of the Board  
**Shougang Concord International Enterprises Company Limited**  
**Li Shaofeng**  
*Managing Director*

Hong Kong, 6 May 2011

*As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Vice Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Chen Zhouping (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).*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*