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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)

**MAJOR AND CONNECTED TRANSACTION
SUBSCRIPTION OF SHARES**

The Board announces that on 18 August 2004, Firstlevel Holdings, a wholly-owned subsidiary of the Company, and Shougang Holding have entered into the Acquisition Agreement, pursuant to which Firstlevel Holdings will acquire from Shougang Holding the entire issued share capital of and the shareholder's loan to Equity Dragon for a total consideration of HK\$377,400,000, which will be satisfied as to HK\$301,920,000 by the issue of the Consideration Shares at an issue price of HK\$0.315 per Share to Shougang Holding and as to the remaining of HK\$75,480,000 in cash. The sole asset of Equity Dragon is its 47.0% interest in the registered capital of Qinhuangdao Plate Mill. The Consideration Shares represent approximately 27.2% of the Company's existing issued share capital or approximately 20.7% of the Company's enlarged share capital immediately after Completion. Based on the closing price of the Shares of HK\$0.350 on 17 August 2004, the last trading day of the Shares on the Stock Exchange prior to the date of the Acquisition Agreement, the market value of the Consideration Shares is HK\$335,466,666.50.

On the same date, the Company and Max Same, a wholly-owned subsidiary of Cheung Kong, have entered into the Subscription Agreement, pursuant to which Max Same will subscribe for the Subscription Shares at HK\$0.315 per Share, raising total net proceeds of HK\$47,250,000. The Subscription Shares represent approximately 4.3% of the Company's existing issued share capital or approximately 3.2% of the Company's enlarged share capital immediately after Completion.

As at the date of this announcement, Shougang Holding is the holding company of the Company, holding approximately 52.7% interest in the Company, and is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a major and connected transaction for the Company under the Listing Rules and will be subject to the approval of the Independent Shareholders at the Extraordinary General Meeting at which Shougang Holding and Cheung Kong and their respective associates will abstain from voting. In addition, the Subscription Agreement will be subject to Independent Shareholders' approval at the Extraordinary General Meeting.

N M Rothschild & Sons (Hong Kong) Limited has been appointed the financial adviser to the Company in respect of the Acquisition and the Subscription.

A circular containing, amongst other things, a notice convening the Extraordinary General Meeting for approving the Acquisition and the Subscription, further details relating to the Acquisition and the Subscription, a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Subscription, and a letter from an independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the Subscription will be despatched to the Shareholders as soon as practicable.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Subscription Shares.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 18 August 2004, pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 20 August 2004.

THE ACQUISITION

Date of the Acquisition Agreement: 18 August 2004

Parties to the Acquisition Agreement:

Purchaser: Firstlevel Holdings

Vendor: Shougang Holding

Asset to be acquired

Under the Acquisition Agreement, Firstlevel Holdings will acquire from Shougang Holding the entire issued share capital of, and the shareholder's loan in an amount of HK\$214,993,954.46 to, Equity Dragon for a total consideration of HK\$377,400,000. The sole asset of Equity Dragon is its 47% interest in the registered capital of Qinhuangdao Plate Mill.

Consideration

The total consideration for the Acquisition is HK\$377,400,000 and will be satisfied in the following manner:

- (a) an amount of HK\$301,920,000 to be paid by the issue of the Consideration Shares at an issue price of HK\$0.315 per Share to Shougang Holding; and
- (b) an amount of HK\$75,480,000 to be paid in cash.

The Acquisition Agreement was entered into after arm's length negotiation between the parties involved in the Acquisition Agreement and based on normal commercial terms, and the consideration was determined after taking into consideration of the financial performance and future prospects of Qinhuangdao Plate Mill. The total consideration for the Acquisition (including both the entire issued share capital of, and the shareholder's loan to, Equity Dragon) represents approximately 4.97 times the net profit of approximately HK\$75.9 million attributable to the 47% interest in the registered capital of Qinhuangdao Plate Mill to be acquired, based on the unaudited management accounts of Qinhuangdao Plate Mill for the financial year ended 31 December 2003 under the Hong Kong GAAP.

Pursuant to the Acquisition Agreement, 958,476,190 new Shares will be issued by the Company to Shougang Holding as part of the consideration for the Acquisition, representing approximately 27.2% of the Company's existing issued share capital or approximately 20.7% of the Company's enlarged share capital immediately after Completion. The issue price per Consideration Share of HK\$0.315 represents 10.0% discount to the closing price of the Shares of HK\$0.350 on 17 August 2004, the last trading day of the Shares on the Stock Exchange prior to the date of the Acquisition Agreement, and approximately 10.8% discount to the average closing price of the Shares of HK\$0.353 for the five trading days prior to the date of the Acquisition Agreement, respectively. Based on the closing price of the Shares of HK\$0.350 on 17 August 2004, the last trading day of the Shares on the Stock Exchange prior to the date of the Acquisition Agreement, the market value of the Consideration Shares is HK\$335,466,666.50.

Out of the total cash portion of the consideration under the Acquisition Agreement, HK\$47,250,000 will be payable upon Completion and the remaining balance of HK\$28,230,000 will be payable no later than 31 December 2004. The Company intends to finance the cash portion of the consideration by all of the net proceeds from the Subscription, further details of which are set out below, and the remaining balance of the cash consideration of HK\$28,230,000 by the Company's internal financial resources including existing cash balance.

Conditions of the Acquisition Agreement

Completion of the Acquisition is conditional upon fulfilment of, amongst other things, the following conditions:

- (a) the approval of the Acquisition, including the issue and allotment of the Consideration Shares, by the Independent Shareholders at the Extraordinary General Meeting;
- (b) the Stock Exchange having granted the listing of and the permission to deal in the Consideration Shares; and
- (c) the Subscription Agreement having become unconditional (other than the condition in respect of the Acquisition Agreement having become unconditional).

If the conditions set out above are not fulfilled by 31 December 2004, or such later date as may be agreed by the parties, the Acquisition Agreement will terminate and cease to be of any effect.

THE SUBSCRIPTION

Date of the Subscription Agreement: 18 August 2004

Parties to the Subscription Agreement:

Issuer: The Company

Subscriber: Max Same

Subscription

The Company and Max Same have entered into the Subscription Agreement pursuant to which Max Same has agreed to subscribe for 150,000,000 Subscription Shares, representing approximately 4.3% of the Company's existing issued share capital or approximately 3.2% of the Company's enlarged share capital immediately after Completion, at an issue price of HK\$0.315 per Share, raising total net proceeds of HK\$47,250,000. The subscription price under the Subscription represents 10.0% discount to the closing price of the Shares of HK\$0.350 on 17 August 2004, the last trading day of the Shares on the Stock Exchange prior to the date of the Subscription Agreement, and approximately 10.8% discount to the average closing price of the Shares of HK\$0.353 for the five trading days prior to the date of the Subscription Agreement, respectively. There is no restriction on any subsequent sale of the Subscription Shares. In addition, there will be no change to the Board composition as a result of the Subscription.

Conditions of the Subscription Agreement

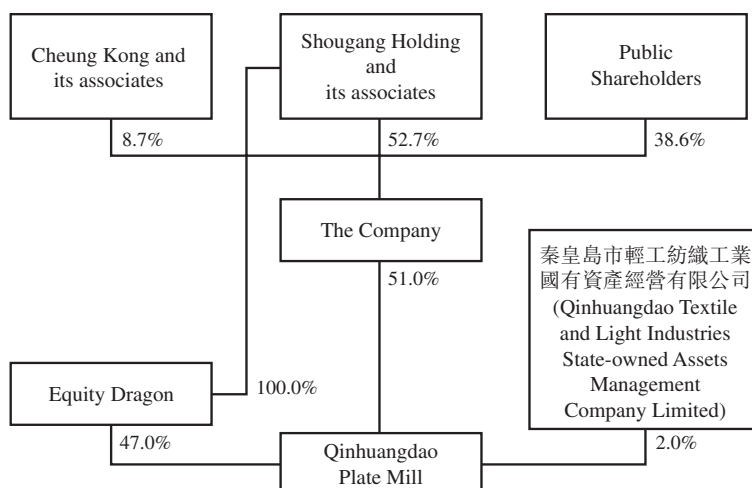
Completion of the Subscription is conditional upon fulfilment of, amongst other things, the following conditions:

- (a) the approval of the Subscription, including the issue and allotment of the Subscription Shares, by the Independent Shareholders at the Extraordinary General Meeting;
- (b) the Stock Exchange having granted the listing of and the permission to deal in the Subscription Shares; and
- (c) the Acquisition Agreement having become unconditional (other than the condition in respect of the Subscription Agreement having become unconditional).

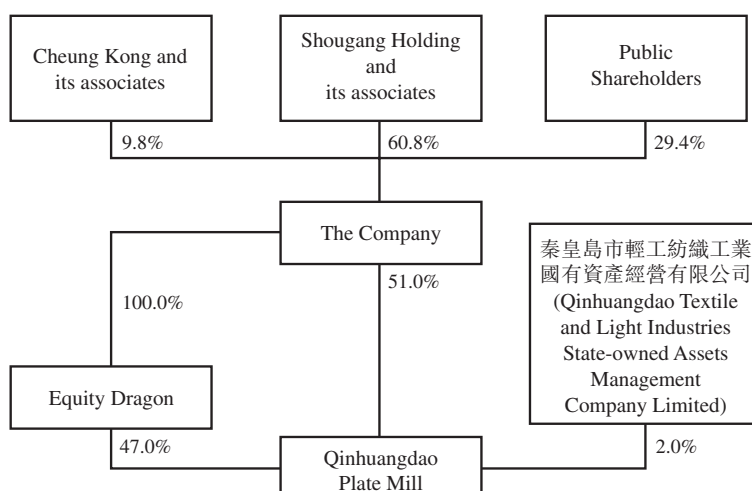
If the conditions set out above are not fulfilled by 31 December 2004, or such later date as may be agreed by the parties, the Subscription Agreement will terminate and cease to be of any effect.

SHAREHOLDING STRUCTURE

The following chart shows the simplified holding structure of the Company as at the date of this announcement:



The following chart shows the simplified holding structure of the Company after Completion, assuming no new Share has been issued other than those to be issued in relation to the Acquisition and the Subscription:



The shareholding structure of the Company (a) as at the date of this announcement; and (b) upon Completion, assuming no new Share has been issued other than those to be issued in relation to the Acquisition and the Subscription, is as follows:

	Number of Shares held as at the date of this announcement	Approximate % of total issued share capital as at the date of this announcement	Number of Shares held upon Completion	Approximate % of total issued share capital upon Completion
Shougang Holding and its associates	1,858,962,496	52.7%	2,817,438,686	60.8%
Cheung Kong and its associates ⁽¹⁾	305,401,955	8.7%	455,401,955	9.8%
Public Shareholders	1,363,410,574	38.6%	1,363,410,574	29.4%
Total	<u>3,527,775,025</u>	<u>100.0%</u>	<u>4,636,251,215</u>	<u>100.0%</u>

Note:

1. Includes Max Same.

INFORMATION ON EQUITY DRAGON

Equity Dragon is an investment holding company and its sole asset is its 47.0% interest in the registered capital of Qinhuangdao Plate Mill, with an investment cost of HK\$214,993,962.26, which is financed by a Shareholder's loan in the amount of HK\$214,993,954.46. Based on the unaudited management accounts of Equity Dragon, the net asset value of Equity Dragon is US\$1.00, which is represented by its issued share capital of the same amount based on its unaudited management accounts.

INFORMATION ON QINHUANGDAO PLATE MILL

Qinhuangdao Plate Mill is a subsidiary of the Company and a Sino-foreign joint venture established in 1992. The registered capital of Qinhuangdao Plate Mill is US\$29.95 million (equivalent to approximately HK\$233.6 million), and as at the date of this announcement, is held as to 51.0% by the Company beneficially, as to 47.0% by Equity Dragon, and as to 2.0% by 秦皇島市輕工紡織工業國有資產經營有限公司 (Qinhuangdao Textile and Light Industries State-owned Assets Management Company Limited) an independent third party which is not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any associates of any of them. Following Completion, Qinhuangdao Plate Mill will be 98.0% beneficially owned by the Company, with the remaining 2.0% continued to be owned by 秦皇島市輕工紡織工業國有資產經營有限公司 (Qinhuangdao Textile and Light Industries State-owned Assets Management Company Limited.)

Qinhuangdao Plate Mill is principally engaged in the production and sale of steel plates. It conducts its production activities at a single production site in Qinhuangdao, Hebei Province, the PRC. In 2003, Qinhuangdao Plate Mill expanded its production capacity of steel plates from approximately 440,000 metric tonnes per annum to approximately 544,000 metric tonnes per annum so as to match increasing demand of its products. Correspondingly, the sales of its steel plates increased from approximately 410,000 metric tonnes in 2002 to approximately 505,000 metric tonnes in 2003, representing an increase of approximately 23.2%. In addition, Qinhuangdao Plate Mill has an investment in Shouqin which is a Sino-foreign joint venture established in the PRC in March 2003 with operation commenced in July 2004. Shouqin is engaged in the design, manufacture and sale of steel products, its related processed products and by-products.

A summary of the turnover, net profit and net asset value of Qinhuangdao Plate Mill, based on the unaudited management accounts of Qinhuangdao Plate Mill under the Hong Kong GAAP is set out below:

	For the financial year ended 31 December 2002 or as at 31 December 2002	For the financial year ended 31 December 2003 or as at 31 December 2003
(HK\$ million)		
Turnover	1,032.3	1,678.1
Net profit/(loss)	(128.6) ⁽¹⁾	161.6
Net asset value	343.6	505.0

Note:

(1) The net loss was mainly due to the provisions for impairment of land and building and other fixed assets of approximately HK\$104.0 million and the provision for bad debts of approximately HK\$29.8 million.

REASONS FOR THE ACQUISITION AND THE SUBSCRIPTION

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

The Acquisition represents an attractive opportunity for the Company to further consolidate its stake and control in Qinhuangdao Plate Mill and to benefit from the strong financial performance of Qinhuangdao Plate Mill. In 2003, Qinhuangdao Plate Mill contributed approximately HK\$80.8 million to the consolidated net profit attributable to the Shareholders.

Earlier this year, the PRC Government has implemented a number of macro-economic initiatives with the main objective to circumvent the creation of excess capacity and to prohibit inefficient utilisation of resources. In respect of the steel sector, these initiatives are primarily and selectively aimed at phasing out small-scale, inefficiently run and financially weaker players. The Board is of the view that Qinhuangdao Plate Mill does not fall within the category of steel companies targeted by the measures as it possesses strong cash-generating capabilities and is in a very healthy financial position. In addition, Qinhuangdao Plate Mill's products such as boiler steel plates, pressure vessel steel plates, hull structure steel plates and bridge steel plates are higher value-added steel plates and require a more sophisticated production process. The Board is not aware of any material adverse effect on Qinhuangdao Plate Mill as a result of these macro-economic policies, and the Board remains confident in the long-term prospects of Qinhuangdao Plate Mill.

In addition, the Board is of the view that the Subscription will strengthen the capital base of the Company.

The Directors (including the independent non-executive Directors) consider the terms of the Acquisition Agreement and the Subscription Agreement have been made on normal commercial terms and are fair and reasonable and the Acquisition and the Subscription are in the interest of the Company and the Shareholders as a whole.

GENERAL

As Shougang Holding owns approximately 52.7% of the existing issued share capital of the Company as at the date of this announcement, the Acquisition constitutes a major and connected transaction for the Company under the Listing Rules and shall be subject to the approval of the Independent Shareholders at the Extraordinary General Meeting at which Shougang Holding and Cheung Kong and their respective associates will abstain from voting. In addition, the Subscription Agreement will be subject to Shareholders' approval at the Extraordinary General Meeting.

N M Rothschild & Sons (Hong Kong) Limited has been appointed the financial adviser to the Company in respect of the Acquisition and the Subscription.

The Independent Board Committee has been established to advise the Independent Shareholders on the Acquisition and the Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the Subscription.

A circular containing, amongst other things, a notice convening the Extraordinary General Meeting for approving the Acquisition and the Subscription, further details relating to the Acquisition and the Subscription, a letter from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition and the Subscription and a letter from an independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the Subscription will be despatched to the Shareholders as soon as practicable.

During the 12-month period prior to the date of this announcement, the Company raised total net proceeds of approximately HK\$301.8 million from (a) a subscription of new Shares by Shougang Holding and Cheung Kong on 24 November 2003, further details of which were set out in an announcement of the Company dated 8 October 2003; (b) a subscription of new Shares by independent third party investors on 12 March 2004, further details of which were set out in an announcement of the Company dated 1 March 2004; and (c) the issue of new Shares upon exercise of share options of the Company. Out of the total net proceeds of approximately HK\$301.8 million, a total of approximately HK\$104.8 million has been used for repayment of loans (together with interest) and approximately HK\$140.1 million has been used for the acquisition of a 27.0% interest in Shouqin, further details of which are set out in an announcement of the Company dated 19 April and a circular of the Company dated 10 May 2004, with the remaining balance retained as working capital of the Company.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 18 August 2004, pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on 20 August 2004.

DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the entire issued share capital of, and the shareholder’s loan to, Equity Dragon on terms set out in the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 18 August 2004 entered into between the Company and Shougang Holding in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition and the Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	958,476,190 new Shares proposed to be allotted and issued to Shougang Holding or its nominee(s) as part of the consideration of the Acquisition
“Director(s)”	the director(s) of the Company
“Equity Dragon”	Equity Dragon Assets Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Shougang Holding
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to approve the Acquisition and the Subscription
“Firstlevel Holdings”	Firstlevel Holdings Limited, a company registered in Samoa and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong GAAP”	the generally accepted accounting principles in Hong Kong
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the committee of Director, consisting of the Independent Non-executive Director, Mr. Lai Kam Man, David, formed to advise the Independent Shareholders in respect of the Acquisition and the Subscription
“Independent Shareholder(s)”	the shareholder(s) of the Company other than Shougang Holding and Cheung Kong and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Max Same”	Max Same Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Cheung Kong, and is not a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them, and holds approximately 7.7% interest in the Company as at the date of this announcement
“PRC”	the People’s Republic of China and for the purpose of this announcement, excludes Taiwan, Hong Kong and Macau
“Qinhuangdao Plate Mill”	Qinhuangdao Shougang Plate Mill Co. Limited, a Sino-foreign joint venture enterprise in the PRC which is held as to 51.0% by the Company, 47.0% by Equity Dragon and 2.0% by 秦皇島市輕工紡織工業國有資產經營有限公司 (Qinhuangdao Textile and Light Industries State-owned Assets Management Company Limited) as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong and the holding company of the Company with an approximately 52.7% interest in the Company as at the date of this announcement
“Shouqin”	秦皇島首秦金屬材料有限公司 (Qinhuangdao Shouqin Metal Materials Co., Ltd.), a Sino-foreign joint venture enterprise in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the Subscription of 150,000,000 Shares by Max Same on terms set out in the Subscription Agreement
“Subscription Agreement”	the agreement dated 18 August 2004 entered into between the Company and Max Same in relation to the Subscription
“Subscription Shares”	150,000,000 new Shares to be allotted and issued to Max Same pursuant to the Subscription Agreement
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent

For the purpose of this announcement, US\$ has been translated into HK\$ at US\$1.00=HK\$7.7997 where such translation does not constitute a representation that any amounts have been, could have been or may be exchanged at this rate.

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

Hong Kong, 19 August 2004

As at the date of this announcement, Wang Qinghai (Chairman), Cao Zhong (Managing Director), Chen Zhouping (Deputy Managing Director), Zhang Wenhui (Deputy Managing Director), Tsoi Wai Kwong, Ip Tak Chuen, Edmond, Leung Shun Sang, Tony, Lai Kam Man, David (Independent Non-executive Director) and Choy Hok Man, Constance (Independent Non-executive Director) are the Directors.

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