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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

BSFPCL is owned as to 51% by SCPPHL and as to 49% by Shougang Corporation. Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial 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.

The Continuing Connected Transactions will be subject to reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules.

An independent board committee comprising the independent non-executive Directors will be 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 of the Company on the terms of the Master Agreement and the Continuing Connected Transactions. A circular containing, amongst other things, a notice convening the Extraordinary General Meeting and further details relating to the Master Agreement, the Continuing Connected Transactions, the relevant cap amounts and a letter from an independent financial adviser to be appointed to advise the independent board committee on the Continuing Connected Transactions will be despatched to the shareholders of the Company as soon as practicable.

BSFPCL is owned as to 51% by SCPPHL and as to 49% by Shougang Corporation. Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial 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.

CONTINUING CONNECTED TRANSACTIONS

The Master Agreement

Date: 21 January 2005

Parties: BSFPCL

Shougang Corporation

Subject: Pursuant to the Master Agreement, Shougang Corporation will, and will procure its associates, to provide energy, raw materials, products and services to BSFPCL (the “Purchases”), principally in the following areas:

- (a) Energy/raw materials: including water, coal, gas, nitrogen, coal gas for high temperature boilers and furnaces, compressed air, steam and chemicals;
- (b) Products: including spare parts and components; and
- (c) Services: including construction, repair and maintenance and daily amenity services; and

BSFPCL will in turn supply to Shougang Corporation and its associates energy, raw materials and products (the “Sales”), principally in the following areas:

Energy/raw materials/products: including electricity, steam and hot water.

The Purchases and the Sales are together referred to as the Continuing Connected Transactions.

Term: The Master Agreement has a fixed term of three financial years ending 31 December 2007 and will be subject to approval by the Independent Shareholders at the Extraordinary General Meeting.

Price: The basis of determining the prices for the Continuing Connected 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 direct comparable market price, if the transaction is not governed by the pricing policies of the PRC and a direct comparable market price is available; or (3) by agreement between the parties based on reasonable principle, if the transaction is not governed by the pricing policies of the PRC and no direct comparable market price can be taken as a reference.

Condition: The Master Agreement is subject to approval by the Independent Shareholders of the Company.

The Continuing Connected Transactions were disclosed in the circular of the Company dated 17 May 2002 and were approved by the then independent shareholders at the extraordinary general meeting held on 3 June 2002. A waiver from strict compliance with the disclosure and independent shareholders’ approval requirements of the Listing Rules for the three financial years ended 31 December 2004 had been granted by the Stock Exchange to the Company on 2 July 2002.

For each of the three financial years ended 31 December 2002, 2003 and 2004, the transaction amounts in relation to each item of the Continuing Connected Transactions were as follows:

| Type of Continuing Connected Transactions | From 4 Nov 2002 (date of incorporation) to 31 Dec 2002 | | From 1 Jan 2003 to 31 Dec 2003 | | From 1 Jan 2004 to 31 Dec 2004 | |
|--|--|---------------|-----------------------------------|---------------|-----------------------------------|---------------|
| | Amount | | Amount | | Amount* | |
| | RMB' million | HK\$' million | RMB' million | HK\$' million | RMB' million | HK\$' million |
| | | | | | | |
| Purchases | 25.1 | 23.7 | 262.1 | 247.3 | 269.4 | 254.1 |
| Sales | 38.7 | 36.5 | 398.5 | 375.9 | 405.1 | 382.2 |

* *The transaction amounts for the financial year 2004 are preliminary and unaudited figures.*

The Directors propose that the cap amounts of the Continuing Connected Transactions under the Master Agreement for each of the three financial years ending 31 December 2007 will not exceed:

- (i) HK\$300 million for the Purchases; and
- (ii) HK\$450 million for the Sales

The cap amounts are determined with reference to the historical figures of the transaction amounts, the anticipated business growth of BSFPCL and the increase in the prices of coal and electricity in the next three years and the exchange rate of HK\$1.00 = RMB1.06. The anticipated business growth is mainly due to improvement and innovation of technology in electricity supply which may result in an increase in the supply of electricity.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Directors consider that the Continuing Connected Transactions are of the type that are entered into in the ordinary and usual course of business of BSFPCL and on a frequent and regular basis. Therefore, the Directors consider that it would be: (i) impracticable to negotiate for numerous agreements with individual associates of Shougang Corporation for the Continuing Connected Transactions; and (ii) too costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules. Hence, the Directors are of the view that the Master Agreement will be beneficial to the Shareholders and the Group as a whole.

BSFPCL is a subsidiary of the Company and is a Sino-foreign joint venture established in the PRC and owned as to 51% by the SCPPHL and as to 49% by Shougang Corporation. 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 a substantial 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.

The Continuing Connected Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The 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.

The Directors are of the view that as far as the Independent Shareholders are concerned, the Continuing Connected Transactions and the terms thereof 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 respective caps in relation to the Continuing Connected Transactions for a period of three financial years ending 31 December 2007 on the following conditions:

- (a) Cap amounts for the Continuing Connected Transactions under the Master Agreement for each of the three financial years ending 31 December 2007 will not exceed:
 - (i) HK\$300 million for the Purchases; and
 - (ii) HK\$450 million for the Sales.
- (b) The Continuing Connected Transactions will be in compliance with the followings:
 - (i) the Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group;
 - (ii) the Continuing Connected Transactions will be conducted 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 direct comparable market price, if the transaction is not governed by the pricing policies of the PRC and a direct comparable market price is available; or (3) by agreement between the parties based on reasonable principle, if the transaction is not governed by the pricing policies of the PRC and no direct comparable market price can be taken as a reference; and
 - (iii) the Continuing Connected Transactions will be entered into in accordance with the terms of the Master Agreement.
- (c) Brief details of the Continuing Connected Transactions will be disclosed in the Company's next and each successive annual report and accounts, each accompanied with a statement of opinion of the independent non-executive Directors in such manner as referred to in paragraph (d) below.
- (d) The independent non-executive Directors will review annually the Continuing Connected Transactions, and confirm in the Company's annual report and accounts for the year in question that such Continuing Connected Transactions under their review have been conducted in the manner as stated in paragraphs (a) and (b) above.
- (e) The auditors of the Company will review annually the Continuing Connected Transactions, and they will confirm in a letter to the Directors (a copy of which letter will be provided to the Stock Exchange at least 10 Business Days prior to the bulk printing of the annual report of the Company) in respect of each relevant financial year, during which the Continuing Connected Transactions have been conducted, stating that:
 - (i) the Continuing Connected Transactions have been approved by the Directors;

- (ii) the Continuing Connected Transactions have been entered into in accordance with the terms of relevant agreement governing the transactions;
- (iii) the value of the Continuing Connected Transactions has not exceeded their respective annual limits set out in paragraph (a) above; and
- (iv) the Continuing Connected Transactions have been entered into in accordance with the pricing policy of the Group,

and where for whatever reasons, if the auditors of the Company decline to accept the engagement or are unable to provide the auditors' letter, the Directors will contact the Listing Division of the Stock Exchange immediately.

- (f) So long as its shares are listed on the Stock Exchange, the Company will provide to the Stock Exchange an undertaking that the Company will, and will procure Shougang Corporation to, provide the auditors of the Company with sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of auditors' review as referred to in paragraph (e) above.
- (g) The Company will comply with the applicable provisions of the Listing Rules governing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds their respective caps, or that there is any material amendment to the terms of the Master Agreement.

GENERAL

The Company is principally engaged in the business of manufacturing, sale and trading of steel products, manufacturing and installation of kitchen and laundry equipment, shipping and electricity generation. As at the date hereof, Shougang Holding beneficially owns approximately 60.6% interest in the Company.

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Master Agreement and an independent financial advisor will be appointed to advise the independent board committee in respect of the terms of the Master Agreement, the Continuing Connected Transactions and the relevant cap amounts.

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, the Continuing Connected Transactions and the cap amounts where Shougang Corporation, Shougang Holding and their associates will abstain from voting. A circular containing, amongst others, further information on the Master Agreement, the Continuing Connected Transactions, the advice of the independent financial adviser to the independent board committee of the Company in relation to the Continuing Connected Transactions, the recommendation of the independent board committee of the Company to the shareholders of the Company in relation to the Continuing Connected Transactions and the notice of the Extraordinary General Meeting will be despatched to the shareholders of the Company as soon as possible.

As at the date of this announcement, the Directors are Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Managing Director), Mr. Chen Zhouping (Deputy Managing Director), Mr. Luo Zhenyu (Deputy Managing Director), Mr. Tsoi Wai Kwong, Mr. Ip Tak Chuen, Edmond, Mr. Leung Shun Sang, Tony, Ms. Choy Hok Man, Constance, Ms. Kan Lai Kuen, Alice (independent non-executive

Director), Mr. Kwan Bo Ren, Dick (independent non-executive Director) and Mr. Wong Kun Kim (independent non-executive Director).

DEFINITIONS

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

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|-------------------------------------|---|
| “associate” | has the same meaning as given to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day (excluding Saturday) on which banks are generally open for business in Hong Kong |
| “BSFPCL” | Beijing Shougang Firstlevel Power Co., Ltd., an indirect 51% owned subsidiary of the Company and is a Sino-foreign equity joint venture owned as to 51% by SCPPHL and 49% by Shougang Corporation |
| “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 |
| “connected person(s)” | has the same meaning as given to it under the Listing Rules |
| “Continuing Connected Transactions” | the transactions contemplated under the Master Agreement |
| “Director(s)” | the director(s) of the Company |
| “Extraordinary General Meeting” | the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Master Agreement, the respective caps 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 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 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SCPPHL” | Shougang Concord Power Plant Holdings Limited, a limited liability company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company |

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|---------------------------|---|
| “Master Agreement” | the master agreement entered into between BSFPCL and Shougang Corporation on 21 January 2005 |
| “Shougang Corporation” | Shougang Corporation, a state-owned enterprise in the PRC and the holding company 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 a substantial shareholder of the Company |
| “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

24 January 2005

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