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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

Shougang Concord Steel is a wholly-owned subsidiary of the Company. Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial 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.

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 amount 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.

Shougang Concord Steel is a wholly-owned subsidiary of the Company. Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial 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.

CONTINUING CONNECTED TRANSACTIONS
The Master Agreement

Date:	22 February 2005
Parties:	Shougang Concord Steel Shougang Corporation
Subject:	Pursuant to the Master Agreement, Shougang Corporation will provide, or procure its associates to provide, raw materials and products principally iron ore and steel products to Shougang Concord Steel.
Term:	The Master Agreement has a term of three financial years ending 31 December 2007 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 Continuing Connected Transactions will be in accordance with: (1) market price; or (2) if no market price can be taken as a reference, at a price that is comparable with the price that Shougang Concord Steel may obtain from an independent third party.
Cap amounts:	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 HK\$1,500 million each year.
Payment method:	Payments will be made after Shougang Concord Steel places orders with Shougang Corporation and/or its associates and in the manner as reasonably requested by Shougang Corporation and/or its associates.

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 Shougang Concord Steel and on a frequent and regular basis. Therefore, the Directors consider that it would be: (i) impracticable to negotiate for numerous agreements with Shougang Corporation and/or its associates 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.

As disclosed in the 1999 annual report of the Company, the Company had disposed its Hong Kong rebar stockholding and trading business in October 1999. Under the relevant agreements for such disposal, the Company has been restricted to carry on in Hong Kong the stockholding of the steel products and the importation and sale of steel products for a period of 5 years after the completion of such disposal. Such restriction will expire in the first quarter of 2005 and the Company intends to engage in stockholding of steel products in Hong Kong commencing from the second quarter of year 2005. Further, in view of the blooming metal and steel trading business in recent years, the Company intends to actively participate in the metal and steel trading business. The Company will carry out metal and steel trading and stockholding businesses through its wholly-owned subsidiary, Shougang Concord Steel, a company incorporated in the British Virgin Islands.

The cap amount for the Continuing Connected Transactions is based on the anticipated business volume of Shougang Concord Steel for the next three years which is determined with reference to the average trading volume of the Group of 400,000 tones from 1996 to 1998 (i.e. the years immediately preceding the disposal of the Hong Kong rebar stockholding and trading business by the Group in 1999) times the current market prices for the steel products concerned ranging from US\$370 to US\$655.

Shougang Corporation is a PRC state-owned enterprise and is one of the largest steel producers in the PRC. The Directors believe the entering into of the Master Agreement with Shougang Corporation can ensure a stable supply of metal and steel products to Shougang Concord Steel. Shougang Corporation and/or its associates had previously provided steel products to the Group and such transactions were covered under a waiver from the Stock Exchange dated 23 February 1993.

As Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial shareholder of the Company, transactions between Shougang Concord Steel 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 and/or its associates.

The Directors are of the view that as far as the Independent Shareholders are concerned, the Master Agreement 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 cap amount in relation to the Continuing Connected Transactions for a period of three financial years ending 31 December 2007 on the following conditions:

- (a) The cap amount for the Continuing Connected Transactions under the Master Agreement for each of three financial years ending 31 December 2007 will not exceed HK\$1,500 million each year.
- (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) market price; or (2) if no market price can be taken as a reference, at a price that is comparable with the price that Shougang Concord Steel may obtain from an independent third party; 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 the annual limit 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 that Shougang Corporation will, provide the auditors of the Company with sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of the 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 the cap amount, 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. Shougang Holding is principally engaged in the business of investment holding whilst Shougang Concord Steel is principally engaged in the business of metal and steel trading and stockholding. As at the date hereof, Shougang Holding beneficially owns approximately 60% 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 and the relevant cap amount.

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 transactions contemplated under the Master Agreement 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:

“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
“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 and the cap amount 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
“Master Agreement”	the master agreement entered into between Shougang Concord Steel and Shougang Corporation on 22 February 2005
“Shougang Concord Steel”	Shougang Concrod Steel International Trading Co. Ltd., a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“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

23 February 2005