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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 TRANSACTIONS**  
**CONTINUING CONNECTED TRANSACTIONS**

**THE FIRST ACQUISITION**

On 6 August 2005, Central Pro, a wholly owned subsidiary of the Company, and Profit Access have entered into the First Agreement, pursuant to which Central Pro will acquire from Profit Access the entire issued share capital of Standnew for a consideration of RMB100,000,000 (or HK\$95,880,000), which will be satisfied as to RMB60,000,000 (or HK\$57,528,000) in cash and as to RMB40,000,000 (or HK\$38,352,000) by the issue of the Profit Access Consideration Shares to Profit Access.

**THE SECOND ACQUISITION**

On 5 August 2005, Central Pro, the First Vendor, the Second Vendor and the Third Vendor have entered into the Second Agreement, pursuant to which Central Pro will acquire from the First Vendor, the Second Vendor and the Third Vendor the entire issued share capital of Welcen for a consideration of RMB367,500,000 (or HK\$352,359,000), which will be satisfied as to RMB220,500,000 (or HK\$211,415,400) in cash and as to RMB147,000,000 (or HK\$140,943,600) by the issue of the First Consideration Shares, the Second Consideration Shares and the Third Consideration Shares to the First Vendor, the Second Vendor and the Third Vendor, respectively.

The Consideration Shares (271,659,999 Shares) represent approximately 5.85% of the existing issued ordinary share capital of the Company as at the date of this announcement and approximately 5.52% of the issued ordinary share capital of the Company, as enlarged by the issue of the Consideration Shares.

As at the date of this announcement, Profit Access is interested as to 10% of the registered capital of the Shouqin Joint Venture and Welcen is interested as to 35% of the registered capital of the Shouqin Joint Venture. As such, the Vendors and Profit Access are considered to be connected persons by the Stock Exchange under the Listing Rules. The Group is beneficially interested as to 51% of the Shouqin Joint Venture. At completion of the Acquisitions, the Group will be beneficially interested in 96% of the Shouqin Joint Venture.

The Acquisitions constitute major and connected transactions for the Company under the Listing Rules. The Acquisitions and the issue of the Consideration Shares as part payment of the consideration for the Acquisitions are subject to the approval by the Shareholders at a general meeting of the Company at which no Shareholders are required to abstain from voting. Shougang Holding, which holds 59.7% of the Shares in issue as at the date of this announcement, has indicated that it will vote in favour of the Acquisitions and the issue of the Consideration Shares as part payment of the consideration for the Acquisitions at the Extraordinary General Meeting.

#### **CONTINUING CONNECTED TRANSACTIONS**

The Shouqin Joint Venture has, in its usual and ordinary course of business, procured raw materials, materials, fuel, equipment and services from Shougang Corporation and/or its associates. Currently, the Company does not control the board of the Shouqin Joint Venture and the Shouqin Joint Venture is not accounted for as a subsidiary of the Company.

Upon the First Welcen Completion, the Company will through Welcen have the right to nominate two additional directors to the board of the Shouqin Joint Venture and thus can control the board of the Shouqin Joint Venture. As a result, the Shouqin Joint Venture will be accounted for as a subsidiary of the Group. Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial shareholder of the Company. Accordingly, after the First Welcen Completion, transactions between the Shouqin Joint Venture and Shougang Corporation and/or its associates will constitute connected transactions for the Company under the Listing Rules. As the annual amount of the Continuing Connected Transactions is expected to exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting and announcement requirements and approval by the Independent Shareholders. The Master Agreement was entered into by the Shouqin Joint Venture and Shougang Corporation to govern the terms of the Continuing Connected Transactions and has a term of three financial years ending 31 December 2007 and is subject to the First Welcen Completion and the approval by the Independent Shareholders at the Extraordinary General Meeting.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Acquisitions and the Master Agreement and the relevant cap amounts of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

#### **DESPATCH OF CIRCULAR**

A circular containing, amongst others, details of the First Acquisition and the Second Acquisition, the Continuing Connected Transactions and the proposed annual cap amounts for the Continuing Connected Transactions together with the advice from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the notice for the Extraordinary General Meeting to approve the First Acquisition, the Second Acquisition and the Continuing Connected Transactions and the related annual cap amounts will be sent to the Shareholders as soon as practicable.

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

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 8 August 2005, 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 11 August 2005.

## **THE FIRST ACQUISITION**

**Date of First Agreement:** 6 August 2005

### **Parties to the First Agreement**

**Purchaser:** Central Pro;

**Vendor:** Profit Access. Profit Access is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of Profit Access and its ultimate owner is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

### **The First Acquisition**

Pursuant to the First Agreement, Central Pro will acquire from Profit Access, the entire issued share capital in Standnew, a company incorporated in the British Virgin Islands on 28 April 2005 for the sole purpose of holding the 10% interest in the Shouqin Joint Venture. Such interest in Standnew will not be subject to any restrictions on disposal. As Standnew is a newly incorporated company, it has no accounts prepared. Other than its interest in the Shouqin Joint Venture, Standnew has no other assets or liabilities. Profit Access currently holds a 10% interest in the Shouqin Joint Venture and Profit Access will transfer its interest in the Shouqin Joint Venture to Standnew as a condition precedent to the First Standnew Completion.

### **Consideration**

The consideration for the First Acquisition is RMB100,000,000 (or HK\$95,880,000), which is determined after arm's length negotiation on normal commercial terms and by reference to the unaudited profits of the Shouqin Joint Venture for the first three months of 2005 in the amount of approximately RMB121,781,500 (approximately HK\$116,764,100). Assuming that the profits for 2005 would be in proportion to the unaudited profits of the Shouqin Joint Venture for the 1st quarter of 2005, the profit of the Shouqin Joint Venture would be RMB487,126,000 (approximately HK\$467,056,400) and the consideration of RMB100,000,000 (or HK\$95,880,000) would represent a price-earning ratio of approximately 2.05 times for the year ending 31 December 2005. The Directors consider that this low price-earning ratio can withstand any unexpected decline in profits in the remaining periods of 2005 when compared with the result of the 1st quarter of 2005. The Directors also consider that the Shouqin Joint Venture has commenced production and with the planned increase in production capacity, the future prospect of the Shouqin Joint Venture is positive. The consideration for the First Acquisition will be satisfied in the following manner:

- (a) an amount of RMB11,000,000 (or HK\$10,546,800), representing 11% of the consideration payable by Central Pro to Profit Access under the First Acquisition, will be paid to Profit Access at the First Standnew Completion;

- (b) an amount of RMB40,000,000 (or HK\$38,352,000), representing 40% of the consideration payable by Central Pro to Profit Access under the First Acquisition, will be satisfied by the issue of the Profit Access Consideration Shares by the Company to Profit Access at the First Standnew Completion, credited as fully paid, at the issue price of HK\$0.66 per Share, which was determined by the parties after arm's length negotiation on normal commercial terms and having taking into reference the average closing price of the Shares for the 10 business days (as defined in the Listing Rules ) from the date of the First Agreement. The issue price of HK\$0.66 per Share represents a discount of approximately 7% on the closing price per Share of HK\$0.71 on 5 August 2005 or a premium of approximately 65% over the unaudited net assets value per Share of approximately of HK\$0.40 as at 31 March 2005 or a premium of approximately 0.9% over the average closing price of the Shares for the 10 business days (as defined in the Listing Rules) of HK\$0.654 prior to and including the date of the First Agreement. Accordingly, the Directors (including the independent non-executive Directors) are of the view that the issue price for the Profit Access Consideration Shares is fair and reasonable so far as the Company and the Shareholders are concerned; and
- (c) the balance of RMB49,000,000 (or HK\$46,981,200), representing 49% of the consideration payable by Central Pro to Profit Access under the First Acquisition, will be paid to Profit Access at the Second Standnew Completion.

The Profit Access Consideration Shares (58,109,090 Shares) represent approximately 1.25% of the Company's existing issued share capital or approximately 1.24% of the Company's enlarged issued share capital after the First Standnew Completion, and has a market value of approximately HK\$41,257,454, based on the closing price of HK\$0.71 per Share on 5 August 2005. The Profit Access Consideration Shares will rank parri passu with the Shares of the Company in issue. There is no restriction on any subsequent sale of the Profit Access Consideration Shares. The cash consideration in the amount of RMB60,000,000 (or HK\$57,528,000) will be funded by internal resources and borrowing of the Group.

### **Conditions**

Completion of the First Acquisition is conditional upon fulfillment of the following conditions:

- (1) Shougang Holding, the holding company of the Company, which in turn is the holding company of Central Pro, having granted a written approval to the Company in respect of the First Acquisition pursuant to Rule 14.44 of the Listing Rules and the Stock Exchange having accepted the written approval issued by Shougang Holding in lieu of a resolution to be passed at an extraordinary general meeting of the Company in respect of the First Acquisition or the approval by the Shareholders at an extraordinary general meeting of the Company to approve the First Acquisition;
- (2) completion of the transfer by Profit Access of the 10% interest in the Shouqin Joint Venture currently held by Profit Access to Standnew; and
- (3) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the Profit Access Consideration Shares.

If the conditions set out above are not fulfilled by 31 December 2005, or such later date as may be agreed by the parties, the First Agreement will terminate and cease to be of any effect.

## **Completion**

The First Standnew Completion will take place on the next Business Day following the satisfaction of the conditions set out in the First Agreement and the Second Standnew Completion will take place on the Second Standnew Completion Date. At the First Standnew Completion, Profit Access will transfer 51 shares in Standnew, representing 51% of the issued share capital in Standnew, to Central Pro. The balance of 49 shares in Standnew, representing 49% of the issued share capital of Standnew, will be transferred by Profit Access to Central Pro at the Second Standnew Completion. The two completions are the result of arm's length negotiations between the parties and the Directors consider that it provides flexibility to the Company and is in the interest of the Company and the Shareholders as a whole. In the event that Central Pro fails to pay the consideration in accordance with the schedule set out in the First Agreement, completion will not take place and the Vendors will be entitled to claim damages against the Company.

## **THE SECOND ACQUISITION**

**Date of the Second Agreement:** 5 August 2005

### **Parties to the Second Agreement**

**Purchaser:** Central Pro;

**Vendors:** The First Vendor. The First Vendor is a merchant. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the First Vendor is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

The Second Vendor. The Second Vendor is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Second Vendor and its ultimate beneficial owner is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

The Third Vendor. The Third Vendor is an investment holding company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the third Vendor and its ultimate beneficial owner is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates.

To the best of the Directors' knowledge, information and belief, the First Vendor, the Second Vendor and the Third Vendor are business partners.

### **The Second Acquisition**

Pursuant to the Second Agreement, Central Pro will acquire from the First Vendor, the Second Vendor and the Third Vendor, the entire issued share capital in Welcen, which is interested in 35% of the registered capital of the Shouqin Joint Venture. Such interest in Welcen will not be subject to any restrictions on disposal. Other than its interest in the Shouqin Joint Venture, Welcen has no other assets. Welcen had outstanding shareholders' loans in the aggregate amount of HK\$171,590,000 as at 15 July 2005, which the Vendors have warranted that such loans would be fully repaid and discharged prior to the First Welcen Completion. In the event that such shareholders' loans are not repaid or discharged prior to the First Welcen

Completion, Central Pro may claim damages against the Vendors for their breach of the warranty. From the unaudited accounts provided by Welcen, save for the shareholders' loans, Welcen has no other liabilities. The Vendors in the Second Acquisition have also provided a warranty to Central Pro that Welcen has no other liabilities other than the shareholders' loans.

### **Consideration**

The consideration for the Second Acquisition is RMB367,500,000 (or HK\$352,359,000), which is determined after arm's length negotiation on normal commercial terms and by reference to the unaudited profits of the Shouqin Joint Venture for the first three months of 2005 in the amount of approximately RMB121,781,500 (approximately HK\$116,764,100). Assuming that the profits for 2005 would be in proportion to the unaudited profits of the Shouqin Joint Venture for the 1st quarter of 2005, the profit of the Shouqin Joint Venture would be RMB487,126,000 (approximately HK\$467,056,400) and the consideration of RMB367,500,000 (or HK\$352,359,000) would represent a price-earning ratio of approximately 2.16 times for the year ending 31 December 2005. The Directors consider that this low price-earning ratio can withstand any unexpected decline in profits in the remaining periods of 2005 when compared with the result of the 1st quarter of 2005. The Directors also consider that the Shouqin Joint Venture has commenced production and with the planned increase in production capacity, the future prospect of the Shouqin Joint Venture is positive. The consideration for the Second Acquisition will be satisfied in the following manner:

- (a) an amount of RMB40,425,000 (or HK\$38,759,490), representing 11% of the consideration of the Second Acquisition will be paid to the First Vendor in the amount of RMB15,361,500 (or HK\$14,728,606.20), the Second Vendor in the amount of RMB14,957,250 (or HK\$14,341,011.30) and the Third Vendor in the amount of RMB10,106,250 (or HK\$9,689,872.50), which is in proportion to their equity interests in Welcen at the First Welcen Completion;
- (b) an amount of RMB147,000,000 (or HK\$140,943,600), representing 40% of the consideration payable by Central Pro to the Vendors under the Second Acquisition, will be satisfied by the issue of the First Consideration Shares, the Second Consideration Shares and the Third Consideration Shares by the Company to the First Vendor, the Second Vendor, and the Third Vendor, respectively, at the First Welcen Completion, credited as fully paid, at the issue price of HK\$0.66 per Share, which was determined by the parties after arm's length negotiation on normal commercial terms and having taking into reference the average closing price of the Shares for the 10 business days (as defined in the Listing Rules ) from the date of the Second Agreement. The issue price of HK\$0.66 per Share represents a discount of approximately 7% on the closing price per Share of HK\$0.71 on 5 August 2005 or a premium of approximately 65% over the unaudited net assets value per Share of approximately HK\$0.40 as at 31 March 2005 or a premium of approximately 0.9% over the average closing price of the Shares for the 10 business days (as defined in the Listing Rules) of HK\$0.654 per Share prior to and including the date of the Second Agreement. Accordingly, the Directors (including the independent non-executive Directors) are of the view that the issue price for the First Consideration Shares, the Second Consideration Shares and the Third Consideration Shares is fair and reasonable so far as the Company and the Shareholders are concerned; and

- (c) the balance of RMB180,075,000 (or HK\$172,655,910), representing 49% of the consideration payable by Central Pro to the Vendors under the Second Acquisition, will be paid to the First Vendor in the amount of RMB68,428,500 (or HK\$65,609,245.80), the Second Vendor in the amount of RMB66,627,750 (or HK\$63,882,686.70) and the Third Vendor in the amount of RMB45,018,750 (or HK\$43,163,977.50), which is in proportion to their equity interests in Welcen at the Second Welcen Completion.

The consideration for the Second Acquisition is approximately 5% higher than that of the First Acquisition for the reason that Welcen is entitled to nominate 2 directors to the board of the Shouqin Joint Venture under the terms of the contract governing the Shouqin Joint Venture. These 2 additional appointments, together with the existing right of the Company to appoint 3 directors to the board of the Shouqin Joint Venture, will give the Company control over the board of the Shouqin Joint Venture.

The total of the First Consideration Shares (81,149,346 Shares), the Second Consideration Shares (79,013,836 Shares) and the Third Consideration Shares (53,387,727 Shares) represent approximately 4.6% of the Company's existing issued share capital or 4.39% of the Company's enlarged issued share capital after the First Welcen Completion and has an aggregate market value of approximately HK\$151,621,145, based on the closing price of HK\$0.71 per Shares on 5 August 2005. The First Consideration Shares, the Second Consideration Shares and the Third Consideration Shares will rank pari passu with the Shares of the Company in issue. There is no restriction on any subsequent sale of the First Consideration Shares, the Second Consideration Shares or the Third Consideration Shares. The total cash consideration in the amount of RMB220,500,000 (or HK\$211,415,400) will be funded by internal resources and borrowing of the Group.

### **Conditions**

Completion of the Second Acquisition is conditional upon fulfillment of the following conditions:

- (1) Shougang Holding, the holding company of the Company, which in turn is the holding company of Central Pro, having granted a written approval to the Company in respect of the Second Acquisition pursuant to Rule 14.44 of the Listing Rules and the Stock Exchange having accepted the written approval issued by Shougang Holding in lieu of a resolution to be passed at an extraordinary general meeting of the Company in respect of the Second Acquisition or the approval by the Shareholders at an extraordinary general meeting of the Company to approve the Second Acquisition; and
- (2) the Listing Committee of the Stock Exchange having granted the listing of and the permission to deal in the First Consideration Shares, the Second Consideration Shares and the Third Consideration Shares.

If the conditions set out above are not fulfilled by 31 December 2005, or such later date as may be agreed by the parties, the Second Agreement will terminate and cease to be of any effect.

### **Completion**

The First Welcen Completion will take place on the next Business Day following the satisfaction of the conditions set out in the Second Agreement and the Second Welcen Completion will take place on the Second Welcen Completion Date. At the First Welcen Completion, the Vendors will simultaneously transfer an aggregate of 51,000,000 shares in Welcen, representing 51% of the issued share capital in

Welcen, to Central Pro. The balance of 49,000,000 shares in Welcen, representing 49% in the issued share capital of Welcen, will be transferred by the Vendors simultaneously to Central Pro at the Second Welcen Completion. The two completions are the result of arm's length negotiations between the parties and the Directors consider it provides flexibility to the Company and is in the interest of the Company and the Shareholders as a whole. In the event that Central Pro fails to pay the consideration in accordance with the schedule set out in the Second Agreement, completion will not take place and the Vendors will be entitled to claim damages against the Company.

The First Acquisition and the Second Acquisition are not inter-conditional and are independent from each other.

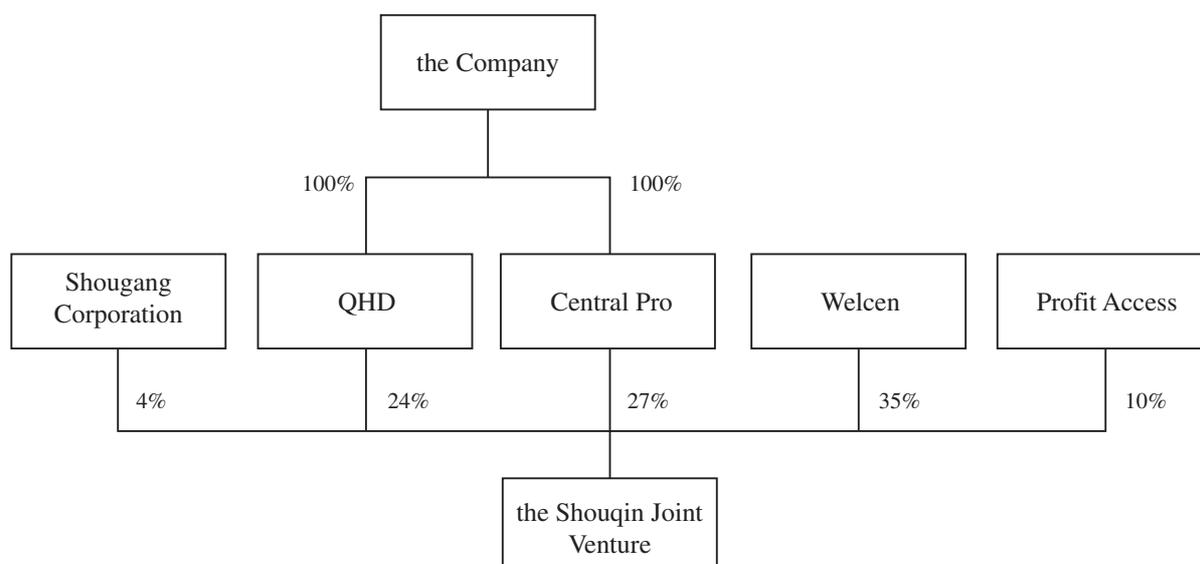
## THE SHOUQIN JOINT VENTURE

### Business

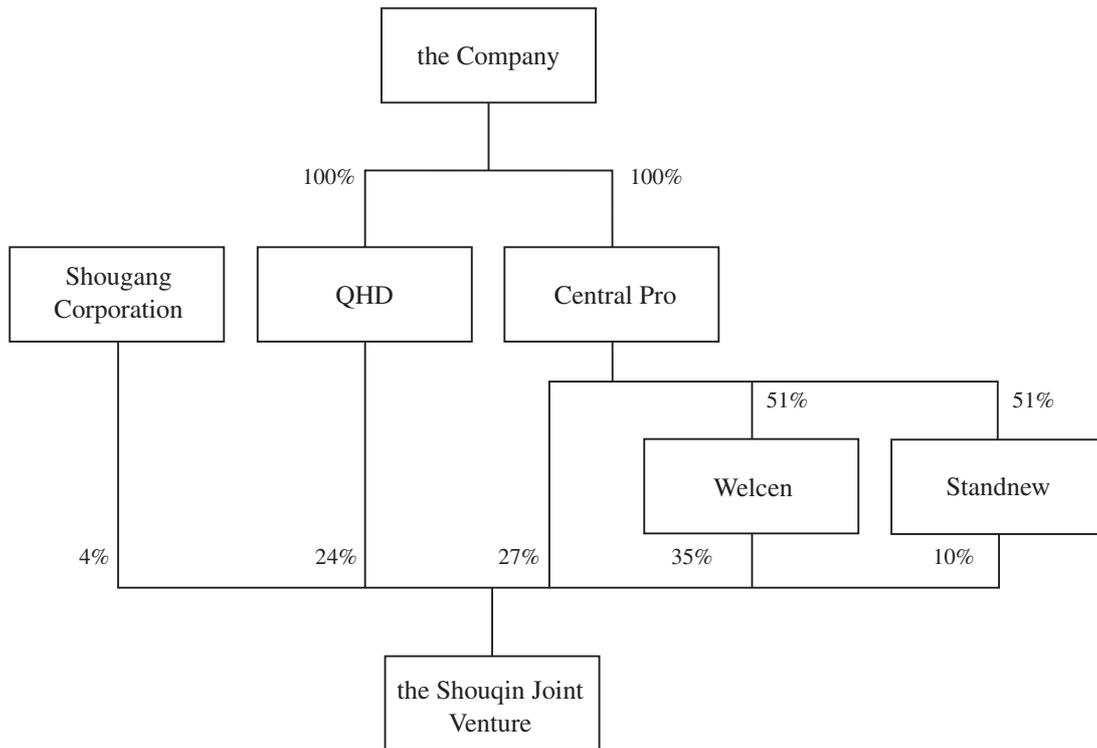
The Shouqin Joint Venture is a Sino-foreign equity joint venture established in the PRC in March 2003 and is engaged in the design, manufacture and sale of steel products, its related processed products and by-products. The Shouqin Joint Venture commenced production in July 2004 and is producing high-quality steel slabs, approximately 75% to 80% of which are supplied to QHD with the rest being exported to mainly Korea and Japan. The Shouqin Joint Venture plans to expand its production capacity for steel slabs from 470,000 tonnes in 2004 to 2,600,000 tonnes in 2007. It also plans to commence production of steel plates in 2006. According to the information that has been incorporated into the audited financial statements of the Company in accordance with the Hong Kong GAAP, the turnover and net profit of the Shouqin Joint Venture for the year ended 31 December 2004 were RMB1,463,921,470 (approximately HK\$1,403,607,905) and RMB58,274,369 (approximately HK\$55,873,465), respectively. As at 31 December 2004, the net assets value of the Shouqin Joint Venture was RMB608,274,369 (approximately HK\$583,213,465).

### Capital Structure

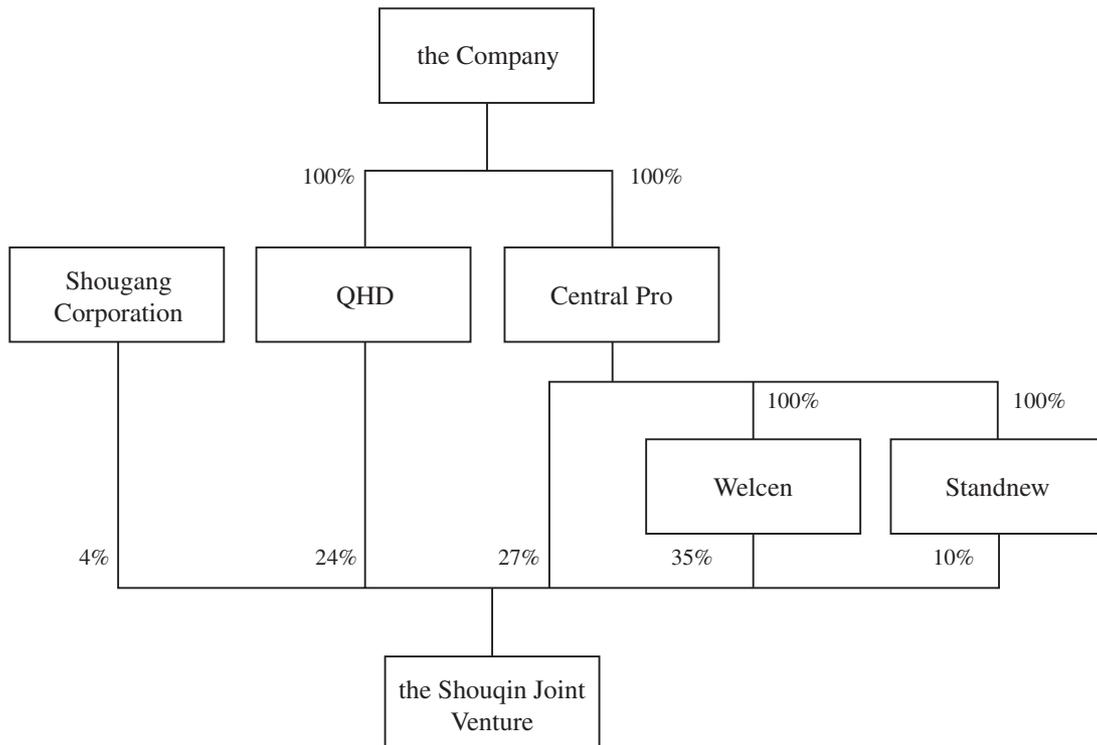
As at the date of this announcement, the registered capital of the Shouqin Joint Venture is RMB550,000,000 and its shareholding is as follows:



Upon the First Standnew Completion and the First Welcen Completion, the shareholding structure of the Shouqin Joint Venture will be as follows:



Upon the Second Standnew Completion and the Second Welcen Completion, the shareholding structure of the Shouqin Joint Venture will be as follows:



### Board of Directors of the Shouqin Joint Venture

The board of directors of the Shouqin Joint Venture comprises 7 directors. Each of Central Pro and Welcen has the right to appoint 2 directors and each of Shougang Corporation, QHD and Standnew has the right to appoint 1 director. Following the First Welcen Completion and the First Standnew Completion, the Group will have the right to appoint 6 directors out of the 7-member board of the Shouqin Joint Venture.

## **Treatment of the Shouqin Joint Venture in the accounts of the Company**

Currently, the Company only has the right to appoint 3 out of the 7 directors of the Shouqin Joint Venture and does not control the board of the Shouqin Joint Venture. Accordingly, the Shouqin Joint Venture is not accounted for as a subsidiary of the Company. Upon the First Welcen Completion, the Company will be interested in 68.85% of the Shouqin Joint Venture and has the right to appoint 2 additional directors to the board of the Shouqin Joint Venture. These 2 new appointments, together with the existing right of the Company to appoint 3 directors to the board of the Shouqin Joint Venture, will give the Company control over the board of the Shouqin Joint Venture. Accordingly, upon the First Welcen Completion, the Shouqin Joint Venture will be accounted for as a subsidiary of the Group.

## **Reason for the Acquisitions**

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

The Acquisitions represent an attractive opportunity for the Company to increase its interest in and further consolidate its control over the Shouqin Joint Venture. As the Shouqin Joint Venture has commenced production in July 2004, the Directors believes that the further investment in the Shouqin Joint Venture can further enhance the Group's position in the manufacture and sale of steel products in the PRC and enable the Group to further extend its market presence. Taking into account of the positive result recorded for the first quarter of 2005 for the Shouqin Joint Venture, the planned increase in the production capacity for steel slabs, the planned commencement of production of steel plates in 2006 and the increased interest in the Shouqin Joint Venture upon completion of the Acquisitions, it is expected that the earnings of the Group will be enhanced through contributions from the Shouqin Joint Venture. Further disclosure on the financial impacts to the Group as a result of the Acquisitions will be made in the circular to be despatched to the Shareholders.

The Directors (including the independent non-executive Directors) consider that the Acquisitions have been made on normal commercial terms and after arm's length negotiations. The terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisitions are in the interest of the Company and the Shareholders.

## **CONTINUING CONNECTED TRANSACTIONS**

### **The Master Agreement**

Date: 5 August 2005

Parties: Shouqin Joint Venture  
Shougang Corporation

Subject: Pursuant to the Master Agreement, Shougang Corporation will, and will procure its associates, to provide raw materials, materials, fuel, equipment and services to the Shouqin Joint Venture, principally in the following areas:

- (a) Raw materials: including ore powders and iron ores;
- (b) Materials: including steel materials, wire-rods, flame durable bricks and flame durable materials;

- (c) Fuel: including coal and coking coal;
- (d) Equipment: including various types of equipment for the production of steel products; and
- (e) Services: including repair and maintenance services.

**Term:** The Master Agreement has a fixed 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) a comparable market price, or (2) if no comparable market price can be taken as a reference, by agreement between the parties based on reasonable principle.

**Condition:** The Master Agreement is subject to the First Welcen Completion and approval by the Independent Shareholders.

Upon the First Welcen Completion, the Company will have the right to appoint 2 additional directors to the board of the Shouqin Joint Venture in addition to the existing right of the Company to appoint 3 directors to the board of the Shouqin Joint Venture. Such additional appointments will give the Company control over the board of the Shouqin Joint Venture and the accounts of the Shouqin Joint Venture will then be accounted for as a subsidiary of the Group. As Shougang Corporation is a connected person of the Company, transactions between Shougang Corporation and/or its associates and the Shouqin Joint Venture will become connected transactions for the Company upon the First Welcen Completion.

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 the following cap amounts:

- 2005: HK\$2,600 million;
- 2006: HK\$4,800 million; and
- 2007: HK\$6,000 million.

The cap amounts are determined with reference to the historical transaction amounts between Shougang Corporation and/or its associates and the Shouqin Joint Venture and the anticipated business growth of the Shouqin Joint Venture as a result of the Shouqin Joint Venture attaining normal production capacity for steel slabs and the commencement of production of steel plates in 2006. The 30% increase in purchases between 2006 and 2007 is in line with the increase in the production capacity of steel slabs. The historical transaction amounts between Shougang Corporation and/or its associates and the Shouqin Joint Venture for the year ended 31 December 2004 and the estimate transaction amounts for the three financial years ended 31 December 2007 based on the assumption that production capacity of the Shouqin Joint Venture has been fully utilised are set out below:

	For the 6 months from July to December 2004	For the 6 months from January to June 2005	2005 (whole year estimated)	2006 (estimated)	2007 (estimated)
<b>Capacity</b>	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Steel slabs	470,000	523,173	1,053,173	2,000,000	2,600,000
Steel plates				400,000	1,700,000
<b>Purchases</b>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials for steel slabs	909,396	1,164,900	2,344,990	4,460,000	5,799,800
Raw materials and oil for steel plates	–	–	–	33,400	140,000
Equipment	82,540	3,130	75,730	127,400	–
Services	12,160	13,340	26,620	40,940	50,520
<b>Total:</b>	<u>1,004,096</u>	<u>1,181,400</u>	<u>2,447,340</u>	<u>4,661,740</u>	<u>5,990,320</u>

The current installed capacity of the Shouqin Joint Venture has been fully utilized.

Owing to the anticipated completion of the installation of the equipment and machinery for the Shouqin Joint Venture in 2006, the Company has no current plan to purchase any significant plant and machinery from Shougang Corporation and/or its associates in 2007.

### **Reasons for the Continuing Connected Transactions**

The Directors consider that the Continuing Connected Transactions are of the types that are entered into in the ordinary and usual course of business of the Shouqin Joint Venture 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 (including the independent non-executive Directors) are of the view that the Master Agreement will be beneficial to the Shareholders and the Group as a whole.

### **Relationship with Shougang Corporation**

Upon the First Welcen Completion, the Company will through Welcen have the right to nominate two additional directors to the board of the Shouqin Joint Venture and thus can control the board of the Shouqin Joint Venture. As a result, the Shouqin Joint Venture will be accounted for as a subsidiary of the Group and its accounts will be consolidated into the accounts of the Group. Shougang Corporation is the holding company of Shougang Holding which in turn is a substantial shareholder of the Company. Accordingly, transactions between the Shouqin Joint Venture and Shougang Corporation and/or its associates will constitute connected transactions of the Company under the Listing Rules. As the

annual amount of the Continuing Connected Transactions is expected to exceed the 2.5% threshold provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the requirements of reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The Directors (including the independent non-executive 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 and the terms 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 for a period of three financial years ending 31 December 2007 on terms in compliance with Rules 14A.37 to 14A.41 of the Listing Rules.

## **GENERAL**

As at the date of this announcement, Profit Access is interested as to 10% of the registered capital of the Shouqin Joint Venture and Welcen is interested as to 35% of the registered capital of the Shouqin Joint Venture. As such, the Vendors and Profit Access are considered to be connected persons by the Stock Exchange under the Listing Rules. The Group is beneficially interested as to 51% of the Shouqin Joint Venture. At completion of the Acquisitions, the Group will be beneficially interested in 96% of the Shouqin Joint Venture.

The Acquisitions constitute major and connected transactions for the Company under the Listing Rules. The Acquisitions and the issue of the Consideration shares as part payment of the consideration for the Acquisitions are subject to the approval by Shareholders at a general meeting of the Company at which no Shareholders are required to abstain from voting. Shougang Holding, which holds 59.7% of the Shares in issue as at the date of this announcement, has indicated that it will vote in favour of the Acquisitions and the issue of the Consideration Shares as part payment of the consideration for the Acquisitions at the Extraordinary General Meeting.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Acquisitions and the Continuing Connected Transactions.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Acquisitions and the Master Agreement and the relevant cap amounts of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. The vote of the Shareholders to be taken at the Extraordinary General Meeting for the approval of the Acquisitions, the Master Agreement and the relevant cap amounts of the Continuing Connected Transactions shall be taken by poll pursuant to the Listing Rules.

A circular containing, amongst others, details of the First Acquisition and the Second Acquisition, the Continuing Connected Transactions and the proposed annual cap amounts for the Continuing Connected Transactions together with the

advice from the Independent Board Committee and the advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the notice for the Extraordinary General Meeting to approve the Acquisitions and the Continuing Connected Transactions and the related annual cap amounts will be sent to the Shareholders as soon as practicable.

The Consideration Shares (271,659,999 Shares) represent approximately 5.85% of the existing issued ordinary share capital of the Company as at the date hereof and approximately 5.52% of the issued ordinary share capital of the Company, as enlarged by the issue of the Consideration Shares.

According to the register kept by the Company under Section 336 of the Securities and Futures Ordinance, the following companies were interested in 5% or more in the Shares or underlying Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance:

<b>Name of Shareholder</b>	<b>Interests in Shares before the Acquisitions</b>	<b>%</b>	<b>Interests in Shares after the Acquisitions</b>	<b>%</b>
Shougang Holding and its associates	2,776,824,686	59.76	2,776,824,686	56.46
Cheung Kong (Holdings) Limited ("Cheung Kong") and its associates	455,401,955	9.80	455,401,955	9.26

The shareholdings of the Vendors and Profit Access and the other public Shareholders are as follows:

<b>Name of Shareholder</b>	<b>Interests in Shares before the Acquisitions</b>	<b>%</b>	<b>Interests in Shares after the Acquisitions</b>	<b>%</b>
Profit Access	–	–	58,109,090	1.18
First Vendor	–	–	81,149,346	1.65
Second Vendor	–	–	79,013,836	1.61
Third Vendor	–	–	53,387,727	1.09
Other public Shareholders	1,414,024,574	30.44	1,414,024,574	28.75
Total (without taking into account the interests of Shougang Holding, Cheung Kong and their respective associates)	1,414,024,574	30.44	1,685,684,573	34.28
Total (together with the interests of Shougang Holding, Cheung Kong and their respective associates)	4,646,251,215	100.00	4,917,911,214	100.00

*Note:* The interests of Profit Access, the First Vendor, the Second Vendor and the Third Vendor are limited to the Consideration Shares only.

Following completion of the First Acquisition and the Second Acquisition, Profit Access will be interested in approximately 1.18% of the enlarged issued share capital of the Company and each of the First Vendor, the Second Vendor and the Third Vendor will be interested in approximately 1.65%, 1.61% and 1.09% of the enlarged issued share capital of the Company, respectively. Pursuant to the Securities and Futures Ordinance, none of Profit Access, the First Vendor, the Second Vendor or the Third Vendor will be required to disclose their interests in the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance on the basis of the Consideration Shares alone. The Consideration Shares will rank pari passu with the Shares 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.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 8 August 2005, 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 11 August 2005.

## **DEFINITIONS**

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

“Acquisitions”	the First Acquisition and the Second Acquisition;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of directors of the Company;
“Business Day”	a day (excluding Saturday) on which banks are generally open for business in Hong Kong;
“Central Pro”	Central Pro Investments Limited, a company incorporated in Samoa and a wholly owned subsidiary of the Company;
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong, the securities of which are listed on the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration Shares”	the Profit Access Consideration Shares, the First Consideration Shares, the Second Consideration Shares and the Third Consideration Shares;
“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 to approve the Acquisitions and the Continuing Connected Transactions;
“First Acquisition”	the acquisition by Central Pro of the entire issued share capital of Standnew;
“First Agreement”	the agreement dated 6 August 2005 entered into by and between Central Pro and Profit Access for the First Acquisition;
“First Consideration Shares”	81,149,346 new Shares proposed to be allotted and issued to the First Vendor as part of the consideration of the Second Acquisition;
“First Vendor”	Mr. Guo Fengshan, who is interested in 38% of the issued share capital of Welcen, is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates;
“First Standnew Completion”	the completion of the transfer of the 51% interest in Standnew to Central Pro pursuant to the First Agreement;
“First Welcen Completion”	the completion of the transfer of the 51% interest in Welcen to Central Pro pursuant to the Second Agreement;
“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”	the committee of the Directors comprising the independent non-executive Directors formed to advise the Independent Shareholders in respect of the Acquisitions and 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 agreement entered into between the Shouqin Joint Venture and Shougang Corporation on 5 August 2005;
“PRC”	the People’s Republic of China;
“Profit Access”	Profit Access Investments Limited, an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates, and currently a shareholder of the Shouqin Joint Venture;
“Profit Access Consideration Shares”	58,109,090 new Shares proposed to be allotted and issued to Profit Access as part of the consideration of the First Acquisition;
“QHD”	Qinhuangdao Shougang Plate Mill Co., Ltd., a wholly owned subsidiary of the Company incorporated in the PRC;
“RMB”	Renminbi, the lawful currency of the People’s Republic of China;
“Second Acquisition”	the acquisition by Central Pro of the entire issued share capital of Welcen;
“Second Agreement”	the agreement dated 5 August 2005 entered into by and between Central Pro and the Vendors for the Second Acquisition;
“Second Consideration Shares”	79,013,836 new Shares proposed to be allotted and issued to the Second Vendor as part of the consideration of the Second Acquisition;
“Second Standnew Completion”	the completion of the transfer of the remaining 49% interest in Standnew to Central Pro pursuant to the First Agreement;
“Second Standnew Completion Date”	31 October 2005 or such other later date as Profit Access and Central Pro may agree in writing;
“Second Welcen Completion”	the completion of the transfer of the remaining 49% interest in Welcen to Central Pro pursuant to the Second Agreement;
“Second Welcen Completion Date”	31 October 2005 or such other later date as the Vendors and Central Pro may agree in writing;

“Second Vendor”	Silver Plus Development Limited, which is interested in 37% of the issued share capital of Welcen, is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates;
“Shareholder(s)”	holder(s) of Shares;
“Shares”	ordinary shares of HK\$0.20 each in the share capital of the Company;
“Shougang Corporation”	Shougang Corporation, a state-owned enterprise established in the PRC and is the beneficial owner of the entire issued capital of Shougang Holding;
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong and is a substantial shareholder of the Company;
“Shouqin Joint Venture”	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;
“Standnew”	Standnew Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Profit Access;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Third Consideration Shares”	53,387,727 new Shares proposed to be allotted and issued to the Third Vendor as part of the consideration of the Second Acquisition;
“Third Vendor”	Middle Asia Limited, which is interested in 25% of the issued share capital of Welcen, is an independent third party not connected with the Company or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates;
“Vendors”	the First Vendor, the Second Vendor and the Third Vendor;

“Welcen”

Hong Kong – Canada Welcen Kingsway International Investments (Holdings) Limited, an independent third party and a 35% shareholder of the Shouqin Joint Venture and is currently owned as to 38% by the First Vendor, as to 37% by the Second Vendor and as to 25% by the Third Vendor;

“%”

per cent.

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at RMB1 = HK\$0.9588.

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

Hong Kong, 10 August 2005

*As at the date of this announcement, the board of directors of the Company comprises 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).*

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