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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

The Board announces that on 3 January 2006, Shouqin and Shougang Corporation entered into the Master Agreement. Shouqin is a Sino-foreign joint venture enterprise established in the PRC and is owned as to 96% by the Company and as to 4% by Shougang Corporation. Shougang Corporation is also the holding company of Shougang Holding which in turn is a substantial shareholder of the Company. Accordingly, transactions between Shouqin 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 reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Shougang Holding and its associates will abstain from voting in the extraordinary general meeting to be convened for the approval of the Continuing Connected Transactions.

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 relevant cap amounts in relation to 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 and the Continuing Connected Transactions 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 as soon as practicable.

THE MASTER AGREEMENT

Date: 3 January 2006

Parties: Shouqin
Shougang Corporation

Subject: Pursuant to the Master Agreement, Shouqin will supply to Shougang Corporation and/or its associates steel products (principally steel slabs and steel plates) and other related products.

Term:	The Master Agreement has a fixed term of three financial years ending on 31 December 2008 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) by agreement between the parties based on prices no less favourable to third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.
Condition:	The Master Agreement is subject to approval by the Independent Shareholders.
Payment:	Payments for the Continuing Connected Transactions shall be at credit terms to be agreed between the parties in accordance with the normal term of supplies Shouqin offered to third parties. In the event that Shougang Corporation failed to settle any payments for the Continuing Connected Transactions when they become due, Shougang Corporation would be in breach of the Master Agreement and will be obliged to compensate Shouqin for any losses or damages incurred as a result.

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 2008 will not exceed the following cap amounts:

	2006	2007	2008
Anticipated sales to Shougang Corporation:			
Steel slabs (<i>tonnes</i>)	430,000	480,000	480,000
Steel plates (<i>tonnes</i>)	70,000	400,000	400,000
Cap amounts for the Continuing Connected Transactions (<i>HK\$'000</i>)	1,500,000	2,800,000	2,800,000

There were irregular transactions of a similar nature between Shouqin and Shougang Corporation prior to 21 October 2005 and no separate ledger for sales of steel products to Shougang Corporation and/or its associates has been kept, as transactions prior to 21 October 2005 were not considered connected transactions of the Company under the Listing Rules.

The cap amounts are determined with reference to the anticipated future sales of steel products by Shouqin to Shougang Corporation and/or its associates for the three financial years ending 31 December 2008, on the assumption that Shouqin would sell the steel products in the quantities set out in the table above to Shougang Corporation and/or its associates during the relevant period. Such quantities have been agreed between Shouqin and Shougang Corporation on an arm's length basis by reference to the production capacity of Shouqin and the anticipated demands of Shougang Corporation and/or its associates based on the current selling prices of approximately HK\$2,500 per ton for steel slabs and approximately HK\$3,000 per ton for steel plates plus a buffer of approximately 17% for future price fluctuation. The current selling prices of HK\$2,500 per ton of steel slabs and HK\$3,000 per ton of steel plates are based on the open market prices for steel slabs and steel plates, respectively. The buffer of 17% was determined by reference to the mid-point of fluctuation in the selling prices for steel products of Shouqin during 2005, which was approximately 34%.

Shougang Corporation is one of the largest steel producers in the PRC. The increase in sales to Shougang Corporation and/or its associates between 2006, 2007 and 2008 is due to the (1) anticipated increase in production of steel slabs and steel plates by Shouqin in 2007 as detailed in the paragraph below, and/or (2) the anticipated increase in demand by Shougang Corporation as building materials for its establishment of new production plants in the PRC. In respect of steel slabs, it is estimated that after deduction of self consumption and sales to Qinhuangdao Shougang Plate Mill Co., Ltd., a wholly-owned subsidiary of the Group, approximately 30% of the balance will be sold on the open market and approximately 70% will be sold to Shougang Corporation and/or its associates. The estimation is made with reference to the current market condition for the demand of steel slabs. Steel slabs are raw materials for the production of steel plates and only steel mills would have demands for such raw materials. Having taken into account of the current market condition that many integrated steel manufacturers produce steel slabs by themselves and based on the experience of Shouqin that there is quite a limited market for steel slabs, it is expected that the balance of steel slabs will be mostly sold to Shougang Corporation and/or its associates. The Company considers that it is in the interest of the Shareholders as a whole if the Company can secure stable demand for steel slabs in the future. In respect of steel plates, the increase in sales to Shougang Corporation and/or its associates is due to the anticipated increase in demand in steel plates by Shougang Corporation for use as building materials in its establishment of two new major production plants in the PRC, the production capacities of which would amount to approximately 9 million and 4 million tonnes per annum respectively. Further information regarding the consideration for the Continuing Connected Transactions will be disclosed in the circular to be despatched to the Shareholders.

The current annual production capacity of Shouqin is approximately 1,000,000 tonnes of steel slabs and has been fully utilized. As disclosed in the circular of the Company dated 30 September 2005, the installation of new equipment and machinery for the production of steel slabs at Shouqin is expected to be completed in mid 2006 and will increase the production capacity for steel slabs in Shouqin from approximately 1,000,000 tonnes to 2,000,000 tonnes in 2006 and approximately 2,600,000 tonnes from 2007 onwards. The installation of equipment and machinery for steel plates production is expected to be completed in September 2006 and will bring the production capacity of steel plates at Shouqin from zero to approximately 400,000 tonnes in 2006 and approximately 1,700,000 tonnes from 2007 onwards. The Company anticipated that during 2006, when the production of steel plates will begin in the third quarter, only a limited amount of steel plates will be sold to Shougang Corporation and/or its associates. The Company anticipated that when production of steel plates in Shouqin reaches its capacity in 2007, more steel plates will be made available to Shougang Corporation and/or its associates. The Company therefore anticipated that the sales of steel plates to Shougang Corporation and/or its associates will increase from the initiate 70,000 tonnes in 2006, when the production of steel plates will commence in the third quarter, to 400,000 tonnes in 2007.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

Shouqin is principally engaged in the manufacture and sale of steel products, steel related processed products and by-products. It commenced production in July 2004 and is producing high-quality steel slabs. As Shougang Corporation is one of the largest steel producers in the PRC, the Directors consider that the Continuing Connected Transactions are in the interest of the Shareholders because it would guarantee regular sales to one of the largest steel companies in the PRC.

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 Shouqin 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.

Shouqin is a Sino-foreign joint venture enterprise established in the PRC and is owned as to 96% by the Company and as to 4% 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 Shouqin and Shougang Corporation and/or its associates will constitute connected transactions of the Company under the Listing Rules. Shougang Holding and its associates will abstain from voting in the extraordinary general meeting to be convened for the approval of the Continuing Connected Transactions.

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, 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. The Directors (including the independent non-executive 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 proposed cap amounts in relation to the Continuing Connected Transactions for a period of three financial years ending 31 December 2008 on terms in compliance with Rules 14A.37 to 14A.41 of the Listing Rules.

GENERAL

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. As at the date of this announcement, Shougang Holding and its associates are beneficially interested as to approximately 58% of the issued share capital of 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 adviser will be appointed to advise the independent board committee in respect of the terms of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions.

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 and the relevant cap amounts in relation to the Continuing Connected Transactions where Shougang Corporation, Shougang Holding and their associates will abstain from voting. A circular containing, amongst others, further information on the Master Agreement and the relevant cap amounts in relation to 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 as soon as practicable.

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
“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
“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 Master Agreement and the relevant cap amounts 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 other than Shougang Holding and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the master agreement entered into between Shouqin and Shougang Corporation on 3 January 2006
“PRC”	the People’s Republic of China
“Shareholders”	holders of the shares of the Company
“Shougang Corporation”	Shougang Corporation, a state-owned enterprise in the PRC and the holding company of the entire interest 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
“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 established in the PRC and is a 96% owned subsidiary 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

Hong Kong, 10 January 2006

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. 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 in South China Morning Post - Classified.