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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)

**DISCLOSEABLE TRANSACTIONS  
HEADS OF AGREEMENT ENTERED INTO  
WITH MOUNT GIBSON IRON LIMITED**

The Board is pleased to announce that on 31 October 2008, Mount Gibson and the Company entered into a Heads of Agreement pursuant to which Mount Gibson and the Company will negotiate in good faith and use reasonable endeavours to agree and enter into definitive Offtake Agreements, a definitive Underwriting Agreement and a definitive Subscription Agreement.

Pursuant to the Heads of Agreement, the Company and Mount Gibson will enter into the Offtake Agreements under which Mount Gibson will sell certain iron ore produced by it to the Company. It is also proposed that the Company will act as one of the underwriters for the Rights Issue to be conducted by Mount Gibson and the Company will underwrite up to a maximum of 50,000,000 shares offered under the Rights Issue. Following the Rights Issue, the Company will also subscribe for 110,000,000 shares in Mount Gibson.

The Transactions are each conditional upon the fulfillment of their respective conditions disclosed under the sections headed "Offtake Agreements", "Underwriting Agreement" and "Subscription Agreement" below. The Underwriting and the Subscription will constitute discloseable transactions for the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to the Underwriting Agreement and the Subscription Agreement will be despatched to the Shareholders as soon as practicable.

**HEADS OF AGREEMENT**

**Date:** 31 October 2008

**Parties:**

- (1) Mount Gibson; and
- (2) the Company

Mount Gibson is a public company incorporated in Australia, the ordinary shares of which are quoted on the ASX. Mount Gibson owns and operates 3 mines in the Midwest region of Western Australia. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Mount Gibson is not a connected person of the Company within the meanings of the Listing Rules

and is thus considered to be independent of the Company and the connected persons of the Company within the meanings of the Listing Rules.

### **The Transactions**

Pursuant to the Heads of Agreement, Mount Gibson and the Company will negotiate in good faith and use reasonable endeavours to agree and enter into definitive Offtake Agreements, a definitive Underwriting Agreement and a definitive Subscription Agreement.

### **Offtake Agreements**

Pursuant to the Heads of Agreement, the Company (or any related body corporate designated by the Company) and the relevant Mount Gibson subsidiaries will enter into a series of Offtake Agreements under which Mount Gibson will sell certain Ore from the Mines to the Company up to the life of the relevant Mines. The Offtake Agreements with terms commencing from 1 January 2009 or thereafter will be subject to approval by the Mount Gibson Shareholders and are inter-conditional with the Subscription Agreement.

### **Reasons for the Offtake Agreements**

Mount Gibson owns and operates the 3 Mtpa Tallering Peak iron ore mine in the Midwest region of Western Australia, and the 4 Mtpa (target) Koolan Island iron ore mine just off the Kimberley coast of Western Australia. It also owns the Extension Hill Direct Shipping Ore (DSO) Hematite Project in the Mount Gibson Range in Western Australia. The Board believes that the Offtake Agreements would secure a long-term and stable source of supply of raw materials for the Group's steel manufacturing operation. The offtake is to be carried out in the ordinary course of business of the Company and will be on normal commercial terms.

### **Underwriting Agreement**

Mount Gibson will conduct a 1 for 5 renounceable rights issue to its existing shareholders at an issue price of AUD0.60 per share, to raise approximately AUD97 million. Pursuant to the Heads of Agreement, the Company will act as one of the underwriters and will underwrite up to a maximum of 50,000,000 shares offered under the Rights Issue and not taken up by the Mount Gibson Shareholders.

The Rights Shares to be underwritten by the Company represents approximately 6.2% of the existing issued share capital of Mount Gibson and approximately 5.2% of the issued share capital of Mount Gibson as enlarged by the Rights Issue.

### **Conditions of the Underwriting Agreement**

The Underwriting Agreement will be subject to, among others, the following conditions:

- (a) the Company having received approval from the FIRB under the Foreign Acquisitions and Takeovers Act 1975 for the underwriting of a maximum of 50,000,000 shares in Mount Gibson offered under the Rights Issue; and
- (b) approval by the Mount Gibson Shareholders.

### **Underwriting Commission**

The fee payable to the Company for underwriting up to a maximum of 50,000,000 shares under the Rights Issue will be 3.5% of the aggregate value of up to the 50,000,000 Rights Shares that are underwritten by the Company.

## **Subscription Agreement**

Pursuant to the Heads of Agreement, Mount Gibson has agreed to conduct a placement of 110,000,000 shares to the Company (or its nominee) following completion of the Rights Issue. The subscription price will be AUD0.60 per share and was determined after arm's length negotiations with reference to the subscription price for the Rights Shares under the Rights Issue and represents a premium of 48% to the closing price of the shares of Mount Gibson of AUD0.405 on 22 October 2008, the last trading date immediately prior to the date of execution of the Heads of Agreement, and a premium of 27% to the 5-day average closing price of the shares of Mount Gibson of AUD0.472 up to 22 October 2008, or a discount of approximately 19% to the net asset value of Mount Gibson of AUD0.74 per share as at 30 June 2008.

The Subscription Shares represent (a) 13.7% of the existing issued share capital of Mount Gibson, (b) 11.4% of the issued share capital of Mount Gibson as enlarged by the Rights Issue, and (c) 10.2% of the issued share capital of Mount Gibson as enlarged by the Rights Issue and the Subscription.

## **Conditions of the Subscription Agreement**

The Subscription will be subject to, among others, the following conditions:

- (a) the Company having received approval from the FIRB under the Foreign Acquisitions and Takeovers Act 1975 for the Subscription;
- (b) approval by the Mount Gibson Shareholders; and
- (c) Mount Gibson Shareholders approval having been obtained for the Offtake Agreements with terms commencing from 1 January 2009 or thereafter.

Completion of the Subscription Agreement and the execution of the Offtake Agreements and its approval by the Mount Gibson Shareholders with terms commencing from 1 January 2009 or thereafter is inter-conditional.

## **The Company's interest in Mount Gibson**

The Company is not currently interested in any shares of Mount Gibson. Assuming that the Company will take up all the Rights Shares that it will underwrite in the Rights Issue, the Company will be interested in 160,000,000 shares of Mount Gibson upon completion of the Rights Issue and the Subscription, representing approximately 14.9% of the issued share capital of Mount Gibson as enlarged by the Rights Issue and the Subscription. The aggregate consideration for the subscription of the Rights Shares (assuming the Company will subscribe for 50,000,000 shares offered under the Rights Issue) and the Subscription Shares would be AUD96 million (equivalent to approximately HK\$508,800,000 and will be satisfied by the internal resources of the Company).

The investment in Mount Gibson by the Company will be classified as investment in associates in the accounts of the Company. A brief summary of the financial information of Mount Gibson, extracted from the 2008 Annual Report of Mount Gibson is set out below:

	<b>For the year ended 30 June 2008 AUD'000</b>	<b>For the year ended 30 June 2007 AUD'000</b>
Consolidated profits before tax	163,857	42,253
Consolidated profits after tax	113,344	29,044

The audited consolidated total asset and net asset of Mount Gibson as at 30 June 2008 were approximately AUD894,037,000 and AUD596,492,000.

### **Mount Gibson board representation**

Following the execution of the Offtake Agreements, completion of the Rights Issue and completion of the Subscription, Mount Gibson will procure the appointment of a nominee of the Company to the board of directors of Mount Gibson within 5 business days of such nomination.

### **Reasons for the Underwriting and Subscription**

The Group is principally engaged in the manufacture, sale and trading of steel products and shipping operations. In order to strengthen the Group's position in the manufacture and sale of steel products in the PRC, the Board believes that the investment in Mount Gibson, which holds mining tenements to iron ore, is in the interest of the Shareholders as it would secure a long-term and stable source of supply of raw materials for the Group's steel manufacturing operation.

The Directors (including the independent non-executive Directors) consider that the Transactions have been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the entering into of the Heads of Agreement is in the interest of the Company and the Shareholders as a whole.

### **GENERAL**

The Underwriting and the Subscription constitute discloseable transactions for the Company under Rule 14.06 of the Listing Rules. A circular containing, amongst other things, further details relating to the Underwriting Agreement and the Subscription Agreement will be despatched to the Shareholders as soon as practicable.

### **DEFINITIONS**

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

“AUD”	Australian dollar, the lawful currency of Australia;
“associates”	has the meaning ascribed thereto under the Listing Rules;
“ASX”	the Australian Securities Exchange;
“Board”	the board of directors of the Company;
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“FIRB”	Foreign Investment Review Board of Australia;

“Group”	the Company and its subsidiaries;
“Heads of Agreement”	the legally binding heads of agreement entered into between the Company and Mount Gibson on 31 October 2008 in relation to the Transactions;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mines”	the mines owned by Mount Gibson at the date of execution of the Heads of Agreement, being Koolan Island, Talling Peak and Extension Hill in Western Australia;
“Mount Gibson”	Mount Gibson Iron Limited, a company incorporated in Australia, the ordinary shares of which are quoted on the ASX;
“Mount Gibson Shareholders”	shareholders of Mount Gibson;
“Mtpa”	million tonnes per annum;
“Offtake Agreement(s)”	the offtake agreement(s) to be entered into between the Company (or any related body corporate designated by the Company) and Mount Gibson or its subsidiaries under which Mount Gibson agrees to sell ore produced by it to the Company (or any related body corporate designated by the Company);
“Ore”	lump and fines iron ore product;
“PRC”	the People's Republic of China;
“Rights Issue”	the proposed renounceable rights issue of 1 Rights Share for every 5 existing fully paid ordinary shares of Mount Gibson;
“Rights Share(s)”	the Mount Gibson shares to be issued pursuant to the Rights Issue;
“Share(s)”	fully paid ordinary share(s) in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of 110,000,000 new fully paid ordinary shares in the share capital of Mount Gibson by the Company pursuant to the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement in relation to the Subscription to be entered into between Mount Gibson and the Company;
“Subscription Shares”	the 110,000,000 new fully paid ordinary shares in the share capital of Mount Gibson to be issued to the Company by Mount Gibson pursuant to the Subscription;

“Transactions”	the transactions contemplated under the Offtake Agreements, the Underwriting Agreement and the Subscription Agreement
“Underwriting”	the underwriting by the Company of up to a maximum of 50,000,000 fully paid ordinary shares in Mount Gibson not taken up by Mount Gibson Shareholders in the Rights Issue pursuant to the terms and conditions of the Underwriting Agreement;
“Underwriting Agreement”	the underwriting agreement to be entered into between Mount Gibson and the Company in relation to the Underwriting;
“%”	per cent.

*For illustration purposes, amounts in AUD in this announcement have been translated into HK\$ at AUD1 = HK\$5.3.*

By Order of the Board of  
**SHOUGANG CONCORD INTERNATIONAL  
ENTERPRISES COMPANY LIMITED**  
**Cao Zhong**  
*Managing Director*

Hong Kong, 4 November 2008

*As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Managing Director), Mr. Chen Zhouping (Deputy Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Luo Zhenyu (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond (Non-executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).*