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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 4 December 2013, the Company entered into the Master Agreement with Shougang Corporation in respect of the Continuing Connected Transactions. Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, the transactions between the Group and Shougang Corporation and/or its associates under the Master Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios in respect of the Continuing Connected Transactions on an annual basis are more than 5%, the Continuing Connected Transactions are subject to the reporting, announcement, the Independent Shareholders' approval and annual review requirements under Rule 14A.35 of the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Master Agreement. Optima Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement and the cap amounts in relation to the Continuing Connected Transactions under the Master Agreement.

Shougang Holding and its associates will abstain from voting for the resolution to be proposed at the Extraordinary General Meeting to approve the Master Agreement and the cap amounts in relation to the Continuing Connected Transactions.

A circular containing, amongst others, further information on the Master Agreement and the cap amounts in relation to the Continuing Connected Transactions, the advices of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions, and the notice of the Extraordinary General Meeting will be despatched to the Shareholders on or around 9 December 2013.

THE MASTER AGREEMENT

Date: 4 December 2013

Parties: The Company
Shougang Corporation

Subject: Pursuant to the Master Agreement, Shougang Corporation and/or its associates will provide raw materials, materials, fuel, energy, equipment, spare parts, steel products, leasing and services to the Group (the “**Purchases**”) and the Group will provide raw materials, scrap materials, steel products, leasing and services to Shougang Corporation and/or its associates (the “**Sales**”).

In the past few years, purchases from Shougang Corporation and its associates pursuant to the Existing Master Agreement include primarily iron ore and coke, which are essential raw materials for steel production, and steel production and related equipments, together with their parts and components, furnaces, boilers, and services including inspection and maintenance services, labour services, sampling charges, warehousing services and other related services.

In the past few years, sales to Shougang Corporation and its associates pursuant to the Existing Master Agreement include primarily steel slabs, steel plates and pellets produced by the Group, together with wastes and scraps.

Cap amounts: The cap amounts of the Purchases and the Sales for each of the three financial years ending 31 December 2016 will be as follows:

	2014	2015	2016
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Cap amount for the Purchases	16,800	18,700	21,000
Cap amount for the Sales	18,000	20,800	24,100

In determining the annual caps for the Sales, the Company has taken into consideration the Group’s maximum annual production capacity, the increased proportion of sales of products to Shougang Corporation and its associates, and the quantity of iron ore that may possibly be sold to Shougang Corporation and its associates by the Group procured from its offtake arrangement with Mount Gibson Iron Limited. The annual caps for the Purchases on the other hand have taken into consideration the maximum annual production capacity of the Group, the historical ratio for raw material usage per tonne of product output, and the increased proportion of purchases of materials from Shougang Corporation and its associates. The projected proportion of sales and purchases to/from Shougang Corporation and its associates were estimated with reference to

(i) the historical proportion of sales and purchases to/from Shougang Corporation and its associates; and (ii) the anticipated increase in demand from Shougang Corporation and its associates as a result of the possible recovery of the steel industry. In determining the assumptions in estimating the annual caps, for prudent purpose, the Company uses the Group's maximum annual production capacity given that there is possibility that it will be fully utilised.

The Company has also considered the possible recovery of demand for raw materials after the steel industry in the PRC underwent a downturn during the previous years. The Company has anticipated increase in the price of raw materials and the selling price of steel products as a result of the anticipated increase in demand. For the purpose of determining the annual caps for the year ending 31 December 2014, the Company has adopted the average sales or purchases price of the products or raw materials for the first half of year 2013, plus a 3% to 20% buffer for possible price increment for different types of products or raw materials. For the years ending 31 December 2015 and 31 December 2016, further buffer for possible price increment ranging from 6% to 16% are provided for on top of the projected price in the preceding year. The setting of the annual increment of the projected price is by reference to the historical price fluctuation of products and raw materials in recent years.

Given that the Continuing Connected Transactions are mainly transacted in Renminbi whereas the caps as well as the financial statements of the Group are denominated in Hong Kong dollar, the effect of exchange rate fluctuation in Renminbi against the Hong Kong dollar is relevant to the determination of the annual caps. The annual caps in the Master Agreement have provided for the anticipated appreciation of Renminbi against the Hong Kong dollar with an anticipated compound annual growth rate of approximately 2.6%, which was set based on the historical trend of the exchange rate of Renminbi against the Hong Kong dollar in recent years.

In the view of the Directors, the proposed cap amounts are fair and reasonable.

Term: The Master Agreement has a fixed term of three financial years ending on 31 December 2016.

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

Price: The basis of determining the prices for the Continuing Connected Transactions will be in accordance with: (1) comparable market price; or (2) if no comparable market price can be taken as a reference, a price reasonably agreed between the parties on normal commercial terms and such price should be no less favourable to the Company than that available to/from (as appropriate) independent third parties.

In determining the prices for the Purchases, the Group will obtain information of the transaction prices of similar products in the market by

making enquiry with industry players and conducting researches on industry websites to determine the reference prices, which will then be compared against the prices quoted by Shougang Corporation and its associates to ensure that prices for the Purchases will be no less favourable to the Company than that available from independent suppliers. The prices of the key items for the Purchases and the Sales are available highly transparent in the open market. In the unlikely event that no comparable market price can be taken, experts in the Group with sufficient industry experience could opine on the fairness and reasonableness of the price by reference to the comparable price and/or historical transaction price of the most similar items to ensure that the price would be fair and reasonable to the Group and no less favourable to the Company than that available to/from (as appropriate) independent third parties.

The Group has a standard pricing policy for its sales which is applicable to all customers. In setting or revising the pricing for the products, market prices are obtained through, among other things, recent transaction prices of the Group in the market, enquiry with industry players and researches on industry websites. The prices for the Sales to be charged by the Group to Shougang Corporation and its associates will be determined in accordance with such pricing policy and will not be less favourable than the price of similar products and services provided by the Group to independent customers.

To ensure that the actual selling/purchase prices for the transactions under the Master Agreement will be no less favourable to the Group than that available to or from independent third parties, the Company will conduct regular checkings on a monthly basis to review and assess whether the Continuing Connected Transactions have been entered into in accordance with the terms of the Master Agreement. In addition, the auditors of the Company will be engaged to review the Continuing Connected Transactions to assess whether the Continuing Connected Transactions have been carried out in accordance with the pricing policies of the Company.

Terms of Payment: Terms of payments for the Continuing Connected Transactions shall be on normal commercial terms and customary terms, which will be no less favourable to the Company than those available to/from independent third parties.

REASONS FOR ENTERING INTO OF THE MASTER AGREEMENT

On 11 November 2010, the Company and Shougang Corporation entered into the Existing Master Agreement in respect of the Purchases and the Sales for a fixed term of three financial years ending 31 December 2013. The cap amounts of the transactions contemplated under the Existing Master Agreement for each of the three financial years ending 31 December 2013 are as follows:

	For the year ended 31 December 2011 <i>HK\$ million</i>	For the year ended 31 December 2012 <i>HK\$ million</i>	For the year ending 31 December 2013 <i>HK\$ million</i>
Cap amount for the Purchases	24,100	25,400	27,900
Cap amount for the Sales	23,200	30,100	33,400

The actual amounts of the transactions contemplated under the Existing Master Agreement for the two financial years ended 31 December 2011 and 31 December 2012 and for the six months ended 30 June 2013 are as follows:

	For the year ended 31 December 2011 <i>HK\$ million</i>	For the year ended 31 December 2012 <i>HK\$ million</i>	For the six months ended 30 June 2013 <i>HK\$ million</i>
Actual amount of the Purchases	11,384	9,572	3,854
Actual amount of the Sales	4,997	3,458	937

Details of the Existing Master Agreement were disclosed in the circular of the Company dated 1 December 2010 and the Existing Master Agreement was approved by the then independent shareholders of the Company at the extraordinary general meeting held on 17 December 2010. As the Existing Master Agreement is due to expire on 31 December 2013, the Company has entered into the Master Agreement for governing the Continuing Connected Transactions.

The Company, through its subsidiaries, is engaged in the production, sale and trading of steel slabs, steel products, steel related processed products and by-products and will need to purchase raw materials and materials to satisfy its production requirements. As Shougang Corporation is one of the largest steel producers in the PRC, the Continuing Connected Transactions would guarantee a stable source of supply of raw materials, materials and related products from, and regular sales of materials and steel products to, one of the largest steel companies in the PRC. Accordingly, the Directors consider that the Continuing Connected Transactions with Shougang Corporation are in the ordinary and usual course of business of the Group, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The Group is principally engaged in the manufacture and sale of steel products, commodity trading and mineral exploration. As at the date of this announcement, Shougang Holding and its associates are beneficially interested as to approximately 47.78% of the issued share capital of the Company and is entitled to exercise control over approximately 47.78% of the voting rights in the Company.

Shougang Corporation is principally engaged in the manufacture and sale of steel products. Shougang Corporation is the holding company of Shougang Holding which in turn is the controlling shareholder of the Company. Accordingly, the transactions between the Group and

Shougang Corporation and/or its associates under the Master Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Mr. Li Shaofeng, Mr. Zhang Wenhui and Mr. Chen Zhouping, all Directors, are also directors of Shougang Holding. Each of Mr. Li Shaofeng, Mr. Zhang Wenhui and Mr. Chen Zhouping has abstained from voting for the Board resolution for approving the Master Agreement. The remaining Directors present at the Board meeting for approving the Master Agreement are of the view that the terms of the Master Agreement are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

As the applicable percentage ratios in respect of the Continuing Connected Transactions on an annual basis are more than 5%, the Continuing Connected Transactions are subject to the reporting, announcement, the Independent Shareholders' approval and annual review requirements under Rule 14A.35 of the Listing Rules.

The Company will seek the approval by the Independent Shareholders of the Master Agreement and the proposed cap amounts in relation to the Continuing Connected Transactions under the Master Agreement.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Master Agreement. Optima Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement and the cap amounts in relation to the Continuing Connected Transactions under the Master Agreement.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting will be convened at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Master Agreement and the cap amounts in relation to the Continuing Connected Transactions. Shougang Holding and its associates, who are interested in approximately 47.78% of the issued share capital of the Company, will abstain from voting for the resolution(s) to be proposed at the Extraordinary General Meeting to approve the Master Agreement and the cap amounts in relation to the Continuing Connected Transactions on a vote by way of poll. A circular containing, amongst others, further information on the Master Agreement and the cap amounts in relation to the Continuing Connected Transactions, the advices of the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions, and the notice of the Extraordinary General Meeting will be despatched to the Shareholders on or around 9 December 2013.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed 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
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Agreement”	the master agreement entered into between the Company and Shougang Corporation on 11 November 2010
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to approve the Master Agreement and the 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 Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on 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 master agreement entered into between the Company and Shougang Corporation on 4 December 2013 in respect of the Continuing Connected Transactions
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“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 the

controlling shareholder of the Company
“Stock Exchange” The Stock Exchange of Hong Kong Limited
“%” per cent.

By Order of the Board
**Shougang Concord International
Enterprises Company Limited**
Li Shaofeng
Managing Director

Hong Kong, 4 December 2013

As at the date of this announcement, the Board comprises Mr. Xu Ning (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Chen Zhouping (Non-executive 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).