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# **SHOUGANG CONCORD CENTURY HOLDINGS LIMITED**

## **首長寶佳集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

### **CONNECTED TRANSACTION**

#### **PROPOSED SUBSCRIPTION OF NEW SHARES AND APPLICATION FOR WHITEWASH WAIVER AND PROPOSED PLACEMENT OF NEW SHARES**

The Board is pleased to announce that the Subscription Agreement and the Placing Agreement were entered into on 6 May 2003. Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Subscription Shares at HK\$0.315 each. Pursuant to the Placing Agreement, the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed, on a fully-underwritten basis, to procure independent placee(s) to subscribe for the Placing Shares at HK\$0.315 each. The Placing Agreement is conditional upon the completion of the Subscription Agreement. Further details of the respective conditions of the Subscription Agreement and the Placing Agreement are set out in the sections headed “Conditions of the Subscription Agreement” and “Conditions of the Placing Agreement” below.

The Subscription Shares represent approximately 16.6 per cent. of the existing issued share capital of the Company and approximately 14.2 per cent. of the issued share capital of the Company as enlarged by the Proposed SHHK Subscription and approximately 13.3 per cent. of the issued share capital of the Company as enlarged by the Proposed SHHK Subscription and the Proposed Placement. The Placing Shares represent approximately 8.3 per cent. of the existing issued share capital of the Company and approximately 6.6 per cent. of the issued share capital of the Company as enlarged by the Proposed SHHK Subscription and the Proposed Placement.

The Company intends to apply the net proceeds of approximately HK\$57.3 million from the Proposed SHHK Subscription and the Proposed Placement for its investment in Jiaying Eastern and for general corporate and working capital requirements of the Group, further details of which are set out in the section headed “Reasons for the Proposed SHHK Subscription and the Proposed Placement, and the use of proceeds” below.

As at the date of this announcement, Shougang HK is interested in approximately 39.2 per cent. of the existing issued share capital of Shougang International which in turn is interested in approximately 36.6 per cent. of the existing issued share capital of the Company. Accordingly, the Proposed SHHK Subscription is deemed to be a connected transaction for the Company under the Listing Rules, and therefore is subject to, amongst other things, the approval by the Independent Shareholders at the Extraordinary General Meeting.

Under Rule 26 of the Takeovers Code, Shougang HK and Shougang International (together referred to as the “Concert Parties”) would be obliged to make a mandatory general offer to acquire all the Shares other than those already owned by the Concert Parties upon completion of the Subscription Agreement as their aggregate shareholding interest in the Company will increase by more than 2 per cent. within a 12-month period as a result of the Proposed SHHK Subscription. The Concert Parties will make an application to the Executive to apply for the Whitewash Waiver, the granting of which will be subject to the approval by the Independent Shareholders on votes taken by way of a poll. During the six-month period immediately preceding the date of this announcement, there were no dealings in the shares, share options and other securities of the Company by the Concert Parties and their respective parties acting in concert, save and except that on 12 March 2003 the Company granted 3,060,000 share options to Mr. Leung Shun Sang, Tony, a director of Shougang International and hence a party acting in concert with Shougang International (with exercise price at HK\$0.325 and exercise period from 12 March 2003 to 11 March 2013).

A document containing, amongst other things, further details of the Proposed SHHK Subscription, the application for the Whitewash Waiver, the recommendation of the independent board committee of the Company and the advice of the independent financial adviser to the independent board committee of the Company in respect of the Proposed SHHK Subscription and the application for the Whitewash Waiver will be despatched to the Shareholders as soon as practicable and in compliance with the requirements under the Takeovers Code.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7 May 2003, 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 with effect from 9:30 a.m. on 9 May 2003.

## **INTRODUCTION**

The Board is pleased to announce that the Subscription Agreement and the Placing Agreement were entered into on 6 May 2003.

## **PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT**

The principal terms and conditions of the Subscription Agreement were arrived at after arm's length negotiation between the parties involved and are summarised below:

Date of the Subscription Agreement: 6 May 2003

Agreement:

Subscriber: Shougang HK and/or its nominee(s)

Issuer: The Company

Number of Subscription Shares: The 126,984,000 new Shares to be issued under the Subscription Agreement represent approximately 16.6 per cent. of the existing issued share capital of the Company and approximately 14.2 per cent. of the issued share capital of the Company as enlarged by the Proposed SHHK Subscription and approximately 13.3 per cent. of the issued share capital of the Company as enlarged by the Proposed SHHK Subscription and the Proposed Placement

Subscription Price: HK\$0.315 per Share, representing approximately 8.7 per cent. discount to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on 6 May 2003, the date of the Subscription Agreement, a discount of approximately 6.8 per cent. to the average closing price of approximately HK\$0.338 per Share over the last five consecutive trading days up to and including 6 May 2003 and a discount of approximately 5.1 per cent. to the average closing price of approximately HK\$0.332 per Share over the last ten consecutive trading days up to and including 6 May 2003

Ranking of the Subscription Shares: The Subscription Shares, when fully paid, will rank pari passu in all respects with the existing Shares in issue as at the date of the issue of the Subscription Shares

Lock-up period: The Subscriber has undertaken to the Company that it will not sell or otherwise dispose of any of the Subscription Shares on or before the date which is six months after the completion of the Subscription Agreement

## **CONDITIONS OF THE SUBSCRIPTION AGREEMENT**

Completion of the Subscription Agreement will be conditional upon the following conditions being satisfied on or before 15 July 2003 (or such other time and date as the Company and the Subscriber may agree in writing):

- (a) the passing of an ordinary resolution by the Independent Shareholders for the issuance of the Subscription Shares under the Subscription Agreement at the Extraordinary General Meeting by way of a poll;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares to be allotted and issued under the Subscription Agreement;
- (c) the obtaining by all parties concerned of all necessary consents, approvals or waivers to effect the signing and completion of the Subscription Agreement;
- (d) the granting of the Whitewash Waiver by the Executive; and
- (e) the approval of the granting of the Whitewash Waiver by the Independent Shareholders at the Extraordinary General Meeting by way of a poll.

An application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares. Completion of the Subscription Agreement shall take place on or before the third Business Day following the date on which all the conditions precedents are fulfilled. Under the Subscription Agreement, none of the aforesaid conditions can be waived, and the Subscription Agreement will lapse if the aforesaid conditions are not satisfied on or before 15 July 2003 (or such other time and date as the Company and the Subscriber may agree in writing).

## PRINCIPAL TERMS OF THE PLACING AGREEMENT

The principal terms and conditions of the Placing Agreement were arrived at after arm's length negotiation between the parties involved and are summarised below:

Date of the Placing Agreement:	6 May 2003
Issuer:	The Company
Placing Agent:	CITIC Capital Markets Limited. The Placing Agent and its beneficial owner(s) are independent of and not connected with Shougang HK, Shougang International, the Company, their respective directors, chief executives or substantial shareholders or any of their subsidiaries or any of their respective associates (as defined in the Takeovers Code) or any parties acting in concert (as defined in the Takeovers Code) with any of them
Placee(s):	The Placing Agent will ensure that the placee(s) is/are independent of and not connected with Shougang HK, Shougang International, the Company, their respective directors, chief executives or substantial shareholders or any of their subsidiaries or any of their respective associates (as defined in the Takeovers Code) or any parties acting in concert (as defined in the Takeovers Code) with any of them
Number of Placing Shares:	The 63,492,000 new Shares to be issued under the Placing Agreement represent approximately 8.3 per cent. of the existing issued share capital of the Company and approximately 6.6 per cent. of the issued share capital of the Company as enlarged by the Proposed SHHK Subscription and the Proposed Placement
Placing Price:	HK\$0.315 per Share, which is the same as the Subscription Price
Ranking of the Placing Shares:	The Placing Shares, when fully paid, will rank pari passu in all respects with the existing Shares in issue as at the date of the issue of the Placing Shares
Mandate to issue the Placing Shares:	The Placing Shares are to be issued under the general mandate granted to the Board by the Shareholders pursuant to the resolution of the Shareholders passed at the last annual general meeting of the Company held on 7 June 2002

## CONDITIONS OF THE PLACING AGREEMENT

Completion of the Placing Agreement will be conditional upon the following conditions being satisfied on or before 15 July 2003 (or such other time and date as the Company and Placing Agent may agree in writing):

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares to be allotted and issued under the Placing Agreement; and
- the completion of the Subscription Agreement.

An application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Placing Shares. Completion of the Placing Agreement shall take place simultaneously with the Subscription Agreement which shall be on or before the third Business Day following the date on which all the conditions precedents are fulfilled.

## EFFECTS ON SHAREHOLDING OF THE COMPANY UPON COMPLETION

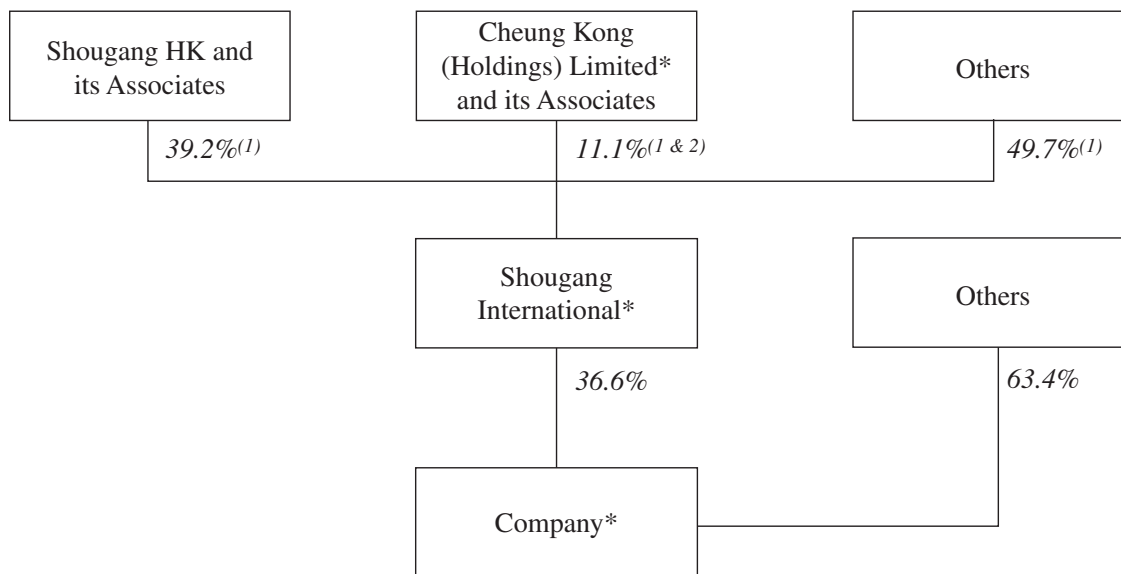
The following table shows the shareholding structures of the Company as at the date of this announcement and (a) upon completion of the Proposed SHHK Subscription; and (b) upon completion of the Proposed SHHK Subscription and the Proposed Placement, assuming none of the share options of the Company outstanding as at the date of this announcement have been exercised:

	As at the date of this announcement		Upon completion of the Proposed SHHK Subscription		Upon completion of the Proposed SHHK Subscription and the Proposed Placement	
	<i>Number of Shares held</i>	<i>%</i>	<i>Number of Shares held</i>	<i>%</i>	<i>Number of Shares held</i>	<i>%</i>
Shougang International	279,797,400	36.6	279,797,400	31.4	279,797,400	29.3
Shougang HK	–	–	126,984,000	14.2	126,984,000	13.3
Sub-total of Shougang International and Shougang HK	279,797,400	36.6	406,781,400	45.6	406,781,400	42.6
Others	485,574,600	63.4	485,574,600	54.4	549,066,600	57.4
Total <sup>(1)</sup>	<u>765,372,000</u>	<u>100.0</u>	<u>892,356,000</u>	<u>100.0</u>	<u>955,848,000</u>	<u>100.0</u>

- (1) There are a total of 76,524,000 share options of the Company outstanding as at the date of this announcement which were granted to directors, employees and consultants of the Company under the share option scheme of the Company dated 7 June 2002. These share options can be exercised into 76,524,000 Shares in aggregate. A total of 38,642,000 of these 76,524,000 share options are held by parties acting in concert with Shougang HK or Shougang International with exercise price ranging from HK\$0.295 (exercise period from 23 August 2002 to 22 August 2012) to HK\$0.325 (exercise period from 12 March 2003 to 11 March 2013). Out of the total of 38,642,000 share options held by the concert parties of Shougang HK or Shougang International as at the date of this announcement, Mr. Cao Zhong owns 7,652,000 share options, Mr. Chen Zhouping owns 7,652,000 share options, Ms. Xu Xianghua owns 7,652,000 share options, Mr. Li Shaofeng owns 7,652,000 share options, Mr. Leung Shun Sang, Tony owns 7,652,000 share options and Mr. Lai Kam Man owns 382,000 share options.

The following charts show the shareholding structures of the Company and Shougang International as at the date of this announcement and (a) upon completion of the Proposed SHHK Subscription; and (b) upon completion of the Proposed SHHK Subscription and the Proposed Placement, assuming none of the share options of the Company outstanding as at the date of this announcement have been exercised:

**Existing shareholding structure as at the date of this announcement**

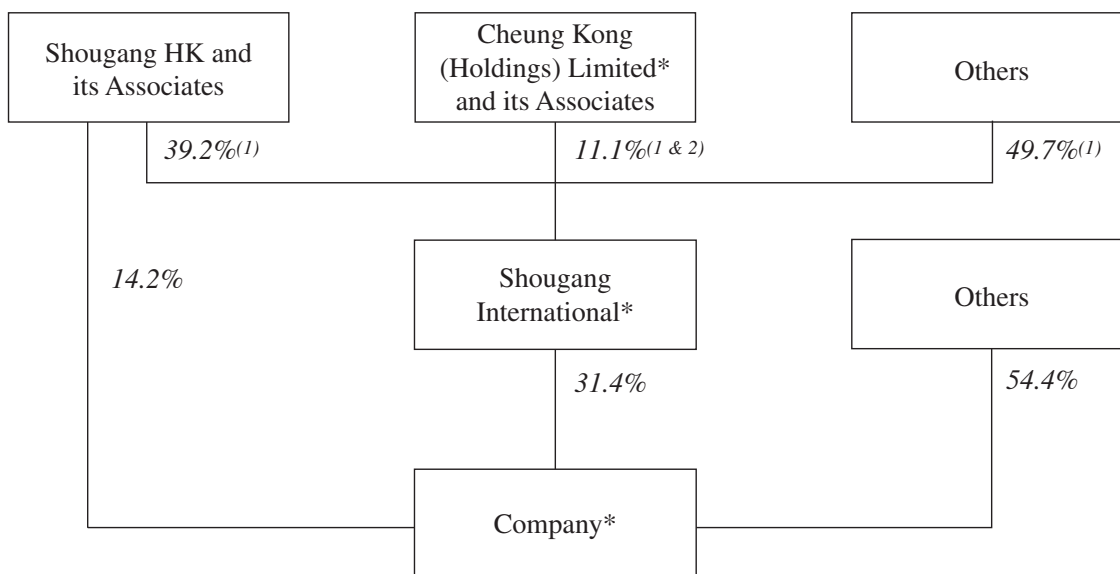


- (1) The shareholding interest in Shougang International held by Shougang HK and its Associates will be approximately 51.4 per cent. upon full conversion of the convertible note of Shougang International held by a wholly-owned subsidiary of Shougang HK, further details of which are set out in the shareholders' circular of Shougang International dated 17 May 2002.

- (2) This is the latest shareholding information of Cheung Kong (Holdings) Limited and its Associates as recorded in the register required to be kept by Shougang International under the Securities and Futures Ordinance.

\* Listed on the Stock Exchange

**Shareholding structure upon completion of the Proposed SHHK Subscription**

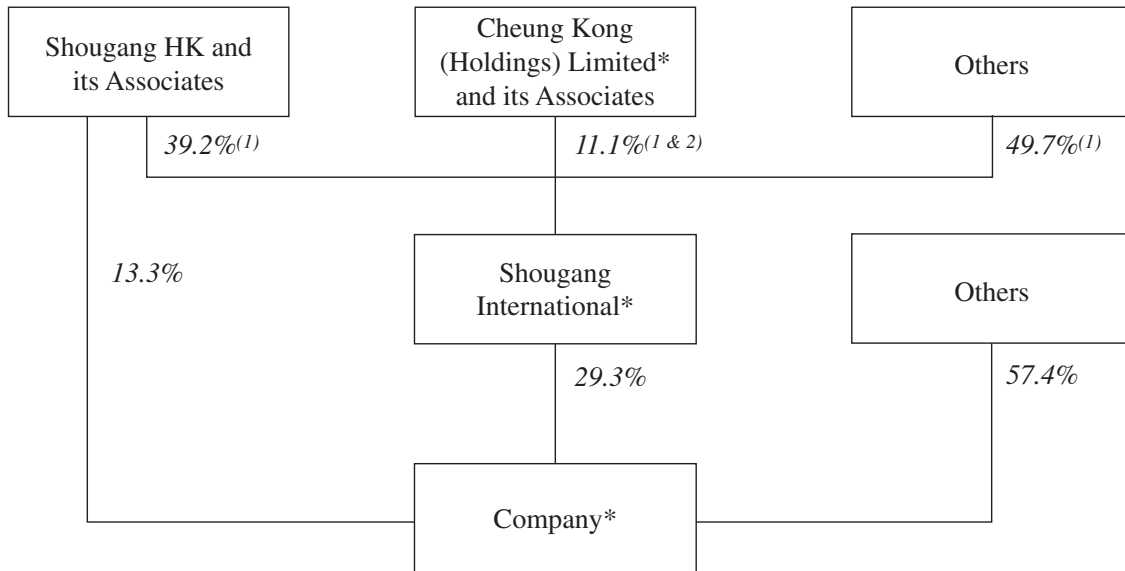


- (1) The shareholding interest in Shougang International held by Shougang HK and its Associates will be approximately 51.4 per cent. upon full conversion of the convertible note of Shougang International held by a wholly-owned subsidiary of Shougang HK, further details of which are set out in the shareholders' circular of Shougang International dated 17 May 2002.

- (2) This is the latest shareholding information of Cheung Kong (Holdings) Limited and its Associates as recorded in the register required to be kept by Shougang International under the Securities and Futures Ordinance.

\* Listed on the Stock Exchange

## Shareholding structure upon completion of the Proposed SHHK Subscription and the Proposed Placement



(1) The shareholding interest in Shougang International held by Shougang HK and its Associates will be approximately 51.4 per cent. upon full conversion of the convertible note of Shougang International held by a wholly-owned subsidiary of Shougang HK, further details of which are set out in the shareholders' circular of Shougang International dated 17 May 2002.

(2) This is the latest shareholding information of Cheung Kong (Holdings) Limited and its Associates as recorded in the register required to be kept by Shougang International under the Securities and Futures Ordinance.

\* Listed on the Stock Exchange

### REASONS FOR THE PROPOSED SHHK SUBSCRIPTION AND THE PROPOSED PLACEMENT, AND THE USE OF PROCEEDS

The principal activities of the Company and its subsidiaries include the manufacturing and sale of steel cord, processing and trading of copper and brass products and property investment. The Company intends to apply the net proceeds of approximately HK\$57.3 million from the Proposed SHHK Subscription and the Proposed Placement for its investment in Jiaxing Eastern, further details of which are set out below, and for general corporate and working capital requirements of the Group.

Jiaxing Eastern, a 71.8 per cent. owned subsidiary of the Company, is principally engaged in the manufacturing of steel cord in the PRC. Jiaxing Eastern recorded an audited operating profit of approximately HK\$74.8 million for the last financial year ended 31 December 2002, representing an increase of approximately 129.3 per cent. from the financial year ended 31 December 2001. The Board believes the strong economic growth in the PRC, specifically the rapid development of the domestic motor vehicles market and freeway and expressway network, will continue to boost the demand for radial tyres, and hence the demand for steel cord as steel cord is one of the raw materials required for the production of radial tyres. In view of this, the Group has planned to progressively expand the annual production capacity of Jiaxing Eastern in the coming three years to 30,000 tonnes from its existing annual production capacity of approximately 12,000 tonnes of steel cord. The total investment in this respect is expected to be in the region of approximately HK\$300-350 million of which approximately HK\$140 million is expected to be incurred in 2003. The Group intends to finance the investment in Jiaxing Eastern by the net proceeds from the Proposed SHHK Subscription and the Proposed Placement, and its internal working capital and bank loans.

### TAKEOVERS CODE IMPLICATIONS UPON COMPLETION OF THE PROPOSED SHHK SUBSCRIPTION

As at the date of this announcement, Shougang HK is interested in approximately 39.2 per cent. of the existing issued share capital of Shougang International which in turn is interested in approximately 36.6 per cent. of the existing issued share capital of the Company. Under Rule 26 of the Takeovers Code, Shougang HK and Shougang International (together referred to as the "Concert Parties") would be obliged to make a mandatory general offer to acquire all the Shares other than those already owned by the Concert Parties upon completion of the Subscription Agreement as their aggregate shareholding interest in the Company will increase by more than 2 per cent. within a 12-month period as a result of the completion of the Proposed SHHK Subscription. The Concert Parties will make an application to the Executive to apply for the Whitewash Waiver, the granting of which will be subject to the approval by the Independent Shareholders on votes taken by way of a poll. Shougang International will abstain from voting at the Extraordinary General Meeting in this respect. During the six-month period immediately preceding the date of this announcement, there were no dealings in the shares, share options and other securities of the Company by the Concert Parties and their respective parties acting in concert, save and except that on 12 March 2003 the Company granted 3,060,000 share options to Mr. Leung Shun Sang, Tony, a director of Shougang International and hence a party acting in concert with Shougang International (with exercise price at HK\$0.325 and exercise period from 12 March 2003 to 11 March 2013).

## GENERAL

As Shougang HK is interested in approximately 39.2 per cent. of the existing issued share capital of Shougang International which in turn is interested in approximately 36.6 per cent. of the existing issued share capital of the Company as at the date of this announcement, the Proposed SHHK Subscription is deemed to be a connected transaction for the Company under the Listing Rules, and therefore is subject to, amongst other things, the approval by the Independent Shareholders at the Extraordinary General Meeting.

An independent board committee of the Company will be established in connection with the Proposed SHHK Subscription and the Whitewash Waiver. An independent financial adviser will be appointed to advise the independent board committee of the Company in this respect.

A document containing, amongst other things, further details of the Proposed SHHK Subscription, the application for the Whitewash Waiver, the recommendation of the independent board committee of the Company and the advice of the independent financial adviser to the independent board committee of the Company in respect of the Proposed SHHK Subscription and the application for the Whitewash Waiver will be despatched to the Shareholders as soon as practicable and in compliance with the requirements under the Takeovers Code.

N M Rothschild & Sons (Hong Kong) Limited has been appointed as the financial adviser to the Company in respect of the Proposed SHHK Subscription and the Proposed Placement.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 7 May 2003, 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 with effect from 9:30 a.m. on 9 May 2003.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Director(s)
“Business Day(s)”	any day(s) (excluding a Saturday) on which banks in Hong Kong are opened for business throughout their normal business hours
“Company” or “Issuer”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Extraordinary General Meeting”	an extraordinary general meeting of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholder(s)”	the shareholder(s) of the Company other than those interested or involved in the Proposed SHHK Subscription and/or the application for the Whitewash Waiver (as the case may be)
“Jiaxing Eastern”	Jiaxing Eastern Steel Cord Co., Ltd., a 71.8 per cent. owned subsidiary of the Company
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing Agent”	CITIC Capital Markets Limited, a deemed licensed corporation with the Securities and Futures Commission under the Securities and Futures Ordinance
“Placing Agreement”	a conditional placing agreement dated 6 May 2003 entered into between the Company and the Placing Agent in connection with the Proposed Placement
“Placing Shares”	the 63,492,000 new Shares to be issued upon completion of the Proposed Placement
“PRC”	the People’s Republic of China
“Proposed SHHK Subscription”	the proposed subscription of the Subscription Shares by the Subscriber under the Subscription Agreement
“Proposed Placement”	the proposed placement of Placing Shares by the Placing Agent, on a fully-underwritten basis, under the Placing Agreement
“Shareholder(s)”	the registered holder(s) of the Shares
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company

“Shougang International”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange, and owns approximately 36.6 per cent. of the existing issued share capital of the Company as at the date of this announcement
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Shougang HK and/or its nominee(s)
“Subscription Agreement”	a conditional subscription agreement dated 6 May 2003 entered into between the Company and the Subscriber in connection with the Proposed SHHK Subscription
“Subscription Shares”	the 126,984,000 new Shares to be issued upon completion of the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Whitewash Waiver”	a waiver from a general offer obligation under the Takeovers Code pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the board of  
**Shougang Concord Century Holdings Limited**  
**Cao Zhong**  
*Chairman*

Hong Kong, 7 May 2003

*The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those in relation to Shougang HK and Shougang International) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions (other than those in relation to Shougang HK and Shougang International) expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of Shougang HK jointly and severally accept full responsibility for the accuracy of the information in relation to Shougang HK contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions in relation to Shougang HK expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*The directors of Shougang International jointly and severally accept full responsibility for the accuracy of the information in relation to Shougang International contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions in relation to Shougang International expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*