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# SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 103)

## SUBSCRIPTION FOR NEW SHARES PROPOSED CONTINUING CONNECTED TRANSACTIONS AND PLACING OF NEW SHARES

### **Bekaert Subscription**

The board of Directors of the Company is pleased to announce that on September 22, 2006, a subscription agreement (as amended by a supplemental agreement between the same parties on September 27, 2006) was entered into between the Company and Bekaert pursuant to which the Company has conditionally agreed to allot and issue and Bekaert has conditionally agreed to subscribe in cash for a total of 250,000,000 new Shares at the subscription price of HK\$0.65 per new Share. The Bekaert Subscription Price was arrived at with reference to the average closing price for the past 45 trading days immediately before the date of the Bekaert Subscription Agreement.

The Bekaert Subscription Shares represent approximately 24.36% of the existing issued share capital of the Company, approximately 19.59% of the issued share capital of the Company as enlarged by the Bekaert Subscription and approximately 18.85% of the issued share capital of the Company as enlarged by the Bekaert Subscription and the Placing.

The Directors (including the independent non-executive Directors) consider that the terms of the Bekaert Subscription Agreement are fair and reasonable under the current market condition and in the interest of the Company and shareholders of the Company as a whole.

The Bekaert Subscription Shares will be issued pursuant to the specific mandate to be sought at the EGM.

### **Continuing Connected Transactions**

On September 22, 2006, Bekaert and JESC entered into two conditional Co-operation Agreements pursuant to which Bekaert will provide certain planning and design services and supply certain materials for the manufacture of steel cord for a period of three years from the date of completion of the Bekaert Subscription Agreement.

Upon completion of the Bekaert Subscription Agreement, Bekaert will become a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the Co-operation Agreements will constitute continuing connected transactions subject to reporting, announcement and/or shareholders' approval requirements under the Listing Rules.

Each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated by the Co-operation Agreements is greater than 2.5%. Accordingly, such transactions will be subject to reporting and announcement requirements and will require independent shareholders' approval as set out in Rules 14A.45 to 14A.48 of the Listing Rules.

The Directors are of the view that the terms and conditions of the Co-operation Agreements (including the Service Fee Cap and the Sales Cap) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

### **The Placing**

On September 22, 2006, the Company also entered into the Placing Agreement with the Placing Agent in relation to the placing of the Placing Shares. Pursuant to the Placing Agreement, the Company has conditionally agreed to place, through the Placing Agent 50,000,000 Placing Shares at the Placing Price of HK\$0.65 per Placing Share.

The Placing Shares represent approximately 4.87% of the existing issued share capital of the Company and approximately 3.77% of the issued share capital of the Company as enlarged by the Placing Shares and the Bekaert Subscription Shares.

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

### **General**

A circular containing details of the Bekaert Subscription Agreement and the particulars of the Co-operation Agreements, a letter from the independent board committee, a letter setting out the advice of an independent financial adviser and a notice to convene the EGM to approve the aforesaid transactions (other than the Placing) will be despatched to the shareholders of the Company as soon as practicable.

### **Suspension and resumption of share trading**

Trading in the Shares has been suspended at the request of the Company with effect from 9:30 a.m. on September 25, 2006 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on September 28, 2006.

**1. BEKAERT SUBSCRIPTION**  
**Bekaert Subscription Agreement**  
**Date : September 22, 2006**

**Subscriber :** Bekaert, a company incorporated in Belgium. Bekaert and its ultimate beneficial owners are not connected persons (as defined in the Listing Rules) of the Company and are independent of and not connected with the directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates.

**Issuer :** The Company

**Bekaert Subscription**

Pursuant to the Bekaert Subscription Agreement, the Company has conditionally agreed to allot and issue and Bekaert has conditionally agreed to subscribe in cash for a total of 250,000,000 new Shares at the Bekaert Subscription Price per new Share.

The Bekaert Subscription Shares represent approximately 24.36% of the existing issued share capital of the Company, approximately 19.59% of the issued share capital of the Company as enlarged by the Bekaert Subscription and approximately 18.85% of the issued share capital of the Company as enlarged by the Bekaert Subscription and the Placing.

**Bekaert Subscription Price**

The subscription price per Bekaert Subscription Share is HK\$0.65 per Share, and the net subscription price per Bekaert Subscription Share, after deducting all relevant costs and expenses, is approximately HK\$0.64 per Share. The Bekaert Subscription Price was determined after arm's length negotiations between the Company and Bekaert with reference to the average closing price for the past 45 trading days immediately before the date of the Bekaert Subscription Agreement. The Bekaert Subscription Price represented (i) a discount of approximately 2.99% to HK\$0.67 per Share, the latest closing price of the Company before the date of this announcement; (ii) a discount of approximately 1.52% to HK\$0.66 per Share, the average closing price in the five trading days immediately prior to the Bekaert Subscription Agreement; and (iii) a discount of approximately 4.41% to HK\$0.68 per Share, the audited net asset value per share of the Company as at December 31, 2005. The market value of the Bekaert Subscription is approximately HK\$167,500,000, based on the latest closing price of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Bekaert Subscription Agreement are fair and reasonable under the current market condition and in the interest of the Company and the shareholders of the Company as a whole.

**Ranking of the Bekaert Subscription Shares**

The Bekaert Subscription Shares, when fully paid and issued, will rank *pari passu* in all respects with the Shares in issue on the completion date of the Bekaert Subscription including the right to any dividends or distributions after the date of completion of the Bekaert Subscription.

**Conditions of the Bekaert Subscription**

The Bekaert Subscription is conditional upon the following conditions having been fulfilled or waived on or before December 15, 2006 or such later date as may be agreed between the Company and Bekaert:

- (1) the Bekaert Subscription Agreement (including the issue of the Bekaert Subscription Shares and the grant of the Bekaert Subscription Option by the Company in accordance with its terms) being approved by the shareholders of the Company in accordance with its constitutional documents and the Listing Rules;
- (2) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Bekaert Subscription Shares (and such listing and permission not being subsequently revoked prior to the issue of the Bekaert Subscription Shares);
- (3) the Co-operation Agreements being duly executed by the relevant parties on the date of the Bekaert Subscription Agreement;
- (4) the Co-operation Agreements and the maximum annual value of each of the Co-operation Agreements for the three financial years being approved by the shareholders of the Company in accordance with its constitutional documents and the Listing Rules, if applicable;
- (5) the nominee of Bekaert being appointed as an executive director of the Company with effect from the completion of the Bekaert Subscription Agreement;
- (6) the nominee of Bekaert being appointed as the deputy general manager and director of JESC with effect from the completion of the Bekaert Subscription Agreement;
- (7) subject to the approval by the relevant regulatory authorities in the PRC, JESC adopting a new articles of association in the form to be agreed between the Company and Bekaert and filing of the same with the relevant regulatory authorities in the PRC for approval; and
- (8) all the Qualified Consent has been obtained.

If any of the conditions set out above have not been satisfied or waived by Bekaert (provided that Bekaert will be entitled to waive any or all of the conditions (5) to (8) above if they are not fulfilled by December 15, 2006 or such later date as may be agreed between the Company and Bekaert) on or before December 15, 2006, or such later date as both the Company and Bekaert may agree, the Bekaert Subscription Agreement will terminate.

Bekaert will be entitled, for so long as it remains a shareholder of the Company, to nominate one person designated by it at its sole discretion for appointment as an executive director of the Company and one person designated by it at its sole discretion for appointment as the deputy general manager and director of JESC. Upon completion of the Bekaert Subscription Agreement, as Bekaert will have a representative on the board of directors of JESC who will participate in the management of the operation of JESC, the articles of association of JESC will be amended to reflect the above change.

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bekaert Subscription Shares.

### **Completion of the Bekaert Subscription**

Completion of the Bekaert Subscription will take place on the second Hong Kong Business Day following the fulfilment of the above conditions provided that the Bekaert Subscription Agreement has not been terminated in accordance with its terms prior to completion. As the new Shares to be issued pursuant to the Bekaert Subscription will exceed the general mandate granted by the shareholders of the Company at the annual general meeting on May 26, 2006, shareholders' approval of the Company will be required for the Bekaert Subscription and the issue of the Bekaert Subscription Shares. No shareholder of the Company has a material interest in the Bekaert Subscription and therefore no shareholder is required to abstain from voting on the relevant resolution to approve the Bekaert Subscription Agreement.

### **Use of proceeds**

The gross proceeds to be obtained from the Bekaert Subscription will be in the amount of HK\$162,500,000. The net proceeds of approximately HK\$161,000,000, after deducting the payment of all costs and expenses relating to the Bekaert Subscription, will be used entirely for direct and indirect expansion of the existing steel cord business of JESC with the aim of increasing its annual production capacity to the range of between 60,000 tons and 80,000 tons. The Company currently indirectly holds 100% of the equity interest in JESC.

### **Bekaert Subscription Option**

Subject to the completion of the Bekaert Subscription Agreement, the occurrence of any of the triggering events as set out below and the approval by the shareholders of the Company pursuant to the Listing Rules (if required) and by the relevant governmental or regulatory authority, Bekaert will be entitled to subscribe for new or additional registered capital of JESC for an amount not more than or equal to the total Subscription Price for the Bekaert Subscription Shares provided that:-

- (1) at the time of exercising such right to acquire equity interest in JESC:-
  - (i) Bekaert beneficially holds not less than 125,000,000 Shares; and
  - (ii) the Service Contract has not been terminated or suspended by Bekaert within a period of 3 years from completion of the Bekaert Subscription Agreement otherwise than as a result of breach on the part of JESC.
- (2) the resulting equity interest in JESC to be held by Bekaert or its nominee will in no circumstances exceed 49% and JESC will remain a subsidiary of the Company whose financial results will continue to be capable of being consolidated with that of the Company in accordance with the applicable accounting standards; and
- (3) without prejudice to (2) above, the level of Bekaert's equity interest in JESC will be based on the valuation of JESC to be agreed between the Company and Bekaert or failing such agreement, such valuation will be determined by an independent appraiser appointed by agreement between the parties.

The "triggering events" are:-

- (a) any of the Company's subsidiaries engaged in the copper and brass business has, within a period of three (3) consecutive years, suffered an aggregate net loss of more than HK\$15,000,000 during which Bekaert is a shareholder of the Company;
- (b) Shougang Holding (Hong Kong) Limited ceasing to be, directly or indirectly, the single largest beneficial shareholder of the Company (with all shares in the Company beneficially owned by Shougang Holding (Hong Kong) Limited and/or its subsidiaries respectively being deemed to be shares beneficially owned by Shougang Holding (Hong Kong) Limited for this purpose), save for circumstances beyond control of the Company and/or its controlling shareholder (including, without limitation, as a result of any hostile takeover by Bekaert or any third party) and provided reasonable measures (excluding measures to contest any such hostile takeover by launching a competing bid) have been taken by the Company and/or controlling shareholder to try to prevent such circumstances to occur;
- (c) JESC has committed a material breach of any of the Co-operation Agreements or any future agreements that may be entered into between Bekaert and JESC and, in the case of breach capable of remedy, has failed to remedy such breach within sixty (60) days of the written request of Bekaert. Material breach will, as an illustration, include but not be limited to, the dissemination or misappropriation of any technology of Bekaert, breach of confidentiality and default in payment;
- (d) the Group has in any financial year used more than HK\$10,000,000 own resources and more than HK\$40,000,000 external debt financing for investment projects in (existing or new) non-steel cord business without the prior consent of the director nominated by Bekaert by voting in favour of such investments held at a board meeting held to consider the same;
- (e) any member of the Group issues securities or instrument relating to the Shares of the Company to, or merges with, or sells substantially all of its assets to any competing entities which engage in business of manufacturing and/or selling steel wire and/or steel cord products as may be agreed from time to time; and
- (f) any amendment to the articles of association of JESC without Bekaert's prior written consent while Bekaert remains a shareholder of the Company or the effective exclusion of Bekaert's nominee while he is a director of JESC from the conduct of the business of the board or from the management of JESC.

The exercise of the Bekaert Subscription Option may constitute a notifiable and connected transaction to the Company and the Company, which is subject to the Listing Rules requirements, will comply with the relevant requirements under the Listing Rules, including the issue of the announcement and seeking shareholders' approval (if necessary) upon the exercise of the Bekaert Subscription Option. The subscription for new registered capital of JESC pursuant to exercise of the Bekaert Subscription Option may be subject to the approval by the shareholders of the Company pursuant to the Listing Rules (if required).

### **Anti-Dilution**

Subject to completion of the Bekaert Subscription Agreement and so long as Bekaert remains a shareholder of the Company, if the Company intends to issue or grant any new Shares, options or other securities of any nature whatsoever (other than any share options to be granted by the Company pursuant to any share option scheme adopted by the Company and Shares issued pursuant to exercise of such options and Shares issued pursuant to the Placing) (together "**Securities**"):

- (a) to any party (other than Bekaert or its affiliates or nominee) which is not a connected person (as defined in the Listing Rules) of the Company or any of its associates (as defined in the Listing Rules), the Company, which is subject to the Listing Rules requirements, shall, immediately after the completion of such issue or grant of Securities ("**Completed Issue**"), offer to Bekaert for subscription such number of Securities which would enable Bekaert to maintain its level of shareholding in the Company as at the completion of the Bekaert Subscription and the Placing notwithstanding the Completed Issue and the terms and conditions offered to Bekaert shall be the same as that for the Completed Issue;

- (b) to a connected person (as defined in the Listing Rules) of the Company (other than Bekaert or its affiliates or nominee) or any of its associates (as defined in the Listing Rules), the Company, which is subject to the Listing Rules requirements, shall offer to Bekaert for subscription such number of Securities which would enable Bekaert to maintain its level of shareholding in the Company as at the completion of the Bekaert Subscription and the Placing notwithstanding the issuance of the Securities (excluding Securities that are offered and accepted by Bekaert pursuant to this provision) and the terms and conditions offered to Bekaert shall be the same as that intended for any such proposed issue of Securities.

The Company will comply with the relevant requirements of the Listing rules, including the announcement and independent shareholders' approval requirement in Chapter 14A of the Listing Rules (if necessary) if Bekaert subscribe for new shares or other securities of the Company pursuant to the anti-dilution provision as set out above.

#### **Restriction on further issue of Shares**

The Company undertakes to Bekaert that it will not issue any Shares or equity securities or any other securities convertible into Shares or equity securities from the date of the Bekaert Subscription Agreement and ending on the last day of six (6) months following the completion date of the Bekaert Subscription Agreement, provided that such restriction will not be applicable to the Shares to be issued pursuant to the exercise of any share options under the share option scheme adopted by the Company and the Placing.

#### **Subscriber Lock-up**

Subject to the completion of the Bekaert Subscription Agreement, Bekaert undertakes that it will not encumber, offer, sell, contract to sell, transfer, pledge or otherwise dispose of, directly or indirectly, the Bekaert Subscription Shares, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Subscription Shares for a period of 24 months from the completion of the Bekaert Subscription provided that such restriction:

- (a) will cease to apply if any of the triggering events referred to in the section headed "Bekaert Subscription Option" above occur; and
- (b) will not apply to a transfer of the Bekaert Subscription Shares to any subsidiary of Bekaert or to any other party with the prior written consent of the Company.

#### **Controlling Shareholder and Key Officers Lock-up**

In connection with the Bekaert Subscription, subject to the completion of the Bekaert Subscription Agreement, Shougang Holding (Hong Kong) Limited and two Directors, namely, Cao Zhong and Li Shaofeng, respectively undertake to Bekaert that they will not sell, transfer or otherwise dispose of their existing and any future interest in the Shares or other securities of the Company for a period commencing from the date of the Bekaert Subscription Agreement and ending 24 months after the closing of the Bekaert Subscription Agreement, or, in the case of Directors, the date on which the Director ceases to be a director of any member of the Group, whichever is earlier.

## **2. PROPOSED CONTINUING CONNECTED TRANSACTIONS**

Upon completion of the Bekaert Subscription Agreement, Bekaert will become a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, any continuing transactions between any members of the Group and any member of Bekaert will constitute continuing connected transactions subject to reporting, announcement and/or shareholders' approval requirements under the Listing Rules.

### **(I) Service Contract**

Pursuant to the Service Contract entered into between JESC and Bekaert, Bekaert or one of its subsidiaries in Asia which engages in the manufacture or sale of steel cord in the PRC will provide certain services to JESC for a period of three years from the date of completion of the Bekaert Subscription Agreement. The Service Contract is conditional upon the completion of the Bekaert Subscription Agreement (and hence also upon the terms of the Service Contract and the Service Fee Cap (as defined below) being approved by the independent shareholders of the Company).

The Service Contract provides a framework for the services which may be requested by the Company from time to time in relation to the expansion of the business of JESC. In respect of the type of services to be provided by Bekaert to JESC, it is envisaged that they would encompass, among other things, the planning and design to increase the annual production capacity of JESC to 60,000 tons within three years ending December 31, 2008 and with the aim to further increase to 80,000 tons in the future, and more specifically to advise during the engineering design stage of the expansion of the plant as well as to provide services in relation to the construction activities following the design stage. The current production capacity of JESC is approximately 30,000 tons per annum. No services contemplated under the Service Contract has been provided by Bekaert to the Company in the past.

The service fees charged by Bekaert in respect of the provision of services will be on an hourly basis to be agreed upon between the parties and will be determined based on normal commercial terms through arm's length negotiation. The services to be provided under the Service Contract are tailored for and specific to the Company and therefore market rate from third parties is not available.

The maximum aggregate annual fees for the provision of services under the Service Contract to JESC for each of the three years ending December 31, 2008 is estimated to be RMB300,000, RMB1,500,000 and RMB3,000,000 respectively (equivalent to approximately HK\$295,000, HK\$1,474,000 and HK\$2,948,000 respectively) (together the "Service Fee Cap").

In determining the Service Fee Cap, the Directors, with the assistance of the management of JESC, estimated the number of Bekaert's experts, the number of working days per each expert and the number of working hours per day that would be required to fulfill the technical and operating needs for the increase in annual production capacity of JESC to 60,000 tons within three years and calculated based on the existing average hourly rate of the employees of JESC of similar grades. The servicing hours is arrived at based on the estimated number of employees that will be assigned to provide technical and other operational support and the estimated working hours to be spent by these employees. The Directors estimate that the production capacity of JESC will remain at 30,000 tons in 2006 and will gradually increase to 60,000 tons by the end of 2007, and maintain that level throughout 2008 after the production capacity reaches 60,000 tons. In this regard, the number of servicing hours required by JESC in 2008 will be much higher than the same in 2007.

## **(II) Supply Contract**

Pursuant to the Supply Contract entered into between JESC and Bekaert, Bekaert agrees to sell and deliver certain materials (including brass coated wire) which are used for the manufacture of steel cord which in turn is used for the reinforcement of radial tyres, to JESC for a period of three years from the date of completion of the Bekaert Subscription Agreement. The Supply Contract is conditional upon the completion of the Bekaert Subscription Agreement (and hence also upon the terms of the Supply Contract and the Sales Cap (as defined below) being approved by the independent shareholders of the Company). The Supply Contract is a new contract to the Company and no material has been provided by Bekaert to the Company in the past.

The sales prices will be reviewed and agreed upon between the parties every quarter and will be determined based on normal commercial terms through arm's length negotiation, after taking into account the production costs of JESC in producing similar semi-finished products. The supply of this kind of half-product of steel cord for sale is rare in the market and hence no market price is available for comparison.

The maximum aggregate annual amount of sales of materials to JESC for each of the three years ending December 31, 2008 is expected to be RMB1,000,000, RMB100,000,000 and RMB250,000,000 respectively (equivalent to approximately HK\$983,000, HK\$98,265,000 and HK\$245,662,000 respectively) (together the "Sales Cap").

In determining the Sales Cap, the Directors, after consulting with the management of JESC, estimated the additional tonnage required to be supplied by Bekaert in order to meet the increase in the annual production capacity of JESC from 30,000 tons to 60,000 tons within three years ending December 31, 2008. The Directors arrived at the Sales Cap based on the weighted average production costs of JESC in producing similar products and the approximate number of tons of materials to be purchased from Bekaert on the assumption that the annual production capacity of JESC will reach approximately 60,000 tons in 2007 and maintain that level in 2008. Nevertheless, the actual tonnage required will be reviewed from time to time and agreed upon by both parties. The Directors estimate that the production capacity of JESC will remain at 30,000 tons in 2006 and will gradually increase to 60,000 tons by the end of 2007, and maintain at that level throughout 2008 after the production capacity reaches 60,000 tons. In this regard, the number of tons of materials to be purchased from Bekaert in 2008 will be much higher than the same in 2007.

The Directors consider that the entering into of the Co-operation Agreements is in the ordinary course of business of the Group and that the terms of such agreements are determined on an arm's length basis with Bekaert. Accordingly, the Directors are of the view that the terms and conditions of the Co-operation Agreements (including the Service Fee Cap and the Sales Cap) are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors have reviewed the terms of the Co-operation Agreements and in principle consider them to be fair and reasonable. Further opinion on the Co-operation Agreements will be provided by the independent non-executive Directors upon receiving the advice from the independent financial adviser.

### **Compliance with the Listing Rules requirements**

Based on the Service Fee Cap and the Sales Cap on an aggregated basis, each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated by the Co-operation Agreements is greater than 2.5%. Accordingly, in accordance with Rule 14A.35 of the Listing Rules, such transactions will be subject to reporting and announcement requirements and will require independent shareholders' approval as set out in Rules 14A.45 to 14A.48 of the Listing Rules.

If the Service Fee Cap and the Sales Cap are subsequently expected to be exceeded, the Company will re-comply with the relevant provisions of the Listing Rules in accordance with Rule 14A.36 of the Listing Rules.

Pursuant to Rule 13.39(6) of the Listing Rules, an independent board committee will be established to advise the shareholders of the Company, and an independent financial adviser will be appointed to advise the independent board committee and the shareholders, on whether the terms of the Co-operation Agreements and the proposed Service Fee Cap and Sales Cap under the Co-operation Agreements are fair and reasonable and in the interests of the shareholders of the Company as a whole. An EGM will be convened and held to approve the Co-operation Agreements and the proposed Service Fee Cap and the Sales Cap. The voting in relation to the Co-operation Agreements and the proposed Service Fee Cap and the Sales Cap will be taken by poll. No shareholders of the Company are required to abstain from voting on the relevant resolution to approve the Co-operation Agreements and the proposed Service Fee Cap and the Sales Cap.

### **3. REASONS FOR AND BENEFITS OF ENTERING INTO THE BEKAERT SUBSCRIPTION AGREEMENT AND THE CO-OPERATION AGREEMENTS**

Bekaert is one of the leading steel cord manufacturers in the PRC with a significant global presence. By partnering with Bekaert through the Bekaert Subscription Agreement and the Co-operation Agreements, the Directors believe that the Company will not only strengthen its shareholder base, it will also secure a quality supply of certain materials for the manufacture of steel cord used for the reinforcement of radial tyres and assist JESC in its business expansion. The above benefits are expected to expedite the progress of the implementation of the Company's strategy in its core business of steel cord manufacturing.

### **4. INFORMATION ON THE GROUP AND BEKAERT**

The Company and its subsidiaries are principally engaged in the manufacturing of steel cords and trading and processing of copper and brass products.

Bekaert is an European based company, headquartered in Belgium, employing 17,000 people. The principal shareholders hold approximately 42.77% in Bekaert while the remainder is held by institutional and individual shareholders. Bekaert is present in 120 countries, with a worldwide production platform in 30 countries and an extensive network of sales offices and agencies, and it generates annual sales of €3 billion. Bekaert seeks sustainable profitable growth based on its two core competencies: advanced metal transformation and advanced materials and coatings. Bekaert consists of three core business segments, namely, advanced wire products, advanced materials, and advanced coatings. Bekaert believes that, by entering into the Bekaert Subscription Agreement with the Company, it goes one step further in its efforts to develop valuable partnerships and to consolidate its leadership position in the PRC market. Bekaert has gone through a major expansion of its activities in the PRC in recent years and intends to further strengthen its relationship with local market players.

## **5. THE PLACING**

### **The Placing Agreement**

Date : September 22, 2006

Issuer : The Company

Placing Agent : First Shanghai Securities Limited, an Independent Third Party

### **Placee(s)**

The Placing Shares will be placed, on a fully underwritten basis, to not less than six professional, corporate or institutional investors procured by or on behalf of the Placing Agent. The Placee(s) and their ultimate beneficial owner(s) will be Independent Third Party(ies).

### **Placing Shares**

50,000,000 Placing Shares will be allotted and issued to the Placee(s) and represent approximately 4.87% of the existing issued share capital of the Company and approximately 3.77% of the issued share capital of the Company as enlarged by the allotment and issue of the Bekaert Subscription Shares and the Placing Shares.

The Placing Shares will rank, upon issue, *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Placing Shares.

### **Placing Price**

The Placing Price of HK\$0.65 per Placing Share represented (i) a discount of approximately 2.99% to HK\$0.67 per Share, the latest closing price of the Company before the date of this announcement; (ii) a discount of approximately 1.52% to HK\$0.66 per Share, the average closing price in the five trading days immediately prior to the Placing Agreement; and (iii) a discount of approximately 4.41% to HK\$0.68 per Share, the audited net asset value per share of the Company as at December 31, 2005. The net Placing Price, after deducting the relevant costs and expenses, is approximately HK\$0.63 per Placing Share. The market value of the Placing is approximately HK\$33,500,000, based on the latest closing price of the Company.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the closing prices as shown above. The Directors (including the independent non-executive Directors) consider that the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

### **General mandate to issue the Placing Shares**

The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the AGM of the Company held on May 26, 2006. The general mandate authorises the Company to allot and issue Shares from time to time not exceeding 20% of the issued share capital of the Company as at the date of the AGM. As at the date of this announcement, the general mandate has not been utilised.

### **Independence of the Placing Agent**

The Placing Agent and its ultimate beneficial owners, are Independent Third Parties.

### **Condition of the Placing**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Placing Shares. The Placing is not conditional upon the Bekaert Subscription or vice versa.

In the event that the conditions of the Placing are not fulfilled on or before October 6, 2006, or such other date as may be agreed between the parties in writing, the Placing Agreement will terminate and neither the Company nor the Placing Agent will have any claim against the other under the Placing Agreement.

### **Completion of the Placing**

Completion of the Placing will take place at the registered office of the Placing Agent in Hong Kong on the Placing Completion Date.

### **Application for listing**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Placing Shares.

### **Reasons for the Placing and use of proceeds**

The Company and its subsidiaries are principally engaged in the manufacturing of steel cords and trading and processing of copper and brass products.

The board of Directors believes that taking into account current market conditions, the Placing represents an opportunity to raise more funds for the working capital for the non-steel cord businesses of the Group and to further broaden its capital base.

The gross proceeds of the Placing will amount to approximately HK\$32,500,000. The net proceeds receivable by the Company, after deducting the placing commission and all costs, fees and expenses to be borne by the Company, are estimated to be approximately HK\$31,600,000. It is presently expected that the net proceeds will be applied for the general working capital for the non-steel cord businesses of the Group.

The Directors (including the independent non-executive Directors) consider that the Placing Agreement is entered into under normal commercial terms following arm's length negotiations between the Company and the Placing Agent and that the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **6. FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS**

No fund raising exercise has been undertaken by the Company in the past 12 months.

## 7. CHANGES ON SHAREHOLDING STRUCTURE OF THE COMPANY

The changes of the shareholding structure of the Company as a result of the Placing and the Bekaert Subscription are as follows:

Shareholders	At the date of this announcement and immediately before completion of the Placing		Immediately after completion of the Placing but before completion of the Bekaert Subscription		Immediately after completion of the Placing and the Bekaert Subscription	
	No. of Shares	Approximate percentage %	No. of Shares	Approximate percentage %	No. of Shares	Approximate percentage %
Shougang Holding (Hong Kong) Limited	443,709,179 <i>(Note)</i>	43.24	443,709,179	41.23	443,709,179	33.46
Placees	–	–	50,000,000	4.65	50,000,000	3.77
Bekaert	–	–	–	–	250,000,000	18.85
Public	582,357,377	56.76	582,357,377	54.12	582,357,377	43.92

*Note:* The number of shares represents the shareholding in the Company held by Shougang Holding (Hong Kong) Limited and its controlled corporations (as defined under the Securities and Futures Ordinance (the “SFO”)) as recorded in the register as required under the SFO.

## 8. GENERAL

A circular containing details of the Bekaert Subscription Agreement, the Bekaert Subscription Option and the particulars of the Co-operation Agreements, a letter from the independent board committee, a letter from the independent financial adviser and a notice to convene the EGM will be despatched to the shareholders of the Company as soon as possible.

## 9. SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading of the Shares of the Company on the Stock Exchange has been suspended from 9:30 a.m. on September 25, 2006 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading of the Shares of the Company on the Stock Exchange with effect from 9:30 a.m. on September 28, 2006.

## 10. DEFINITIONS

“AGM”	the annual general meeting of the Company held on May 26, 2006
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium
“Bekaert Subscription”	the subscription of 250,000,000 new Shares by Bekaert pursuant to the Bekaert Subscription Agreement at the Bekaert Subscription Price
“Bekaert Subscription Agreement”	the subscription agreement dated September 22, 2006 entered into between the Company and Bekaert as amended and supplemented by a supplemental agreement dated September 27, 2006 between the same parties
“Bekaert Subscription Option”	the option proposed to be granted by the Company to Bekaert to subscribe for new or additional registered capital of JESC subject to the terms and conditions of the Bekaert Subscription Agreement
“Bekaert Subscription Price”	the subscription price of HK\$0.65 per Share
“Bekaert Subscription Shares”	the 250,000,000 new Shares to be issued by the Company to Bekaert in accordance with the Bekaert Subscription Agreement
“Company”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Co-operation Agreements”	the Service Contract and the Supply Contract
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting to be convened to approve, among other things, the Bekaert Subscription Agreement, the Bekaert Subscription Option, the Co-operation Agreements, the Service Fee Cap and the Sales Cap
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Business Day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and are not connected with the directors, chief executive and substantial shareholders of the Company and its subsidiaries and their respective associates
“JESC”	Jiayang Eastern Steel Cord Co., Ltd, a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee(s)”	not less than six professional, corporate or institutional investors
“Placing”	means the subscription of the Placing Shares on the terms and subject to the conditions of the Placing Agreement
“Placing Agent”	First Shanghai Securities Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Placing Agreement”	the agreement dated September 22, 2006 and entered into between the Company and the Placing Agent in respect of the Placing
“Placing Completion Date”	means the second Hong Kong Business Day upon the fulfillment of the conditions of the Placing Agreement (or such other date as the Company and the Placing Agent may agree in writing)
“Placing Price”	means HK\$0.65 per Placing Share
“Placing Share(s)”	means a total of 50,000,000 new Shares to be placed pursuant to the Placing Agreement
“PRC”	the People’s Republic of China
“Qualified Consent”	the consent and/or waiver from banks and financial institutions that have granted credit facilities to members of the Group where such consent and/or waiver is required in connection with the Bekaert Subscription Option pursuant to the terms and conditions of such credit facilities
“Service Contract”	the conditional service contract dated September 22, 2006 entered into between Bekaert and JESC
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Contract”	the conditional supply contract dated September 22, 2006 entered into between Bekaert and JESC

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

Hong Kong, September 27, 2006

*As at the date of this announcement, the Board comprises the following directors:*

*Mr. Cao Zhong (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Tong Yihui (Deputy Managing Director), Mr. Leung Shun Sang, Tony, Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Chu, Kwok Tsu Gilbert (Independent Non-executive Director).*



*Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Times.*