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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 11 November 2010, 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 aggregate annual amounts of the Continuing Connected Transactions will exceed the thresholds as provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements pursuant to 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. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement and the relevant 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 relevant cap amounts in relation to the Continuing Connected Transactions.

A circular containing, amongst others, further information on the Master Agreement and the relevant 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 1 December 2010.

## THE MASTER AGREEMENT

- Date: 11 November 2010
- Parties: The Company  
Shougang Corporation
- Subject: Pursuant to the Master Agreement, Shougang Corporation and/or its associates will supply raw materials, materials, fuel, energy, equipment, spare parts, steel products and services to the Group (the “**Purchases**”) and the Group will supply raw materials, scrap materials, steel products and services to Shougang Corporation and/or its associates (the “**Sales**”).
- Cap amounts: The cap amounts of the Sales and the Purchases for each of the three financial years ending 31 December 2013 will be as follows:

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

The cap amounts are determined by reference to the anticipated future supply and demand of the Purchases and the Sales, the anticipated increase in the prices of the raw materials and steel products, the expansion of the scale of production and the anticipated appreciation of Renminbi.

- Term: The Master Agreement has a fixed term of three financial years ending on 31 December 2013.
- 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. The price should be no less favourable to/from third parties.
- Payment: Payments for the Continuing Connected Transactions shall be on normal commercial terms or in the manner as reasonably requested by the parties.
- Condition: The Master Agreement is subject to approval by the Independent Shareholders.

## REASONS FOR ENTERING INTO OF THE MASTER AGREEMENT

On 7 May 2008, the Company and Shougang Corporation entered into a master agreement (the “**Old Master Agreement**”) in respect of the Purchases and the Sales for a fixed term of three financial years ending 31 December 2010. The cap amounts of the transactions contemplated under the Old Master Agreement for each of the three financial years ending 31 December 2010 are as follows:

	<b>2008</b> <i>HK\$ million</i>	<b>2009</b> <i>HK\$ million</i>	<b>2010</b> <i>HK\$ million</i>
<b>Cap amount for the Purchases</b>	14,230	18,620	23,150
<b>Cap amount for the Sales</b>	12,800	15,500	18,500

Details of the transactions contemplated under the Old Master Agreement were disclosed in the circular of the Company dated 20 May 2008 and the Old Master Agreement was approved by the then independent shareholders of the Company at the extraordinary general meeting held on 8 June 2008. As the Old Master Agreement is due to expire on 31 December 2010, it is proposed that the Master Agreement be entered into 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 Directors consider that the Continuing Connected Transactions with Shougang Corporation are in the interests of the Shareholders because it would guarantee a stable source of supply of raw materials, materials and related products and regular sales of materials and steel products to one of the largest steel companies in the PRC.

## **GENERAL**

The Group is principally engaged in the manufacture, sale and trading of steel products, shipping operations and mineral exploration. As at the date of this announcement, Shougang Holding and its associates were beneficially interested as to approximately 42% of the issued share capital of 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.

As the aggregate annual amounts of the Continuing Connected Transactions will exceed the thresholds as provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (excluding the independent non-executive Directors who will express their views after receiving advices from the independent financial adviser) consider that the terms of the Master Agreement have been negotiated on an arm's length basis and the Continuing Connected Transactions will be conducted on normal commercial terms between the Group and Shougang Corporation and/or its associates. The Directors (excluding the independent non-executive Directors who will express their views after receiving advices from the independent financial adviser) are of the view that as far as the Independent Shareholders are concerned, the terms of the Master Agreement are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

The Company will therefore seek the approval by the Independent Shareholders of the Master Agreement and the proposed cap amounts in relation to the Continuing Connected Transactions 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. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement and the relevant 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 relevant cap amounts in relation to the Continuing Connected Transactions. The voting at the Extraordinary General Meeting will be taken by poll and 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 relevant cap amounts in relation to the Continuing Connected Transactions. A circular containing, amongst others, further information on the Master Agreement and the relevant 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 1 December 2010.

## **DEFINITIONS**

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

“associate”	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
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be convened to approve the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions, or any adjournment thereof

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising 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 11 November 2010
“PRC”	the People’s Republic of China
“Shareholders”	holders of the shares of the Company
“Shougang Corporation”	Shougang Corporation, a state-owned enterprise in the PRC and the holding company of the entire interest of Shougang Holding
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Corporation and 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, 11 November 2010

*As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Vice Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Chen Zhouping (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).*