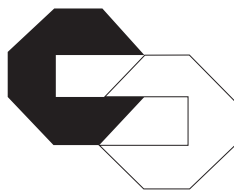


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## SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

首長寶佳集團有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 103)

### CONTINUING CONNECTED TRANSACTIONS SALE AND PURCHASE CONTRACT AND COMMERCIAL AGENCY CONTRACT

#### **Sale and Purchase Contract**

On 22 September 2006, JESC and Bekaert entered into, inter alia, the Supply Contract, pursuant to which Bekaert agreed to supply certain materials for the manufacture of steel cord for a period of three years. On 20 April 2007, the Company, in substitution of JESC, and Bekaert entered into the Sale and Purchase Contract to extend the scope of material and product supply and to provide that both the Group and Bekaert Group will supply their respective materials and/or finished products to each other for a period of three years from the Effective Date. With effect from the Effective Date, the Supply Contract shall be terminated and shall cease to have effect.

#### **Commercial Agency Contract**

On 20 April 2007, JESC and Bekaert entered into the Commercial Agency Contract, pursuant to which JESC will appoint Bekaert as its exclusive commercial agent for the sale of steel cord for reinforcement of radial tyres in the Territories for a period of five years from the Effective Date.

#### **General**

Bekaert is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the proposed transactions under the Sale and Purchase Contract and the Commercial Agency Contract 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 Sale and Purchase Contract and the Commercial Agency Contract 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 Sale and Purchase Contract and the Commercial Agency Contract (including the Group's Purchase Cap, the Group's Sales Cap and the Commission Cap) are in the ordinary and usual course of business of the Group and are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

A circular containing details of the Sale and Purchase Contract and the Commercial Agency Contract, a letter from the independent board committee, a letter setting out the advice of an independent financial adviser and a notice of convening the EGM to approve the aforesaid transactions will be despatched to the shareholders of the Company as soon as practicable.

## CONTINUING CONNECTED TRANSACTIONS

### (I) Sale and Purchase Contract

JESC and Bekaert entered into the Supply Contract on 22 September 2006 whereby Bekaert Group has agreed to manufacture, 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.

On 20 April 2007, the Company, in substitution of JESC, and Bekaert entered into the Sale and Purchase Contract to amend and restate the Supply Contract with a view to extend the scope of material and product supply and to provide that both the Group and Bekaert Group will supply their respective materials and/or finished products to each other for a term of three years from the Effective Date. The Sale and Purchase Contract is subject to approval by the independent shareholders of the Company. With effect from the Effective Date, the Supply Contract shall be terminated and shall cease to be effective.

Under the Sale and Purchase Contract, Bekaert Group will supply to the Group certain materials for the manufacture of steel cord, hose reinforcement wire and finished products of steel cord. The Group will supply the finished products of steel cord to Bekaert Group.

The sales prices for the materials 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 or purchase costs of the Group in producing or purchasing similar materials. The sales prices for the finished products will be agreed between Bekaert Group and the Group (as the case may be) on arm's length basis and within the range between the actual production cost incurred by Bekaert Group or the Group (as the case may be) in producing the finished products and the prevailing market price.

For the year ended 31 December 2006, the Group paid to Bekaert Group for an amount of RMB839,000 (equivalent to approximately HK\$835,100) for purchase of half products from Bekaert. Bekaert Group did not purchase any products from the Group during the same period.

The maximum total amount of sales payable by the Group to Bekaert Group for each of the three years ending 31 December, 2009 is expected to be RMB190,000,000, RMB320,000,000 and RMB470,000,000 respectively (equivalent to approximately HK\$191,989,000, HK\$323,350,000 and HK\$474,920,000 respectively) (together the "**Group's Purchase Cap**").

The maximum total amount of sales payable by the Bekaert Group to the Group for each of the three years ending 31 December, 2009 is expected to be RMB18,000,000, RMB35,000,000 and RMB47,000,000 respectively (equivalent to approximately HK\$18,188,000, HK\$35,366,000 and HK\$47,492,000 respectively) (together the "**Group's Sales Cap**").

The Group's Purchase Cap and the Group's Sales Cap are determined based on the current annual production capacity of JESC of 30,000 tonnes and our production plan for the forthcoming three years, taking into account of the expected growth of the radial tyre market to derive the volume of certain materials and finished products. It is the intention of the Group to attain an annual production capacity of 80,000 tonnes during 2009. In respect of the determination of the price of certain materials, it is derived from an average unit cost of wire rod sourced in the PRC and the weighted average production costs of JESC in producing similar materials. The price of finished products is based on the average selling price of steel cord for different specification of the finished products.

### (II) Commercial Agency Contract

Pursuant to the Commercial Agency Contract entered between JESC and Bekaert on 20 April 2007, JESC has agreed to appoint Bekaert Group as the exclusive commercial agent for the sale of steel cord for reinforcement of radial tires in the Territories for a period of five years from the Effective Date. The Commercial Agency Contract is subject to approval by the independent shareholders of the Company.

Under the Commercial Agency Contract, Bekaert Group will solicit customers located in the Territories on behalf of JESC and transmit to JESC any inquiries, offers or orders received by it. Bekaert Group will have no authority to enter into contracts on behalf of JESC, and JESC will be free to reject any inquiries, offers or orders transmitted to them by Bekaert Group.

The commission entitled to by Bekaert in respect of provision of the agency services will be at the rate of 4% in respect of all sales of products that are concluded by JESC during the

term of the Commercial Agency Contract with any customer (other than Bekaert) in the Territories. The commission shall be calculated on the ex-works amount (i.e. amount of selling price exclusive of delivery, transportation and insurance costs, if any) of all invoices issued by JESC to its customers.

The maximum aggregate commission payable for the provision of agency services under the Commercial Agency Contract to Bekaert for each of the five years ending 31 December 2011 shall not exceed RMB980,000, RMB2,800,000, RMB4,700,000, RMB5,200,000 and RMB5,800,000 respectively (equivalent to approximately HK\$990,000, HK\$2,830,000, HK\$4,750,000, HK\$5,260,000 and HK\$5,860,000 respectively) (together the “**Commission Cap**”).

The Directors determined the Commission Cap based on the average selling price of steel cord and the projected demand of radial tyres taking into account the expected growth of radial tyre in overseas market. The rate of commission of 4% is in line with other independent sales agents engaged by the Group.

### **Compliance with the Listing Rules Requirements**

Bekaert is a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the proposed transactions under the Sale and Purchase Contract and the Commercial Agency Contract will constitute continuing connected transactions subject to reporting, announcement and/or shareholders’ approval requirements under the Listing Rules.

Based on the Group’s Purchase Cap, the Group’s Sales Cap and the Commission Cap on the aggregated basis, each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated by the Sale and Purchase Contract and the Commercial Agency Contract 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 Group’s Purchase Cap, the Group’s Sales Cap and the Commission 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.

The Directors consider that the entering into of the Sale and Purchase Contract and the Commercial Agency Contract is in the ordinary course of business of the Group and that the terms of such contracts are determined on an arm’s length basis with Bekaert. Accordingly, the Directors are of the view that the terms and conditions of the Sale and Purchase Contract and the Commercial Agency Contract (including the Group’s Purchase Cap, the Group’s Sales Cap and the Commission 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 Sale and Purchase Contract and the Commercial Agency Contract and in principle consider them to be fair and reasonable. Further opinion on the Sale and Purchase Contract and the Commercial Agency Contract will be provided by the independent non-executive Directors upon receiving the advice from the independent financial adviser.

Pursuant to Rule 14A.35(1) of the Listing Rules, duration of an agreement in relation to a continuing connected transaction must be fixed and not exceed three years, except in special circumstances. VC Capital Limited (the “IFA”), an independent financial adviser, has been appointed to explain why a five-year period for the Commercial Agency Contract is required. The IFA has reviewed contracts of the nature similar to the Commercial Agency Contract entered between JESC and other independent third parties and noted that it normally takes an average of approximately three years for customers to conduct trial run and approve purchases from the Group for similar kind of products contemplated under the Commercial Agency Contract. Hence, it is reasonable for the Group to provide a longer duration than 3 years under the Commercial Agency Contract. In relation to the Commercial Agency Contract, the IFA is of the opinion that it is normal business practice for contracts of this type to be of such duration.

Pursuant to Rule 13.39(6) of the Listing Rules, an independent board committee is established to advise the shareholders of the Company, and an independent financial adviser is appointed to advise the independent board committee and the shareholders, on whether the terms of the Sale and Purchase Contract and the Commercial Agency Contract and the proposed Group’s Purchase Cap, Group’s Sales Cap and the Commission Cap 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 Sale and Purchase Contract and the Commercial Agency Contract and the proposed Group's Purchase Cap, Group's Sales Cap and the Commission Cap. The voting in relation to the Sale and Purchase Contract and the Commercial Agency Contract and the proposed Group's Purchase Cap, Group's Sales Cap and the Commission Cap will be taken by poll. Bekaert and its associates are required to abstain from voting on the relevant resolution to approve the Sale and Purchase Contract and the Commercial Agency Contract and the proposed Group's Purchase Cap, Group's Sales Cap and the Commission Cap.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AND PURCHASE CONTRACT AND THE COMMERCIAL AGENCY CONTRACT**

The Directors are of the view that Bekaert is one of the leading steel cord manufacturers in the PRC with a significant global presence and in light of the increasing competitive environment in the global steel cord market, the cooperation with the Bekaert Group should be expanded with an objective to enlarge our respective market shares. The sale and purchase of the finished products could facilitate both the Group and the Bekaert Group to react to the varying global market conditions in a timely manner. In some cases, sales of the Group or the Bekaert Group may be restrained by its own production capacity, production scheduling or technical problems that might have an impact on the quality of the final product concerned. Both parties will be benefited from the Sale and Purchase Contract by obtaining a back-up supply source so that additional sales can be captured. As a result, the Directors expect that our market share could be expanded.

Furthermore, the Company will secure a quality supply of certain materials for the manufacture of steel cord, which in turn will lower the production cost, and the additional tonnage supplied by Bekaert Group can meet the further expansion of annual production capacity from current 30,000 tonnes to 80,000 tonnes during 2009.

In all, by entering into the Sale and Purchase Contract, our market share can be increased and profit margin of steel cord business can be improved.

The Group has been endeavouring to increase its participation in the export market since 2005 and for the year ended 31 December 2006, exported volume in respect of steel cords segment amounted to approximately 1,196 tonnes representing approximately 4 per cent. of the total sales volume of steel cord segment of the Group. Whilst the Group has been supplying products to some well-known customers in some overseas markets, the Directors believe that the well-established international distribution network of the Bekaert Group will assist the Group in gaining market share as well as building a stronger brand name in the global market. In respect of the term of the said agreement, the Directors believe that a 5-year term is fair and reasonable in view of the stringent testing procedures employed by most international radial tyre manufacturers. Based on the Group's experience, these testing procedures could last for about 2 or more years in most cases in order to test the properties of the steel cord in the radial tyres under various weather conditions. In this connection, the Directors believe that the initial 2 years of the 5-year term are geared towards getting the final products approved by the ultimate tyre manufacturers with the pre-sale assistance of the Bekaert Group. Following the granting of the approval of the products supplied by the Group, the next 3 years of the 5-year term will be the selling and after-sales servicing by the Bekaert Group on behalf of the Group and pursuant to which, a commission will then be paid.

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

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 a Europe-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 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.

## **GENERAL**

A circular containing details of the Sale and Purchase Contract and the Commercial Agency Contract, a letter from the independent board committee, a letter setting out the advice of an independent financial adviser and a notice of convening the EGM to approve the aforesaid transactions will be despatched to the shareholders of the Company as soon as practicable.

## DEFINITIONS

“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium
“Bekaert Group”	Bekaert and its subsidiaries
“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
“Commercial Agency Contract”	the commercial agency contract entered between JESC and Bekaert on 20 April 2007
“Directors”	the directors of the Company
“Effective Date”	the date on which the Sale and Purchase Contract and the Commercial Agency Contract becoming effective upon approval by the independent shareholders of the Company at the EGM
“EGM”	the extraordinary general meeting to be convened to approve, among other things, the Sale and Purchase Contract, the Commercial Agency Contract, the Group’s Purchase Cap, the Group’s Sales Cap and the Commission Cap
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“JESC”	Jiaxing 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
“Sale and Purchase Contract”	the sale and purchase contract dated 20 April 2007 entered into between Bekaert and the Company, which restated and amended the Supply Contract
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Supply Contract”	the supply contract dated 22 September 2006 entered between Bekaert and JESC
“Territories”	anywhere in the world except for the excluded territories (including the PRC and South Korea) and certain customers as set out in the Commercial Agency Contract

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

Hong Kong, 20 April 2007

*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. Geert Johan Roelens, 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.*