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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Shougang Concord International Enterprises Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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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**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**

  
**Optima Capital Limited**

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A letter from the Board is set out on pages 3 to 7 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 8 of this circular. A letter from Optima Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advices to the Independent Board Committee and the Independent Shareholders on the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions is set out on pages 9 to 16 of this circular.

A notice convening an EGM to be held at 11:15 a.m. on Friday, 17 December 2010, at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong is set out on pages 23 to 24 of this circular. A form of proxy for the EGM for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the share registrars of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Continuing Connected Transactions”	the transactions contemplated under the Master Agreement;
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 11:15 a.m. on Friday, 17 December 2010 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong for the Independent Shareholders to consider and if thought fit, 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”	the independent committee of the Board, comprising all the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Continuing Connected Transactions;
“Independent Financial Adviser” or “Optima Capital”	Optima Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions;

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## DEFINITIONS

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“Independent Shareholder(s)”	the Shareholder(s) other than Shougang Holding and its associates;
“Latest Practicable Date”	26 November 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“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;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“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; and
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Directors:*

Wang Qinghai (*Chairman*)  
Cao Zhong (*Vice Chairman*)  
Li Shaofeng (*Managing Director*)  
Zhang Wenhui (*Deputy Managing Director*)  
Chen Zhouping (*Deputy Managing Director*)  
Ip Tak Chuen, Edmond (*Non-executive Director*)  
Leung Shun Sang, Tony (*Non-executive Director*)  
Kan Lai Kuen, Alice (*Independent Non-executive Director*)  
Wong Kun Kim (*Independent Non-executive Director*)  
Leung Kai Cheung (*Independent Non-executive Director*)

*Registered Office:*

7th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

1 December 2010

*To the Shareholders*

Dear Sir/Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

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.

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

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## LETTER FROM THE BOARD

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An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Master Agreement. Optima Capital has been appointed as an independent financial adviser 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.

The purpose of this circular is:

- (i) to provide the Shareholders with details of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions;
- (ii) to set out the opinion of the Independent Financial Adviser in respect of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions;
- (iii) to set out the recommendation of the Independent Board Committee in respect of the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions; and
- (iv) to give the Shareholders notice of the EGM to consider and, if thought fit, to approve the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions.

### 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>	<b>2012</b>	<b>2013</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<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

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## LETTER FROM THE BOARD

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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. The cap amounts for both the Sales and Purchases are significantly higher than the actual transaction amounts under the Old Master Agreement (as defined below) because of, in relation to the Sales, the increases in steel prices in the market and the expected increases in output from the mills of the Company as a result of the stabilization of the global economy. In relation to the Purchases, raw material prices for steel manufacturing, including iron ore and coke, have increased significantly in recent years, thereby contributing to the increases in the annual caps for the Purchases. Moreover, it is expected that certain of the equipment of the mills of the Company would need to be upgraded in the coming years and the increase in the Purchases amount have taken into consideration such upgrade costs.

- 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 and actual 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>	<b>2009</b>	<b>2010</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>Cap amount for the Purchases</b>	14,230	18,620	23,150
<b>Actual amount of the Purchases</b>	5,958	7,173	3,877 <i>(Note)</i>
<b>Cap amount for the Sales</b>	12,800	15,500	18,500
<b>Actual amount of the Sales</b>	4,028	2,456	2,047 <i>(Note)</i>

*Note: Up to 30 June 2010.*

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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.

The Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (including the independent non-executive Directors) 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 (including the independent non-executive Directors) 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. Mr. Wang Qinghai, the Chairman of the Company, is the vice chairman of Shougang Corporation, and Mr. Li Shaofeng, Mr. Zhang Wenhui and Mr. Chen Zhouping, all executive Directors, are also directors of Shougang Holding. Each of Mr. Wang Qinghai, Mr. Li Shaofeng, Mr. Zhang Wenhui and Mr. Chen Zhouping is therefore deemed to be interested in the Continuing Connected Transactions. Mr. Wang Qinghai did not attend and vote at the Board meeting for approving, inter alia, the Continuing Connected Transactions. Each of Mr. Li Shaofeng, Mr. Zhang Wenhui and Mr. Chen Zhouping has abstained from voting for the resolutions of the Board in relation to the Continuing Connected Transactions.

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.



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## LETTER FROM THE BOARD

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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. Shougang Holding and its associates will abstain from voting for the resolutions proposed at the EGM on a vote by way of poll.

### **EGM**

A notice convening the EGM to be held at 11:15 a.m. on Friday, 17 December 2010 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong is set out on pages 23 to 24 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the share registrars of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to the Rule 13.39(4) of the Listing Rules, any vote of shareholders at the EGM must be taken by poll. Accordingly, the Company will procure that the chairman of the EGM shall demand voting on all resolutions set out in the notice of EGM be taken by way of poll.

### **RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on page 8 of this circular which contains its recommendation to the Independent Shareholders on the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions. Your attention is also drawn to the letter of advice from Optima Capital which contains, amongst other matters, its advices to the Independent Board Committee and the Independent Shareholders in relation to the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions. The letter from Optima Capital is set out on pages 9 to 16 of this circular.

The Directors consider that the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Your attention is also drawn to the general information set out in the appendix of this circular.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

1 December 2010

*To the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 1 December 2010 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of advice from Optima Capital Limited (“**Optima Capital**”), the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions as set out on pages 9 to 16 of the Circular and the letter from the Board set out on pages 3 to 6 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of Optima Capital as stated in its letter of advice, we consider that the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Master Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions to be proposed at the EGM.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of  
Shougang Concord International Enterprises Company Limited**

**Kan Lai Kuen, Alice**

**Wong Kun Kim**

**Leung Kai Cheung**

*Independent Non-executive Directors*

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## LETTER FROM OPTIMA CAPITAL

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Suite 1501, 15th floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

1 December 2010

*To: the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Master Agreement entered into between the Company and Shougang Corporation and the relevant cap amounts (the “Caps”) in respect of the Continuing Connected Transactions. Details of which are set out in the letter from the Board (the “Letter”) contained in the circular of the Company dated 1 December 2010 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

On 11 November 2010, the Company entered into the Master Agreement with Shougang Corporation in respect of the Continuing Connected Transactions. 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”).

As at the Latest Practicable Date, Shougang Corporation was the holding company of Shougang Holding which in turn was 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 extraordinary general meeting will be convened at which an ordinary resolution (the “Resolution”) will be proposed to consider and, if thought fit, approve the Master Agreement and the Caps. The voting at the EGM will be taken by poll and Shougang Holding and its associates will abstain from voting for the Resolution.

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## LETTER FROM OPTIMA CAPITAL

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The Company will seek Independent Shareholders' approval at the EGM of the Master Agreement and the Caps. An Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Kan Lai Kuen, Alice, Mr. Wong Kun Kim and Mr. Leung Kai Cheung, has been established to advise the Independent Shareholders on the terms of the Master Agreement and the Caps as to whether they are fair and reasonable so far as the Independent Shareholders are concerned and to give a recommendation to the Independent Shareholders in respect of the voting on the Resolution. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification of the information supplied.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Master Agreement and the Caps are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

#### **1. Background to and reason for the Master Agreement**

On 7 May 2008, the Company and Shougang Corporation entered into the Old Master Agreement in respect of the Purchases and the Sales for a fixed term of three financial years ending 31 December 2010 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 for a fixed term of three financial years ending 31 December 2013. The entering into of the Master Agreement is a renewal of the Old Master Agreement.

As disclosed in the interim report of the Group for the six months ended 30 June 2010, the principal activities of the Group include steel manufacturing, mineral exploration, steel and iron ore trading and shipping operations. The Company, through its subsidiaries, is principally engaged in the production, sales and trading of steel slabs, steel related products. The entering into of the Master Agreement is to, on the one hand, secure a stable source of supply of raw materials, materials and related products from, and on the other hand, secure regular sales of materials and steel products to, one of the largest steel companies in the PRC. The Directors consider that the Master Agreement serves to provide benefits to the Group in its steel operation as well as in maintaining its competitiveness.

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## LETTER FROM OPTIMA CAPITAL

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The Purchases and the Sales pursuant to the Master agreement are significant to the core business of the Group. Based on the information provided by the Company, the total Purchases from the Shougang Corporation and/or its associates for the financial year ended 31 December 2009 amounted to HK\$7,173 million, representing approximately 59.3% of the total cost of goods sold by the Group while the total Sales to Shougang Corporation and/or its associates for the financial year ended 31 December 2009 amounted to HK\$2,456 million, representing approximately 21.6% of the total revenue of the Group for the year. In light of the principal activities of the Group and the significance of the Purchases and the Sales to the Group, we consider that the transactions contemplated under the Master Agreement are in the ordinary and usual course of business of the Group.

### **2. Principal terms of the Master Agreement**

#### *Purchases and Sales*

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 and the Group will supply raw materials, scrap materials, steel products and services to Shougang Corporation and/or its associates.

#### *Term of the Master Agreement*

The Master Agreement has a fixed term of three financial years ending on 31 December 2013.

#### *Pricing mechanism and payment*

Pursuant to the Master Agreement, the determination of the prices for the Purchases and the Sales will be in accordance with (i) comparable market price; or (ii) 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. Payments of the transactions contemplated under the Master Agreement shall be on normal commercial terms or in the manner as reasonably requested by the parties.

#### *Our view*

We have compared the terms of the Master Agreement with those of the Old Master Agreement. We note that the principal terms of the Master Agreement are similar to the current terms under the Old Master Agreement.

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## LETTER FROM OPTIMA CAPITAL

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In addition, we have compared the transactions between the Group and Shougang Corporation and/or its associates with those between the Group and other independent third parties by reference to the respective samples of purchase orders and sales invoices. Based on our review of the samples and discussion with the management of the Group, we understand that the key terms of the previous transactions including the pricing and the credit terms were on normal commercial terms. We further note that (i) the selling prices charged by the Group for the products/services provided to Shougang Corporation and/or its associates were not less favourable than that for the products/services provided to other independent customers; (ii) the purchase price paid by the Group for the products/services provided by Shougang Corporation and/or its associates were not less favourable than that available to the Group from other independent suppliers; and (iii) the credit terms granted by the Group to Shougang Corporation and/or its associates were in line with those offered by the Group to the other independent customers.

On the basis that (i) the terms of the Master Agreement are substantially similar to that of the Old Master Agreement; (ii) the relevant terms are on normal commercial terms; (iii) the prices for the Purchases and the Sales under the Master Agreement will be determined based on comparable market price and will be no less favourable than those available from independent suppliers, or than those available to independent customers; and (iv) credit terms for the Sales will be granted in line with those granted to other independent customers, we are of the view that the terms of the Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### 3. Caps

The Purchases and the Sales contemplated under the Master Agreement are subject to the Caps for the financial years ending 31 December 2011, 2012 and 2013 as follows:

	2011	2012	2013
	<i>HK\$ million</i>	<i>HK\$ million</i>	<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

In assessing the reasonableness of the Caps for the Purchases and the Sales under the Master Agreement, we have discussed with the management of the Company the basis and underlying assumptions including (i) historical value of transactions between the Group and Shougang Corporation and/or its associates; (ii) the anticipated future supply and demand of the Purchases and the Sales; (iii) the anticipated increase in the prices of the raw materials and steel products; (iv) the expansion of the scale of production; and (v) the anticipated appreciation of Renminbi for the purpose of setting the relevant Caps.

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## LETTER FROM OPTIMA CAPITAL

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According to the information provided by the Company, the historical value in relation to the continuing connected transactions between the Group and Shougang Corporation and/or its associates for the two years ended 31 December 2009 and the six months ended 30 June 2010 were as follows:

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
<b>Purchases</b>	5,958	7,173	3,877
<b>Sales</b>	4,028	2,456	2,047

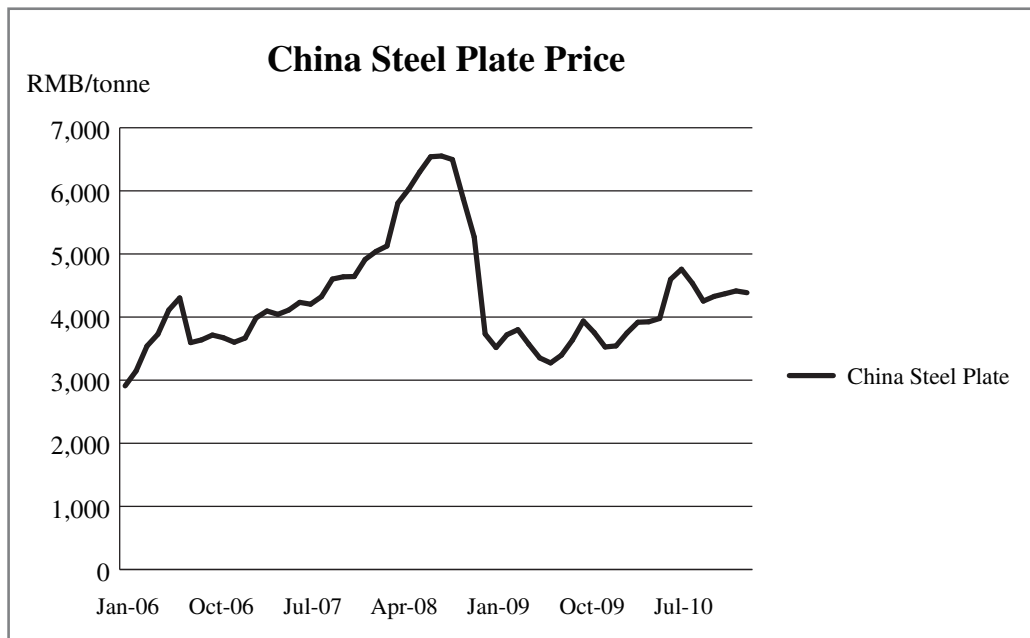
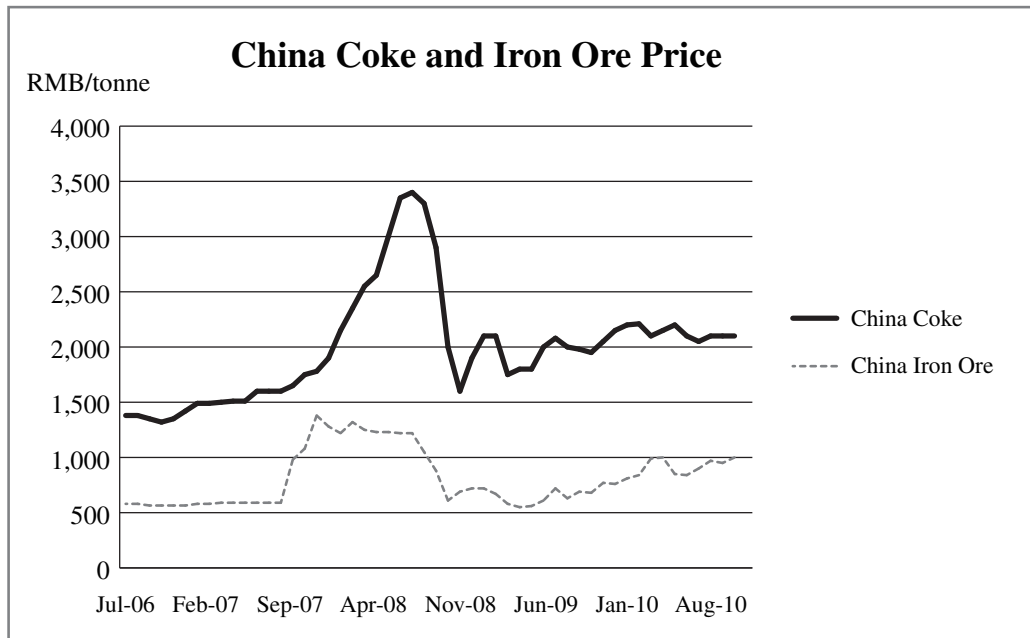
As shown in the above table, the Purchases have increased from HK\$5,958 million in 2008 to HK\$7,173 million in 2009, representing an increase of approximately 20.4%. The Sales have decreased from HK\$4,028 million in 2008 to HK\$2,456 million in 2009. We have discussed with the management the reasons for the decrease and note that it is partly due to the sudden drop in the prices of the raw materials and steel products during the year 2009. For the six months ended 30 June 2010, with a rebound in the steel sector as a result of demand recovery, the prices of steel products began to rise from the bottom. As shown above, the Purchases and Sales with Shougang Corporation and/or its associates for the six months ended 30 June 2010 represented more than half of the respective figures in the preceding year. Both the Sales and Purchases for the year ending 31 December 2010 are expected to be higher than that of the year 2009. We consider that in determining the Caps, apart from the historical value of the transactions, other factors such as the price fluctuation of the raw materials and steel related products should also be taken into consideration.

The fluctuating trends of prices of raw materials for steel production, including iron ore and coke, and prices of steel plates were noted in the recent four years from 2006 to 2010. Based on the latest data extracted from Bloomberg, (i) prices of coke reached the peak in July 2008, representing an increase of approximately 113% from approximately RMB1,600 per tonne in July 2007 to approximately RMB3,400 per tonne in July 2008; (ii) prices of iron ore reached the peak in November 2007, representing an increase of approximately 134% from approximately RMB590 per tonne in May 2007 to approximately RMB1,380 per tonne in November 2007; and (iii) prices of steel plates reached the peak in June 2008, representing an increase of approximately 56% from approximately RMB4,204 per tonne in June 2007 to approximately RMB6,552 per tonne in June 2008. Both prices of raw materials and steel plates dropped substantially after reaching the peak, then followed by a steady growth in the years of 2009 and 2010. We have discussed with the management of the Group and noted that prices of raw materials and steel plates fluctuated and experienced unexpected and substantial surge or decline within only a few years. The chart below illustrates the trends of prices of steel plates and raw materials, including iron ore and coke, in the past four years from 2006 to 2010:

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## LETTER FROM OPTIMA CAPITAL

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For determining the Caps, the Company has anticipated increase in the price of raw materials and the selling price of steel products. We have discussed with the management of the Group the bases of the anticipated increase. We are given to understand that the projected increase in prices has taken into account the market demand and supply of the Purchases and Sales, the growth of the PRC economy and the expected increase in price index for goods and services in the PRC. As shown in the charts above, we note that the price of the raw materials for steel production including the iron ore and coke and steel products, despite with fluctuation, had been on an increasing trend in the past few years. Based on the above, we consider that (i) the anticipated increase in prices of the raw materials and the steel products is in general in line with the market trend; and (ii) the buffer provided in setting the Caps for any unexpected fluctuation in prices of raw materials and steel products, are fair and reasonable.



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## LETTER FROM OPTIMA CAPITAL

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Based on the sales and purchases plan provided by the Company, we understand from the management of the Group that the anticipated increase in amount of the Purchases and the Sales is in line with the production capacity of the Group. The Group plans to increase the Purchases in order to utilize the maximum production capacity of the Group. According to the annual report of the Company for the year ended 31 December 2009, the Group had an annual production capacity of 2.6 million tonnes in steel slabs and 2.6 million tonnes in high value-adding heavy plates. As set out in the interim report of the Company ended 30 June 2010, the current annual production capacities of steel slabs and heavy plates had reached 3.6 million tonnes and 2.6 million tonnes respectively. With the installation of a new roughing mill in 2010, it is expected that the overall production capacity of the Group will further increase. The Company expects the production capacity of steel slabs will reach approximately 3.8 million tonnes in 2011, representing around 46% growth over the production capacity in 2009. In addition, as advised by the Company, two iron ore mines held by the Group are being ramped up and more Purchases from Shougang Corporation and/or its associates relating to production are expected in the coming years. If there is an increase of production, the sales of steel products to Shougang Corporation and/or its associates will be increased accordingly. We consider that it is reasonable to provide buffer in setting the Caps for the possibility of an enhancement in production capacity or expansion of scale of production.

The management of the Group also advised that the Caps have been arrived at by the Directors with reference to the anticipated appreciation of Renminbi. According to Bloomberg, the exchange rate of RMB has increased from HK\$1:RMB0.94 as at 1 January 2008 to approximately HK\$1:RMB0.86 as at the Latest Practicable Date, representing an increase of approximately 8.5%. We agree the general perception that RMB will continue to appreciate in future but, in our view, the appreciation, if any, will be gradual and modest. We therefore consider it is reasonable to take into consideration this factor in arriving at the Caps.

We note that the Caps in general represent an annual increment of approximately 10%. We are advised by the management of the Company that the increment is determined mainly with reference to the expected growth in the PRC economy. According to the statistics on the website of the National Bureau of Statistics of China, the gross domestic products (“GDP”) of the PRC has been growing in recent years. The GDP of the year 2009 was approximately RMB34,051 billion, representing a growth rate of approximately 8.4% as compared with the GDP of approximately RMB31,405 billion in 2008. The GDP in 2008 represented a growth rate of approximately 18% over the GDP in 2007 of approximately RMB26,581 billion. The economic growth is expected to foster the demand for steel products. We note that the increment on the cap amount for the Sales in 2012 is relatively higher. We discussed with the management of the Company the basis for the additional increment on the cap amount. We are advised that it is mainly due to the increase in supply of iron ores from Mt. Gibson, the trading partner of the Group which plans to enhance the production of the iron ores in 2012. We note from the sales plan of the Company that this has been factored in the cap amount for the Sales in 2012. Based on the above, we consider that the increment of the Caps is justifiable.

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## LETTER FROM OPTIMA CAPITAL

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Although the Caps have provided certain amount of buffer with respect to the historical actual amounts of the Sales and Purchases in 2009, we are of the view that all the factors mentioned above, particularly the price fluctuation of steel raw materials/products and the expansion of production capacity should be considered altogether in assessing the fairness and reasonableness of the Caps. As elaborated above, price of raw materials may increase by more than twice within a year while the production capacities of the Group can increase significantly in one to two years. In the event that both prices and quantities of the Sales and Purchases increase significantly at the same time, the total transaction value may increase by multiples. We consider that it is justifiable for the management of the Company to set the Caps to cater for the situations when a combination of these factors materializes.

Having considered the above factors, we concur with the management of the Group that the Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### OPINION

Having taking into account the above principal factors, we consider that the transactions contemplated under the Master Agreement are in the ordinary and usual course of business of the Group and the Master Agreement is on normal commercial terms. We also consider that the terms of the Master Agreement and the Caps are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Master Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Resolution to be proposed at the EGM to approve the Master Agreement and the Caps.

Yours faithfully,  
For and on behalf of  
**Optima Capital Limited**  
**Mei H. Leung**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' interests

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

#### (i) Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in the Company			Total interests	Total interests as to % of the issued share capital of the Company as at the Latest Practicable Date
		Interests in Shares	Interests in underlying Shares*			
Cao Zhong	Beneficial owner	10,000,000	65,000,000	75,000,000	0.91%	
Zhang Wenhui	Beneficial owner	–	35,000,000	35,000,000	0.42%	
Chen Zhouping	Beneficial owner	–	45,000,000	45,000,000	0.55%	
Ip Tak Chuen, Edmond	Beneficial owner	–	12,590,000	12,590,000	0.15%	
Leung Shun Sang, Tony	Beneficial owner	7,590,000	–	7,590,000	0.09%	
Kan Lai Kuen, Alice	Beneficial owner	–	1,500,000	1,500,000	0.01%	
Wong Kun Kim	Beneficial owner	–	1,500,000	1,500,000	0.01%	
Leung Kai Cheung	Beneficial owner	–	1,500,000	1,500,000	0.01%	

\* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, Shares are issuable. The share options are personal to the respective Directors.*

(ii) *Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited ("Shougang Century"), an associated corporation of the Company*

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in the Company			Total interests	Total interests as to % of the issued share capital of Shougang Century as at the Latest Practicable Date
		Interests in Shares	Interests in underlying Shares*			
Cao Zhong	Beneficial owner	7,652,000	74,350,000	82,002,000	4.26%	
Li Shaofeng	Beneficial owner	7,652,000	44,414,000	52,066,000	2.70%	
Chen Zhouping	Beneficial owner	7,652,000	–	7,652,000	0.39%	
Leung Shun Sang, Tony	Beneficial owner	7,652,000	16,592,000	24,244,000	1.26%	

\* *The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of Shougang Century adopted on 7 June 2002. Upon exercise of the share options in accordance with the share option scheme of Shougang Century, ordinary shares of HK\$0.10 each in the share capital of Shougang Century are issuable. The share options are personal to the respective Directors.*

(iii) *Long positions in the shares and underlying shares of Fushan International Energy Group Limited ("Fushan Energy"), an associated corporation of the Company*

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in the Company			Total interests	Total interests as to % of the issued share capital of Fushan Energy as at the Latest Practicable Date
		Interests in Shares	Interests in underlying Shares*			
Cao Zhong	Beneficial owner	3,000,000	–	3,000,000	0.05%	
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%	
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%	

\* *The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of Fushan Energy adopted on 20 June 2003. Upon exercise of the share options in accordance with the share option scheme of Fushan Energy, ordinary shares of HK\$0.10 each in the share capital of Fushan Energy are issuable. The share options are personal to the respective Directors.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the directors of the Company nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

**(b) Particulars of Directors' service contracts**

As at the Latest Practicable Date, there was no existing or proposed service contract between any of Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

**(c) As at the Latest Practicable Date:**

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or were proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries;
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (iii) Save as disclosed in this circular, none of the Directors or proposed Director was a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(d) Directors' interests in competing businesses**

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

<b>Name of Director</b>	<b>Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of interest of the Director in the entity</b>
Wang Qinghai	Shougang Corporation <sup>#</sup>	Manufacture, sale and trading of steel products and shipping services	Director
Li Shaofeng	Shougang Holding <sup>#</sup>	Manufacture, sale and trading of steel products	Director
Zhang Wenhui	Shougang Holding <sup>#</sup>	Manufacture, sale and trading of steel products	Director
Chen Zhouping	Shougang Holding <sup>#</sup>	Manufacture, sale and trading of steel products	Director

<sup>#</sup> *Such businesses may be carried out through its subsidiaries or associates of the entity concerned or by way of other forms of investments.*

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest audited financial statements of the Company were made up.

#### 4. EXPERT'S QUALIFICATION AND CONSENT

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Optima Capital Limited	a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Optima Capital did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2009, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### 5. GENERAL

- (a) The company secretary of the Company is Ms. Cheng Man Ching, a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries and an associate member of the Hong Kong Institute of Bankers. She holds a master degree in business administration and a master degree in arts.
- (b) The registered office of the Company is 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The share registrars of the Company is Tricor Tengis Limited located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 8 of this circular;
- (b) the letter from Optima Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 9 to 16 of this circular;
- (c) the written consent from Optima Capital referred to in the paragraph headed “Expert’s Qualification and Consent” in this Appendix;
- (d) the Master Agreement; and
- (e) this circular.



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## NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“the **EGM**”) of Shougang Concord International Enterprises Company Limited (the “**Company**”) will be held at 11:15 a.m. on Friday, 17 December 2010 at Monaco Room, Basement 1, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

**“THAT:**

- (a) the master agreement dated 11 November 2010 (the “**Master Agreement**”) entered into between Shougang Corporation (“**Shougang Corporation**”) and the Company, a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, pursuant to which, Shougang Corporation and/or its associates will supply raw materials, materials, fuel, energy, equipment, spare parts, steel products and services (the “**Purchases**”) to the Company and its subsidiaries (the “**Group**”) and the Group will supply raw materials, scrap materials, steel products and services (the “**Sales**”) to Shougang Corporation and/or its associates (the Sales and the Purchases collectively, the “**Transactions**”), be and is hereby approved, confirmed and ratified;
- (b) the cap amounts in respect of the Purchases and the Sales as set out in the circular of the Company dated 1 December 2010 for each of the three financial years ending 31 December 2013 be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master Agreement and to give effect to the Transactions.”

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

Hong Kong, 1 December 2010

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## NOTICE OF EGM

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*Registered office:*

7th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the share registrars of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.