



# 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)

### XINHUA METAL SHARE REFORM PLAN

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

A proposal has been made by the non-freely transferable shareholders of Xinhua Metal (the “Non-freely Transferable Shareholders”) including Xinyu Iron & Steel Co., Ltd. 新余鋼鐵有限責任公司 (the controlling shareholder), Jiangxi International Trust & Investment Co., Ltd. 江西國際信託投資股份有限公司, Jiangxi Metallurgical Trading Company 江西省冶金供銷公司 and Vicwah Metal, an indirect wholly-owned subsidiary of Shougang Century, for the conversion of the non-freely transferable shares of Xinhua Metal into shares freely transferable on the Shanghai Stock Exchange. For such conversion, the Non-freely Transferable Shareholders have proposed transferring 3 non-freely transferable shares of Xinhua Metal to each holder of freely transferable shares of Xinhua Metal for every 10 freely transferable shares held by such holders. If such conversion takes place (on the basis of 3 shares for every 10 shares), Shougang Century’s interest in Xinhua Metal will be diluted from 16.76% to 14.70% and based on the carrying value of interest in Xinhua Metal as shown in Shougang Century’s 2005 interim report, the share of the interest in Xinhua Metal by Shougang Century may decrease from HK\$44,730,000 to HK\$39,881,000, representing a decrease in value of interest of approximately HK\$4,849,000 to the accounts of Shougang Century. This decrease represents approximately 0.52% of Shougang Century’s audited total asset value as at 31 December 2004 and approximately 0.50% of Shougang Century’s unaudited total asset value as at 30 June 2005 as disclosed in its 2005 interim report.

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

In accordance with the requirements under the relevant documents including the “Guidelines of the State Council for Promoting the Reform and Opening-up and Sustained Development of the Capital Market《關於推進資本市場改革開放和穩定發展的若干意見》” promulgated by the State Council People’s Republic of China, “Guiding Opinions on the Non-tradable Share Reform of Listed Companies《關於上市公司股權分置改革的指導意見》” jointly promulgated by the China Securities Regulatory Commission (“CSRC”), State-Owned Assets Supervision and Administration Commission of the State Council, Ministry of Finance People’s Republic of China, the People’s Bank of China and Ministry of Commerce People’s Republic of China, and the “Administrative Measures on the Non-tradable Share Reform of Listed Companies《上市公司股權分置改革管理辦法》” promulgated by CSRC, the Board hereby announces that Shougang Century’s indirect wholly-owned subsidiary, Vicwah Metal (a minority shareholder holding non-freely transferable shares of Xinhua Metal), is required to observe the procedures prescribed under the aforesaid documents; otherwise, Xinhua Metal may be in an adverse position due to the possibility of marginalization of not carrying out the Share Reform Plan. Notwithstanding, Vicwah Metal has endeavored to take the following measures to act for the best interest of its shareholders as a whole:

- (1) recommending to the board of directors of Xinhua Metal other options/proposals which are more fair and reasonable to Vicwah Metal in place of Xinhua Metal

Share Reform Plan under the prescribed requirement of share segregation reform of the PRC securities market;

- (2) comparing other plans of share reform practitioners in the securities market for concluding a share reform proposal which is applicable to Xinhua Metal; and
- (3) advising to having any other arrangement which can minimize the pecuniary loss arising from Xinhua Metal Share Reform Plan on the books and accounts of Vicwah Metal.

(but these efforts were not adopted due to the practical limitation of the Central Government policy imposed on share segregation reform of the PRC securities market).

Hence, it eventually agrees with the other Non-freely Transferable Shareholders to proceed with the proposal of the Xinhua Metal Share Reform Plan for the conversion of non-freely transferable shares of Xinhua Metal into shares freely transferable on the Shanghai Stock Exchange for the purpose of compliance with the prevailing share segregation reform of the securities market of the PRC.

The Board believes that the above arrangement causes the least impact on the financial position of Shougang Century and that the implementation of Xinhua Metal Share Reform Plan in the long run may provide Shougang Century with more flexibility in dealing with the interest in Xinhua Metal after the transfer restrictions have been removed.

#### **Details of Xinhua Metal and Xinhua Metal interests**

Xinhua Metal is a joint stock limited company incorporated in the PRC. The shares of Xinhua Metal in issue as at the date hereof consist of 137,060,374 non-freely transferable shares (representing 70.94% of the total issued shares of Xinhua Metal), 16.76% of which are held by Vicwah Metal. The balance of the 56,160,000 shares (representing 29.06% of the total issued shares of Xinhua Metal) are freely transferable “A” shares listed on the Shanghai Stock Exchange.

#### **Xinhua Metal Share Reform Plan**

Under the Xinhua Metal Share Reform Plan, all the Non-freely Transferable Shareholders are in line with the share segregation reforms of the other “A” share companies listed in the PRC by proposing to transfer an aggregate of 16,848,000 non-freely transferable shares of Xinhua Metal to the holders of the freely transferable shares of Xinhua Metal on the basis of 3 shares for every 10 freely transferable shares held by such holders (subject to the conditions set out below and the consultation with holders of the freely transferable shares of Xinhua Metal). Of which, Vicwah Metal’s transfer proportion is 3,980,132 shares and upon completion of the Xinhua Metal Share Reform Plan, Vicwah Metal’s interest in Xinhua Metal will drop from 16.76% to 14.70%. The shareholding structure of Xinhua Metal before and after Xinhua Metal Share Reform Plan is set out below:

| Name of Shareholders   | Before completion of Xinhua Metal Share Reform Plan |               | After completion of Xinhua Metal Share Reform Plan |               |
|--|---|---------------|--|---------------|
|  | <i>No. of share held</i>                            | <i>%</i>      | <i>No. of share held</i>                           | <i>%</i>      |
| 1 Xinyu Iron & Steel Co., Ltd.<br>新余鋼鐵有限責任公司                           | 84,390,681  | 43.68         | 74,017,046   | 38.31         |
| 2 Vicwah Metal   | 32,378,824  | 16.76         | 28,398,692   | 14.70         |
| 3 Jiangxi International Trust & Investment Co., Ltd.<br>江西國際信託投資股份有限公司 | 19,427,293  | 10.05         | 17,039,214   | 8.82          |
| 4 Jiangxi Metallurgical Trading Company<br>江西省冶金供銷公司                   | 863,576   | 0.45          | 757,422  | 0.39          |
| 5. Freely transferable shareholders                                    | 56,160,000  | 29.06         | 73,008,000   | 37.78         |
| Total  | <u>193,220,374</u>                                  | <u>100.00</u> | <u>193,220,374</u>                                 | <u>100.00</u> |

The Xinhua Metal non-freely transferable shares will be converted into freely transferable shares on the first trading day following the implementation of the Xinhua Metal Share Reform Plan but subject to the restrictions during the lock-up period as mentioned below.

### **Conditions**

The Xinhua Metal Share Reform Plan is conditional upon (a) approval of more than two-thirds of (i) all the shareholders of Xinhua Metal who have cast their votes in respect of the Xinhua Metal Share Reform Plan and (ii) the holders of all the freely transferable shares of Xinhua Metal who have cast their votes in respect of the Xinhua Metal Share Reform Plan; and (b) completion of all necessary formalities for the purpose of enabling trading on the Shanghai Stock Exchange of those freely transferable shares of Xinhua Metal converted from non-freely transferable shares. The votes of the shareholders of Xinhua Metal in respect of the Xinhua Metal Share Reform Plan may be cast on the internet from 7 April 2006 to 11 April 2006. If any of such approvals cannot be obtained, the Non-freely Transferable Shareholders may furnish a new proposal for the Xinhua Metal Share Reform Plan in accordance with relevant laws and regulations of the PRC.

Vicwah Metal is obliged to give undertakings as follows:

- (i) the shares of Xinhua Metal held by Vicwah Metal will be subject to a lock-up period of 12 months (“Lock-up Period”) upon such shares becoming freely transferable shares;
- (ii) for 12 months after the Lock-up Period, the number of shares in Xinhua Metal that Vicwah Metal may sell on the Shanghai Stock Exchange not exceed 5% of the entire issued share capital of Xinhua Metal; and
- (iii) for 24 months after the Lock-up Period, the number of shares in Xinhua Metal that Vicwah Metal may sell on the Shanghai Stock Exchange not exceed 10% of the entire issued share capital of Xinhua Metal.

Following the 24 months after the Lock-up Period, Vicwah Metal will be able to dispose of its then shareholding in Xinhua Metal free from any restriction.

Suffice it to point out that the above selling restrictions are applicable to the other Non-freely Transferable Shareholders save for Xinyu Iron & Steel Co., Ltd. 新余鋼鐵有限責任公司 which is agreeable to a lock-up period of 36 months.

In conclusion, all the other Non-freely Transferable Shareholders agreed to participate in the Xinhua Metal Share Reform Plan.

### **Impact on Shougang Century**

The proposed Xinhua Metal Share Reform Plan may or may not proceed subject to the conditions mentioned above. If the Xinhua Metal Share Reform Plan proceeds (on the basis of 3 shares for every 10 shares), Shougang Century’s interest in Xinhua Metal will be diluted from 16.76% to 14.70% and based on the carrying value of interest in Xinhua Metal as shown in Shougang Century’s 2005 interim report, the share of the interest in Xinhua Metal by Shougang Century may decrease from HK\$44,730,000 to HK\$39,881,000, representing a decrease in value of interest of approximately HK\$4,849,000 to the accounts of Shougang Century. This decrease represents approximately 0.52% of Shougang Century’s audited total asset value as at 31 December 2004 and approximately 0.50% of Shougang Century’s unaudited total asset value as at 30 June 2005 as disclosed in its 2005 interim report. However, Shougang Century’s accounting treatment for the Xinhua Metal Share Reform Plan is under study and has not yet been finalised. In the event that there is any substantial change on the Xinhua Metal Share Reform Plan and material impact on Shougang Century, the Board will keep the market informed by way of announcement in compliance with the requirements of the Listing Rules.

## **Definitions**

|                     |  |
|---------------------|--|
| “Board”             | Board of directors of Shougang Century   |
| “Listing Rules”     | the Rules Governing the Listing of Securities on The Stock Exchange  |
| “PRC”               | the People’s Republic of China   |
| “Share Reform Plan” | the proposal for the conversion of the non-freely transferable shares of Xinhua Metal into freely transferable shares  |
| “Shougang Century”  | Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange   |
| “Stock Exchange”    | The Stock Exchange of Hong Kong Limited  |
| “Vicwah Metal”      | Vicwah Metal Products Company Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Shougang Century   |
| “Xinhua Metal”      | Xinhua Metal Products Co., Ltd., a joint stock limited company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange, defined as an associate of Shougang Century in the opinion of the Board |

By order of the Board

**Shougang Concord Century Holdings Limited**

**Li Shaofeng**

*Managing Director*

Hong Kong, 28 March 2006

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

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

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