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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)

**CANCELLATION OF SHARE PREMIUM AND
CAPITAL RESERVE ACCOUNTS**

The Directors announce that the Company proposes to cancel the amount standing to the credit of the Company's share premium account and capital reserve account. The credit arising on the Cancellation will be applied, to the extent permitted by the High Court, principally, in writing off the accumulated losses of the Company as at 30 June 2004.

The Cancellation is conditional on the approval of the Shareholders in general meeting, the confirmation of the High Court and certain registration requirements.

A circular containing further details concerning the Cancellation and a notice convening an extraordinary general meeting to approve the Cancellation will be despatched to the Shareholders on 20 May 2005.

INTRODUCTION

The Directors announce that the Company proposes to cancel the amount standing to the credit of the Company's share premium account and capital reserve account. This is expected to give rise to a credit of approximately HK\$3,213 million based on the Company's share premium account and capital reserve account as at 31 March 2005. Such credit will be applied, to the extent permitted by the High Court, in writing off the accumulated losses of the Company, of approximately HK\$2,920 million as at 30 June 2004 (the "Accumulated Losses"). The remaining balance of approximately HK\$293 million of the credit arising on the Cancellation will be transferred to a special capital reserve to be created by the Company, the application of which will be subject to such conditions as are imposed by the High Court.

As at 31 March 2005, the Company's share premium account and capital reserve account stood at approximately HK\$1,413 million and HK\$1,800 million respectively. The former sum has arisen as a result of various issues of Shares by the Company at a premium accrued pursuant to section 48B of the Companies Ordinance. The latter sum has arisen as a result of the reduction of the Company's share premium account in November 1993.

CONDITIONS

The Cancellation is conditional on the following:

- (i) the passing by the Shareholders of a special resolution in general meeting to approve the Cancellation; and
- (ii) the confirmation of the Cancellation by the High Court and the registration by the Registrar of Companies in Hong Kong of an office copy of the order of the High Court and the minute containing the particulars required by section 61 of the Companies Ordinance.

Assuming that the above conditions are fulfilled, the Cancellation will become effective immediately following the registration of the order of the High Court and the minute referred to at (ii) above.

The effective date of the Cancellation cannot be ascertained at present. An application will be made to the High Court in respect of the Cancellation as soon as practicable after the approval of the Cancellation by the Shareholders and further announcement(s) will be made informing the Shareholders of the expected effective date of the Cancellation and, as necessary or appropriate, the progress and results of the application to the High Court.

REASON FOR THE CANCELLATION

As at 30 June 2004, the Company had (on an unconsolidated basis) Accumulated Losses of approximately HK\$2,920 million and no repayment on the Accumulated Losses has been made since 30 June 2004. The Company had incurred further losses of approximately HK\$17 million (the "Further Losses") during the period from 1 July 2004 to 31 March 2005 but does not seek to eliminate these losses. The Further Losses were not related to the Accumulated Losses and were unknown when evidence was prepared for the application to the High Court. The Company only seeks, to the extent permitted by the High Court, to eliminate the Accumulated Losses (which were permanent losses of approximately HK\$2,920 million as at 30 June 2004). The Cancellation (and the writing off of Accumulated Losses against the credit arising on the Cancellation) is designed to ensure that the Company will have a capital structure that would permit the payment of dividends, as and when the Directors consider it appropriate in the future.

At this stage, there can be no assurance that a dividend will be declared or paid in the future even in circumstances where the Cancellation becomes effective.

IMPACT OF THE CANCELLATION

The Cancellation does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of a Share or the trading arrangements (including board lot size) concerning the Shares.

Implementation of the Cancellation will not, of itself, alter the underlying assets, business, operations, management, financial position (other than as regards the payment of the estimated expenses of approximately HK\$500,000) or the share capital of the Company.

GENERAL

A circular containing further details concerning the Cancellation and containing notice of an extraordinary general meeting to consider and if thought fit pass the requisite resolution to approve the Cancellation will be despatched to the Shareholders on 20 May 2005.

DEFINITIONS

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

"Cancellation"	the proposed cancellation of the amount standing to the credit of the Company's share premium account and capital reserve account, with the intention that the credit arising will be applied, to the extent permitted by the High Court, in writing off the accumulated losses of the Company as at 30 June 2004, with the balance of the credit arising being transferred to a special capital reserve to be created by the Company;
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of The Laws of Hong Kong);
"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 of Hong Kong Limited;
"Directors"	the directors of the Company;
"High Court"	the High Court of Hong Kong;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Share(s)"	ordinary share(s) of HK\$0.20 each in the share capital of the Company; and
"Shareholders"	the holders of the Shares from time to time.

By Order of the Board
Shougang Concord International
Enterprises Company Limited
Cao Zhong
Managing Director

19 May 2005

The board of directors of the Company as at the date of this announcement comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Managing Director), Mr. Chen Zhouping (Deputy Managing Director), Mr. Luo Zhenyu (Deputy Managing Director), Mr. Tsoi Wai Kwong, Mr. Ip Tak Chuen, Edmond, Mr. Leung Shun Sang, Tony, Ms. Choy Hok Man, Constance, Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Kwan Bo Ren, Dick (Independent Non-executive Director) and Mr. Wong Kun Kim (Independent Non-executive Director).