
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Shougang Concord Grand (Group) Limited, you should hand this circular and the accompanying form of proxy at once to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



Shougang Concord Grand (Group) Limited

(incorporated in Bermuda with limited liability)

**PROPOSALS FOR
ADOPTION OF A NEW SHARE OPTION SCHEME
AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME
AND GRANTING OF GENERAL MANDATES TO ISSUE AND
REPURCHASE SHARES AND AMENDMENT TO THE BYE-LAWS
AND NOTICE OF THE ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of Shougang Concord Grand (Group) Limited to be held at Basement 1 Monaco Room, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on 7 June 2002 at 10:40 a.m. is set out on page 19 to 24 of this circular. Whether or not you are able to attend the meeting in person, please complete the enclosed form of proxy in accordance with the instructions printed thereof and return it to the branch share registrar of the Company, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as practicable and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

30 April 2002

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:

“Annual General Meeting”	the annual general meeting of the Company to be held on 7 June 2002
“Associated Company”	a company which is owned or controlled in respect of no less than 20 per cent. of the voting rights by the Company and “Associated Companies” shall be construed accordingly
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)
“Company”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability, and the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Eligible Participants”	any directors (including executive and non-executive), executives, officers, employees or shareholders of the Company or any of the Subsidiaries or any of the Associated Companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of the Subsidiaries or any of the Associated Companies and “Eligible Participants” shall be constructed accordingly
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 8 September 1993 for the grant of share options to the directors and full-time employees of the Group
“Expiry Date”	in respect of an option to subscribe for Shares granted under the New Share Option Scheme, the date of expiry as may be determined by the Directors, which shall not be more than ten years after the date of adoption of the New Share Option Scheme by Shareholders by resolution at a general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25 April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the share option scheme which is proposed to be adopted by the Company at the Annual General Meeting, further information and summary of the principal terms are set out in Appendix I to this circular
“Repurchase Mandate”	a general mandate to be given to the Directors to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution
“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and “Subsidiaries” shall be construed accordingly
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers

LETTER FROM THE BOARD



Shougang Concord Grand (Group) Limited

(incorporated in Bermuda with limited liability)

Directors:

Wang Qinghai (*Chairman*)

Cao Zhong (*Vice-chairman*)

Chen Zhouping (*Managing Director*)

Luo Zhenyu

Leung Shun Sang, Tony

Tam King Ching, Kenny

(Independent non-executive Director)

Choy Hok Man, Constance

(Independent non-executive Director)

Principal place of business:

7th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

30 April 2002

*To Shareholders of Shougang Concord
Grand (Group) Limited*

Dear Sir or Madam,

**PROPOSALS FOR
ADOPTION OF A NEW SHARE OPTION SCHEME
AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME
AND GRANTING OF GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES AND AMENDMENT TO THE BYE-LAWS
AND NOTICE OF THE ANNUAL GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide Shareholders with details regarding the proposed adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme; the granting of general mandates to the Directors to exercise the powers of the Company for the issue of Shares and for the repurchase by the Company of its own Shares; and the proposed amendment to the Bye-laws. All such proposals will be dealt at the forthcoming Annual General Meeting.

2. ADOPTION OF A NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

At the Annual General Meeting, an ordinary resolution will be proposed for the Company to terminate the Existing Share Option Scheme and to approve and adopt the New Share Option Scheme, pursuant to which Eligible Participants may be granted options to subscribe for Shares upon and subject to the terms and conditions of the rules of the New Share Option Scheme.

LETTER FROM THE BOARD

On 8 September 1993, the Company adopted the Existing Share Option Scheme. As a result of the Stock Exchange amending Chapter 17 (Share Option Schemes) of the Listing Rules on 1 September 2001, certain terms of the Existing Share Option Scheme are no longer in compliance with Chapter 17 of the Listing Rules. Accordingly, the Company proposes to adopt the New Share Option Scheme which complies with Chapter 17 of the Listing Rules and to terminate the Existing Share Option Scheme. A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular.

As at the Latest Practicable Date, there were 827,867,914 Shares in issue and there were no options outstanding. Assuming that no further Shares will be issued and/or repurchased prior to the date of approval and adoption of the New Share Option Scheme by Shareholders, the maximum number of options that can be granted by the Company under the New Share Option Scheme would be 82,786,791 Shares representing approximately 10 per cent. of the number of Shares in issue. However, under the New Share Option Scheme, the Company may subject to the approval of Shareholders in general meeting renew such 10 per cent. limit.

The Directors are of the view that contributions of the executives, officers or employees, and the support from suppliers, customers, consultants, advisers, agents, shareholders, partners or business associates are of paramount importance to the success of the Group as a whole and therefore the Directors consider it to be in the interests of the Group as a whole for such persons to be given incentives to participate in the growth of the Group in the form of options to subscribe for Shares.

None of the Directors are appointed as trustees of the New Share Option Scheme or have a direct or indirect interest in the trustees of the New Share Option Scheme.

General

The New Share Option Scheme will be conditional on (a) the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme by the Shareholders at the Annual General Meeting; and (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of options granted under the New Share Option Scheme.

Application for Listing

Application has been made to the Listing Committee of the Stock Exchange for approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the New Share Option Scheme.

Documents available for inspection

Copies of the following documents will be available for inspection at principal place of business of the Company in Hong Kong at 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours from the date of this circular to the date of the Annual General Meeting and at the Annual General Meeting:

- (i) the Bye-laws of the Company; and

LETTER FROM THE BOARD

- (ii) the rules of the New Share Option Scheme.

Values of all options that can be granted under the New Share Option Scheme

The Board considers that it is not appropriate or helpful to Shareholders to state the value of all options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Board believes that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the options to be granted shall not be assignable, and no holder of the option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

In addition, the calculation of the value of the options is based on a number of variables such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

3. GENERAL MANDATES

At the Annual General Meeting, separate ordinary resolutions will be proposed to renew the general mandates given to the Directors (i) to allot, issue and otherwise deal with Shares not exceeding in aggregate 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of such resolution; (ii) to repurchase Shares comprising the aggregate nominal amount of which does not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of such resolution; and (iii) to add the aggregate nominal amount of the Shares repurchased by the Company to the general mandate to the Directors to allot new Shares of up to 20 per cent. of the issued share capital of the Company.

The mandates to issue and repurchase Shares granted at the annual general meeting held on 15 June 2001 will lapse at the conclusion of the forthcoming Annual General Meeting. Resolutions Nos. 4A and Nos. 4B as set out in the Notice of Annual General Meeting will be proposed at the Annual General Meeting to renew these mandates. With reference to these resolutions, the Directors wish to state that they have no present intention to repurchase any Shares or to issue any new Shares pursuant to the relevant mandates.

The explanatory statement, required by the Listing Rules to be sent to Shareholders in connection with the proposed repurchase mandate is set out in Appendix II to this circular. This contains all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the relevant resolutions.

4. AMENDMENT TO THE BYE-LAWS

On 4 January 2002, certain amendments to the Companies Ordinance came into force which permit the Company to distribute to Shareholders and other entitled persons (subject to their consent) summary financial reports in lieu of the relevant financial documents. The new provisions further permit the Company, subject to the consent of the relevant recipient, to publish the relevant financial documents

LETTER FROM THE BOARD

and/or the summary financial report on the Company's computer network in lieu of sending printed copies of those documents.

In order to take advantage of the potential cost savings resulting from the amendments to the Companies Ordinance, a special resolution will be proposed at the Annual General Meeting to amend the Bye-laws to permit the Company, with the authorisation of the relevant recipients, (i) to distribute summary financial reports with, or in lieu of, the relevant financial documents; and (ii) to publish the summary financial report and/or the relevant financial documents on the Company's computer network in lieu of sending printed copies. Corresponding amendments to Bye-law 162 of the Bye-laws will also be proposed at the Annual General Meeting.

Even if Shareholders vote in favour of this special resolution, they will still be able to elect to receive printed copies of the summary financial reports with, or in lieu of, the relevant financial documents.

Further, in order to facilitate the Company to send other notices and documents by electronic means, additional changes are being proposed to amend Bye-laws 1, 167, 169, and 172 of the Bye-laws at the Annual General Meeting.

Your Directors consider that the proposed amendments to the Bye-laws are beneficial to the Company and the Shareholders. A special resolution which requires not less than 75 per cent of the votes cast by Shareholders attending and entitled to vote at the Annual General Meeting will be put forth as special business to be considered and approved by the Shareholders.

5. ANNUAL GENERAL MEETING

A notice of the Annual General Meeting is set out in this circular. At the Annual General Meeting, in addition to the ordinary business of the meeting, Resolution No. 6 will be proposed to approve and adopt the New Share Option Scheme and to terminate the Existing Share Option Scheme and Resolutions Nos. 4A and 4B will be proposed to approve the general mandates for the issue of Shares and the repurchase by the Company of its own Shares respectively. Resolution No. 5 will be proposed to approve the amendment to the Bye-laws.

A form of proxy for the Annual General Meeting is enclosed herewith. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company's branch registrar, Tengis Limited of 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for such meeting. The completion of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person.

Recommendation

Your Directors are of the opinion that the proposals referred to above are in the best interests of the Company and therefore recommend you to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

LETTER FROM THE BOARD

6. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,

Cao Zhong

Vice-Chairman

NEW SHARE OPTION SCHEME**Summary of terms**

The following is a summary of the principal terms of the New Share Option Scheme to be adopted at the Annual General Meeting:

1. Purpose

The purpose of the New Share Option Scheme is to enable the Company to grant options to directors (including executive and non-executive), executives, officers, employees or shareholders of the Company or any of its Subsidiaries or any of its Associated Companies and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its Subsidiaries or any of its Associated Companies as incentives and rewards for their contribution to the Company and/or the Subsidiaries and/or the Associated Companies.

2. Who may join

The Board may, at its discretion, offer Eligible Participants, being directors (including executive and non-executive), executives, officers, employees or shareholders of the Company or any of its Subsidiaries or any of its Associated Companies and any suppliers, customers, consultants, advisers, agents, partners or business associates, who in the discretion of the Board, will contribute or have contributed to the Company or any of the Subsidiaries or any of the Associated Companies, options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company (which for this purpose, excludes the Existing Share Option Scheme) must not exceed 10 per cent of the Shares in issue on the date of approval and adoption of the New Share Option Scheme by the Shareholders (which is expected to be the date of the Annual General Meeting). Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10 per cent limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (a) refresh this limit at any time to 10 per cent of the Shares in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or

- (b) grant options beyond the 10 per cent limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30 per cent of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its Subsidiaries if this will result in the 30 per cent limit being exceeded.

4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed one (1) per cent of the Shares in issue as at the date of grant.

Any further grant of options in excess of this one (1) per cent limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his or her associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

5. Price of Shares

The subscription price for a Share in respect of any particular option granted under the New Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to offer to grant the options); (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

6. Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) of the Company or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

- (a) representing in aggregate over 0.1 per cent of the Shares in issue on the date of the offer; and
- (b) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person (as defined in the Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

7. Restrictions on the time of grant of options

A grant of options may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been published in the newspaper. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's annual or interim results; and (b) the deadline for the Company to publish its interim or annual results announcement under the listing agreement and ending on the date of actual publication of the results announcement.

8. Rights are personal to grantee

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt to do so.

9. Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 60th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the New Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and

effective for a period of 10 years after the date of adoption of the New Share Option Scheme by Shareholders by resolution at a general meeting.

10. Performance Target

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the New Share Option Scheme can be exercised.

11. Rights on ceasing to be an Eligible Participant and death

- (a) If the grantee is under employment with the Company and/or any of the Subsidiaries and/or any of the Associated Companies, in the event of the grantee ceasing to be an Eligible Participant for any reason other than his or her ill-health, injury or disability (all evidenced to the satisfaction of the Board) or death or the termination of his or her employment on one or more of the grounds specified in paragraph 12 below, the grantee may exercise the option up to his or her entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of one month following the date of such cessation (which date shall be the last actual working day with the Company or the relevant Subsidiary or the relevant Associated Company whether salary is paid in lieu of notice or not or such longer period as the Board may determine).
- (b) If the grantee is under employment with the Company and/or any of the Subsidiaries and/or any of the Associated Companies, in the event that the grantee ceases to be an Eligible Participant by reason of ill-health, injury or disability (all evidenced to the satisfaction of the Board) or death and none of the events which would be a ground for termination of his or her employment as specified in paragraph 12 below has occurred, the grantee or the legal representative(s) of the grantee, as the case may be, shall be entitled to exercise the option in full (to the extent not already exercised) on or before the earlier of (i) the last day in the 12-month period commencing from the date of ceasing to be an Eligible Participant or death (or such longer period as the Board may determine) or (ii) the relevant Expiry Date.

12. Lapse of option on dismissal

If the grantee is an employee of the Company and/or any of the Subsidiaries and/or any of the Associated Companies, the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant Subsidiary or the relevant Associated Company, his/her option will lapse and not be exercisable on the date of termination of his/her employment.

13. Rights on takeover

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, shareholders of the Company). If such offer having been approved in accordance with the applicable laws and regulatory requirements becomes or is declared unconditional, the grantee (or his or her legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

14. Rights on scheme of arrangement for the Company

If, pursuant to the Companies Act, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

15. Rights on winding-up

In the event of an effective resolution being passed by the Shareholders for the voluntary winding-up of the Company, the grantee of an option (or his legal personal representative(s)) may by notice in writing to the Company within 21 days after the date of such resolution elect to be treated as if his option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice and shall accordingly be entitled to receive

out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the exercise price which would otherwise have been payable in respect thereof.

16. Lapse of the options

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry date relevant to that option;
- (b) the expiry of any of the periods referred to in paragraphs 11, 13 and 14 above;
- (c) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law) as referred to in paragraph 15 above;
- (d) the date on which the scheme of arrangement of the Company or its amalgamation with any other company or companies, becomes effective as referred to in paragraph 14 above;
- (e) in the event the grantee is under employment with the Company and/or any of its Subsidiaries and/or any of its Associated Companies, the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment on any one or more of the grounds specified in paragraph 12 above. A resolution of the Board or the board of directors of the relevant subsidiary or the relevant Associated Company to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive;
- (f) the date on which the grantee ceases to be an Eligible Participant on or after committing any act of bankruptcy or becoming insolvent or making any arrangements or composition with his creditors generally; or
- (g) the date on which the grantee commits a breach of the prohibitions specified in paragraph 8 above or the options are cancelled in accordance with paragraph 20 below.

17. Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

18. Effect of alterations to capital

In the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital whilst any option may become or remains exercisable, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price of each outstanding option and/or the number of Shares in respect of which any further options may be granted as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules and the note thereto. Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same as (and in any event not greater than) it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

19. Alteration of New Share Option Scheme

The New Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (b) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the New Share Option Scheme),

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect an option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in general meeting.

20. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the New Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. Termination of the New Share Option Scheme

The Company may by resolution in general meeting at any time terminate the New Share Option Scheme and in such event no further option shall be offered but the provisions of New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

22. Disclosure in annual and interim reports

The Company will disclose details of the New Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

The directors wish to seek your approval of a resolution to be proposed at the Annual General Meeting to grant a general mandate to enable the Directors to exercise the powers of the Company to repurchase issued and fully paid shares of HK\$0.01 each in the share capital of the Company up to a maximum of 10 per cent. of the Shares in issue at the date of the passing of the resolution. The resolution will be proposed as Ordinary Resolution 4B set out in the notice of the Annual General Meeting which is contained in this circular.

This appendix serves as the explanatory statement, required by Rule 10.06(1)(b) of the Listing Rules, to provide you with the information necessary for your consideration of the Repurchase Mandate.

ISSUED SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$8,278,679.14 comprising 827,867,914 Shares. The passing of the aforesaid Ordinary Resolution 4B will allow the Company to repurchase a maximum of 82,786,791 Shares on the basis that no further Shares will be issued or repurchased and no option, in relation to the Existing Share Option Scheme, is exercised prior to the date of the Annual General Meeting.

REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made when the directors believe that such repurchases will benefit the Company and its Shareholders.

FUNDING OF REPURCHASES

The funds employed by the Company in connection with a repurchase of Shares would be those legally available for such use under the Memorandum of Association and Bye-laws of the Company and the laws of Bermuda.

There might be a material adverse impact on the working capital or gearing position of the Company and its Subsidiaries (as compared with the position disclosed in the audited consolidated financial statements for the year ended 31 December 2001 contained in the 2001 Annual Report) in the event that repurchases pursuant to the Repurchase Mandate were to be carried out in full at any time during the period when the mandate remains valid. However, the Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Group at the time of the relevant repurchases unless the Directors are of the opinion that such repurchases were, taking account of all relevant factors, in the best interests of the Group.

SHARE BUY BACK RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

All repurchases of securities on the Stock Exchange must be approved in advance by ordinary resolution, either by way of general mandate or by specific approval.

(b) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the laws of Bermuda and the Bye-laws.

SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the previous twelve months immediately prior to the Latest Practicable Date were as follows:

	Shares Price	
	Highest HK\$	Lowest HK\$
2001		
April	0.385	0.290
May	0.450	0.345
June	0.540	0.420
July	0.400	0.340
August	0.345	0.290
September	0.290	0.240
October	0.320	0.240
November	0.320	0.300
December	0.330	0.290
2002		
January	0.295	0.260
February	0.315	0.270
March	0.375	0.310

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their associates, has any present intention to sell any Shares to the Company or its Subsidiaries if the Repurchase Mandate is exercised.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

EFFECT OF THE TAKEOVERS CODE

As at the Latest Practicable Date, Shougang Concord International Enterprises Company Limited (“Shougang International”) is beneficially interested in approximately 63.05% of the issued share capital of the Company. In the event that the Company exercises the Repurchase Mandate in full, the beneficial interest of Shougang International in the Company will increase to approximately 70.06% and such increases would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

The Directors are not aware of any consequences which will arise under the Takeover Code and the Listing Rules upon exercise of the Repurchase Mandate in full.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Bye-laws and the applicable laws of Bermuda.

SECURITIES REPURCHASES MADE BY THE COMPANY

The Company or any its Subsidiaries has not repurchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this document.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Shougang Concord Grand (Group) Limited (“the Company”) will be held at Basement 1 Monaco Room, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on 7 June 2002 at 10:40 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Report of the Directors for the year ended 31 December 2001.
2. To re-elect the retiring directors of the Company and to authorise the board of directors of the Company to fix their remuneration.
3. To re-appoint Auditors of the Company and to authorise the board of directors of the Company to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

A. **“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or options, agreements or other rights to subscribe for such shares and to make or grant offers, agreements and options which might require the exercise of such powers either during or after the Relevant Period, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of the subscription rights attaching to the warrants or the options granted under the share option scheme of the Company or pursuant to any scrip dividend scheme or similar arrangements implemented in accordance with the Bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution; and
- (c) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.

“Rights Issue” means an offer of shares in the capital of the Company open for a period fixed by the directors of the Company to holders of shares in the capital of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. “THAT:

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereafter defined) of all powers of the Company to purchase its own issued shares, subject to and in accordance with all applicable laws and the Bye-laws of the Company and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares to be purchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution; and
- (c) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

- C. “**THAT**, subject to the passing of Ordinary Resolution No. 4B, the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors mentioned in Ordinary Resolution No. 4B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Ordinary Resolution No. 4A.”
5. To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

“**That** the Bye-laws of the Company be and are hereby amended in the following manner:

- (a) by adding the following as a new paragraph after the existing fourth last paragraph, and before the existing third last paragraph, of Bye-law 1:

“Where these Bye-laws require notice or document to be or given in writing, any notice or document sent by electronic means by the Company in accordance with these Bye-laws shall satisfy such requirement if such notice or document is accessible so as to be usable for subsequent reference.”;

- (b) by deleting the existing Bye-law 162 in its entirety and substitute therefor the following:

“162 (A) The Board shall from time to time in accordance with the provisions of the Statutes cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Statutes. For so long as all or any of the shares or debentures of the Company are listed or dealt in on the stock exchange of Hong Kong, the Board may also cause to be prepared any other financial documents (including but without limitation any summary financial report) as the Board thinks fit.

- (B) Every balance sheet of the Company shall be signed on behalf of the Board by two of the Directors.

- (C) Subject to paragraph (D) of this Bye-law and for so long as all or any of the shares or debentures of the Company are listed or dealt in on the stock exchange of Hong Kong, printed copies of the relevant financial documents (or a printed copy of the summary financial report in place of a copy of those documents from which the report is derived) together with a printed copy of the Directors’ report and a printed copy of the Auditors’ report shall, not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every person registered under Bye-law 46 and every other person entitled to receive notices of general meetings of the Company. However, this Bye-law shall not require printed copies of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

NOTICE OF ANNUAL GENERAL MEETING

- (D) For so long as all or any of the shares or debentures of the Company are listed or dealt in on the stock exchange of Hong Kong, where a member of, or debenture holder of, the Company has, in accordance with the Companies Ordinance (as defined in paragraph (E) of this Bye-law) and other applicable laws, rules and regulations binding on the Company from time to time, consented to treat the publication of the relevant financial documents and/or the summary financial report on the Company's computer network as discharging the Company's obligation under the Companies Ordinance to sent printed copies of the relevant financial documents and/or the summary financial report, then subject to compliance with the publication and notification requirements of all applicable laws, rules and regulations from time to time, by the Company on the Company's computer network of the relevant financial documents and/or the summary financial report of the Company at least twenty-one days before the date of the meeting shall, in relation to each such member of, or debenture holder of, the Company, be deemed to discharge the Company under paragraph (C) of this Bye-law.
- (E) For so long as all or any of the shares or debentures of the Company are listed or dealt in on the stock exchange of Hong Kong and for the purpose of this Bye-law, "Companies Ordinance" shall mean the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as may from time to time be amended and "relevant financial documents" and "summary financial report" shall have the meaning ascribed to them in the Companies Ordinance.";
- (c) by deleting the existing Bye-law 167 in its entirety and substitute therefor the following:
- "167 (A) Any notice or document to be given or issued under these Bye-laws shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid letter, envelope or wrapper addressed to such member at his registered address as appearing in the register or by delivering or leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in English in an English language newspaper and in Chinese in a Chinese language newspaper.
- (B) Subject to applicable laws, rules and regulations binding on the Company from time to time, and unless the Board shall otherwise in its absolute discretion consider not appropriate for any purpose or purposes under these Bye-laws, any notice or document to be given or issued under these Bye-laws may also be served by the Company on any member by using electronic means in the manner prescribed under applicable laws, rules and regulations or such other designated electronic means as may be agreed between the Company and the relevant member from time to time.

NOTICE OF ANNUAL GENERAL MEETING

In the case of sending notices or other documents by electronic means under this Bye-law, the Board may make it subject to such terms and conditions as it shall in its absolute discretion consider appropriate in the circumstances.

(C) In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.”;

(d) by inserting the following Bye-law after Bye-law 169 as new Bye-law 169A:

“169A Subject to applicable laws, rules and regulations binding on the Company from time to time, any notice or document sent by electronic means in accordance with Bye-law 167(B) shall be deemed to have been served or delivered at the expiration of twenty-four (24) hours after the time it was first sent and in proving such service or delivery it shall be conclusive to prove that the address used for the electronic communication was the address supplied for that purpose and the electronic communication was properly despatched, unless the Company is aware that there has been a failure of delivery of such notice or document following at least two (2) attempts in which case such notice or document shall be sent to the member by post provided that the date of deemed service or delivery shall be twenty-four (24) hours from the despatch of the original electronic communication in accordance with this Bye-law.”; and

(e) by adding “or transmitted by electronic means in accordance with Bye-law 167(B)” after “or left at the registered address of any member in pursuance of these presents” in Bye-law 172.”

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of, and permission to deal in, the shares of HK\$0.01 each in the capital of the Company (“Shares”) to be issued pursuant to the exercise of options which may be granted under the new share option scheme, a copy of which is produced to this meeting and signed by the chairman of this meeting for the purpose of identification) (“New Scheme”),

(a) the operation of the share option scheme (“Existing Scheme”) adopted by the Company by ordinary resolution of its shareholders on 8 September 1993 be terminated and that no further options will be granted under the Existing Scheme but in all other respects the provisions of the Existing Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be

NOTICE OF ANNUAL GENERAL MEETING

required in accordance with the provisions of the Existing Scheme and options granted prior to such termination shall continue to be valid the exercisable in accordance with the Existing Scheme; and

- (b) the rules of the New Scheme be and are hereby approved and adopted and that the directors of the Company be and they are hereby authorised:
- (i) to administer the New Scheme under which the options will be granted to eligible participants under the New Scheme to subscribe for Shares;
 - (ii) to modify and/or amend the rules of the New Scheme from time to time subject to the provisions of such rules;
 - (iii) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the New Scheme; and
 - (iv) to make application at the appropriate time to the Stock Exchange, and any other stock exchange upon which the Shares may for the time being be listed, for listing of, and permission to deal in, the Shares which may thereafter from time to time issued and allotted pursuant to the exercise of the options under the New Scheme.”

By Order of the Board
Chan Yuet Kwai
Company Secretary

Hong Kong, 30 April 2002

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (3) With respect to the proposed resolution 4A(a) above, the directors wish to state that they have at present no immediate plans to allot and issue additional shares in the Company. Approval is being sought from members as a general mandate, in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), in order to ensure flexibility to the directors in the event that it becomes desirable to issue any shares of the Company up to the limit stated in the proposed resolution 4A(b).
- (4) With respect to the proposed resolutions 4B and 4C above, approval is being sought from members for a general mandate to repurchase securities and to allot additional shares of the Company which have been repurchased by the Company pursuant to the exercise of the repurchase mandate. In accordance with the Listing Rules and the Hong Kong Code on Share Repurchases, an explanatory statement setting out the terms and conditions upon which the power to repurchase securities may be exercised will be sent to the members together with the 2001 annual report of the Company.