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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 a licensed securities dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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.

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**SHOUGANG CONCORD GRAND (GROUP) LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 730)

**PROPOSED GRANT OF OPTIONS  
AND  
PROPOSAL TO  
REFRESH THE 10% GENERAL LIMIT  
ON GRANT OF OPTIONS UNDER  
THE SHARE OPTION SCHEME**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board (as defined herein) is set out on pages 4 to 14 of this circular.

A letter from the Independent Board Committee (as defined herein) is set out on page 15 of this circular.

A letter from the Independent Financial Adviser (as defined herein) is set out on pages 16 to 22 of this circular.

A notice of the Special General Meeting (as defined herein) is set out on pages 23 to 24 of this circular. Whether or not you are able to attend the said meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrars in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the said 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 said meeting or any adjournment thereof should you so wish.

10 May 2004

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## DEFINITIONS

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*In this circular, except where the context otherwise requires, the following words and expressions have the following meanings:*

“associate”	has the meaning ascribed to it under the Listing Rules
“Associated Company”	a company which is owned or controlled in respect of no less than 20% of the voting rights by the Company
“Board”	the board of Directors for the time being or a duly authorised committee thereof
“Board Resolution Date”	18 March 2004, being the date on which the conditional grant of options to the Grantees under the Share Option Scheme was approved by the Board
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Shougang Concord Grand (Group) Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Grantees”	Mr. Cao Zhong, Mr. Chen Zheng, Mr. Wang Tian, Ms. Cheng Xiaoyu and Mr. Chen Jianyong, particulars of whom are set out in the section headed “Proposed Grant of Options to the Grantees” in this circular
“Group”	the Company and its Subsidiaries
“First Refreshed Limit”	the 10% limit under the Share Option Scheme refreshed by the Shareholders at the annual general meeting of the Company held on 25 June 2003 pursuant to which the Board may grant options to eligible participants to subscribe a maximum of 85,786,791 Shares, being 10% of the Shares in issue as at 25 June 2003
“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

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee of the Company comprising Ms. Choy Hok Man, Constance and Mr. Tam King Ching, Kenny, duly appointed by the Board to advise the Shareholders in relation to the grant of options to the Grantees under the Share Option Scheme
“Independent Financial Adviser”	Altus Capital Limited, a deemed licensed corporation registered under the SFO and is engaged in types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities, and the independent financial adviser to the Independent Board Committee
“Independent Shareholders”	Shareholders other than the Grantees and their respective associates
“Latest Practicable Date”	3 May 2004, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Offer Date”	the date on which the Company offers options to the relevant Grantee, which will fall on or after the date of the Special General Meeting
“Second Refreshed Limit”	the 10% limit under the Share Option Scheme proposed to be refreshed by the Shareholders at the Special General Meeting pursuant to which the Board may grant options to eligible participants to subscribe a maximum of 93,931,666 Shares, being 10% of the Shares in issue as at the Latest Practicable Date (assuming that no further Shares will be issued prior to the date of approving such refreshed limit)
“Share Option Scheme”	the share option scheme adopted by the Company on 7 June 2002
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Special General Meeting”	the special general meeting of the Company to be held at the Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Tuesday, 8 June 2004 at 10:45 a.m., or any adjournment thereof, the notice of which is set out on pages 23 to 24 of this circular

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed to it under the Companies Ordinance
“trading day”	any day on which the Stock Exchange is open for business of dealings in securities
“%”	per cent.

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## LETTER FROM THE BOARD

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### SHOUGANG CONCORD GRAND (GROUP) LIMITED

*(incorporated in Bermuda with limited liability)*

*Directors:*

Wang Qinghai (*Chairman*)  
Cao Zhong (*Vice-Chairman*)  
Chen Zheng  
Wang Tian  
Cheng Xiaoyu  
Leung Shun Sang, Tony (*Non-executive Director*)  
Tam King Ching, Kenny  
*(Independent non-executive Director)*  
Choy Hok Man, Constance  
*(Independent non-executive Director)*

*Principal place of business:*

6th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

10 May 2004

*To the Shareholders*

Dear Sirs or Madams,

**PROPOSED GRANT OF OPTIONS  
AND  
PROPOSAL TO  
REFRESH THE 10% GENERAL LIMIT  
ON GRANT OF OPTIONS UNDER  
THE SHARE OPTION SCHEME**

#### **1. INTRODUCTION**

The Board (which includes members of the Independent Board Committee), on 18 March 2004, approved the conditional grant of options to the Grantees. It was proposed that at the Special General Meeting, resolutions to approve the grant of options to the Grantees under the Share Option Scheme and the refreshment of the 10% general limit on grant of options under the Share Option Scheme would be presented to the Shareholders for approval.

The purpose of this circular is to provide the Shareholders with details of the proposals and to give the Shareholders the notice of the Special General Meeting.

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## LETTER FROM THE BOARD

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### 2. PROPOSED GRANT OF OPTIONS TO THE GRANTEES

The Board has proposed to grant options to subscribe for a total of 85,786,000 Shares to the Grantees. As at the Board Resolution Date, a total of 939,316,667 Shares were in issue. The following table illustrates the number of Shares to be issued upon exercise in full of the options proposed to be granted and the related shareholding as at the Board Resolution Date:

<b>Name</b>	<b>Number of Shares to be issued upon exercise in full of the options proposed to be granted</b>	<b>Approximate percentage shareholding in the Company represented by Shares which may fall to issued upon exercise in full of the options proposed to be granted as at the Board Resolution Date</b>
Cao Zhong	21,447,000	2.28%
Chen Zheng	18,015,000	1.92%
Wang Tian	16,299,000	1.74%
Cheng Xiaoyu	15,441,000	1.64%
Chen Jianyong	14,584,000	1.55%
Total	85,786,000	9.13%

As at the date of approval of the First Refreshed Limit, a total of 857,867,914 Shares were in issue. The following table illustrates the number of Shares to be issued upon exercise in full of the options proposed to be granted and the related shareholding as at the date of approval of the First Refreshed Limit:

<b>Name</b>	<b>Number of Shares to be issued upon exercise in full of the options proposed to be granted</b>	<b>Approximate percentage shareholding in the Company represented by Shares which may fall to issued upon exercise in full of the options proposed to be granted as at the date of approval of the First Refreshed Limit</b>
Cao Zhong	21,447,000	2.50%
Chen Zheng	18,015,000	2.10%
Wang Tian	16,299,000	1.90%
Cheng Xiaoyu	15,441,000	1.80%
Chen Jianyong	14,584,000	1.70%
Total	85,786,000	10.00%

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, a total of 939,316,667 Shares were in issue. The following table illustrates the changes in shareholdings of the Grantees with respect to the issued share capital of the Company as at the Latest Practicable Date and the enlarged share capital of the Company assuming exercise in full of the share options already granted to the Grantees under the Share Option Scheme and/or the share options proposed to be granted:

Name	(1) Number of Shares held and the related approximate shareholding as at the Latest Practicable Date	(2) Date of grant of options to the Grantees under the Share Option Scheme prior to the Latest Practicable Date and the related number of Shares issued pursuant to the exercise thereof	(3) Number of Shares to be issued upon exercise in full of the options proposed to be granted and the related approximate shareholding as at the Latest Practicable Date	(4) Approximate shareholding upon exercise in full of the options proposed to be granted and the shareholding resulted from options already granted under the Share Option Scheme with respect to the issued share capital as at the Latest Practicable Date	(5) Approximate shareholding upon exercise in full of the options proposed to be granted and the shareholding resulted from options already granted under the Share Option Scheme with respect to the enlarged issued share capital resulting from the exercise in full of the said options
Cao Zhong	8,278,679 (0.88%)	23 August 2002 8,278,679 # <i>(Note 1)</i>	21,447,000 (2.28%)	3.16%	2.90%
Chen Zheng	Nil	Nil	18,015,000 (1.92%)	1.92%	1.76%
Wang Tian	Nil	Nil	16,299,000 (1.74%)	1.74%	1.59%
Cheng Xiaoyu	8,278,679 (0.88%)	23 August 2002 1,822,944 # <i>(Note 1)</i>  6 March 2003 6,455,735 # <i>(Note 2)</i>	15,441,000 (1.64%)	2.52%	2.31%
Chen Jianyong	Nil	Nil	14,584,000 (1.55%)	1.55%	1.42%
Total	16,557,358 (1.76%)	N/A	85,786,000 (9.13%)	10.89%	9.98%

# These options have been fully exercised on 1 March 2004

Notes:

1. The exercise price of these options was HK\$0.73 per Share.
2. The exercise price of these options was HK\$0.76 per Share.

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## LETTER FROM THE BOARD

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### (1) Particulars of the Grantees

Set out below are the brief particulars of each of the Grantees.

**Mr. Cao Zhong** is an economist and holds a master degree in Economics. Mr. Cao was appointed the vice-chairman of the Company, deputy chairman and general manager of Shougang Holding (HK) Limited, managing director of Shougang Concord International Enterprises Company Limited and chairman of each of Shougang Concord Century Holdings Limited and Shougang Concord Technology Holdings Limited in November, 2001. He also acts as deputy chairman and general manager of China Shougang International Trade and Engineering Corporation. Mr. Cao has extensive experience in corporate management and operation.

**Mr. Chen Zheng** is an engineer and a senior economist. Mr. Chen holds a bachelor degree in chemical engineering and a master degree in business administration. He was appointed as an executive Director in January 2004. Mr. Chen has extensive experience in investment business and corporate management.

**Mr. Wang Tian** is a senior economist. He holds a bachelor degree in medicine from China Pharmacy University and completed his doctoral degree in finance at South-western Financial University. He was appointed as an executive Director in March 2004. Mr. Wang has extensive experience in the field of financial management. He had been awarded a certificate and special allowance from the People's Republic of China Government as a commendation for his outstanding contribution in developing the financial business in the People's Republic of China.

**Ms. Cheng Xiaoyu** graduated from The Graduate School of Xian Jiaotong University and majored in Linguistics and Applied Linguistics. She joined Shougang International Trade and Engineering Corporation in 1988 as the official translator and had been the assistant to the managing director of Shougang Concord International Enterprises Company Limited, the assistant general manager, the project manager and the secretary of the board of Shougang Holding (Hong Kong) Limited and the director of Shougang Concord Century Holdings Limited. She was appointed as an executive Director and a director of Beijing Dongzhimen International Apartment Co., Limited in January 2004.

**Mr. Chen Jianyong** graduated from the University of Massachusetts, Amherst with a master of science degree in industrial engineering and operation research. He was appointed as assistant general manager of the Company in January 2003. He has extensive experience in project management and financial investment.

### (2) Exercise price

The exercise price for the proposed options to be granted to the Grantees is HK\$0.82 per Share and was determined in accordance with the provisions of the Share Option Scheme, being higher than:

- (a) HK\$0.79, the closing price of the Shares as stated in the daily quotation sheet issued by the Stock Exchange on the Board Resolution Date;

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## LETTER FROM THE BOARD

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- (b) HK\$0.814, the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Board Resolution Date (that is, the average closing price of the Shares on 11 March, 2004, 12 March, 2004, 15 March, 2004, 16 March, 2004 and 17 March, 2004 of HK\$0.76, HK\$0.79, HK\$0.84, HK\$0.87 and HK\$0.81 respectively); and
- (c) the nominal value of the Share.

### (3) Restrictions

Each Grantee may exercise the proposed options to be granted to him/her subject to the following restrictions:

Exercise period	Exercisable amount	Restrictions on sale of Shares
From the Offer Date to the end of the 12th month after the Offer Date	Nil	Not applicable
From the 13th month after the Offer Date	Up to 40% of the options granted to the Grantee	May not sell within 90 days from the relevant allotment date of the Shares
From the 25th month after the Offer Date	Up to 70% of the options granted to the Grantee	May not sell within 90 days from the relevant allotment date of the Shares
From the 37th month after the Offer Date	The balance of the options granted to the Grantee	May not sell within 90 days from the relevant allotment date of the Shares

The termination and lapse of the options to be granted to the Grantees will be subject to the conditions under the Share Option Scheme and the restrictions on the exercise period of these options and the sale of the relevant Shares as set out above. These restrictions are in addition to the conditions of the Share Option Scheme. These restrictions will ensure that the Company's objective of using the options as incentives to retain services of senior corporate management is achieved as they align the interests of the Grantees with the performance of the Company over the medium to long-term.

- (4) There is no performance targets which the individual Grantee must attained before he/she can exercise the options to be granted to him/her.
- (5) The Shares to be allotted upon exercise of an option granted to a Grantee 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

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## LETTER FROM THE BOARD

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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.

- (6) A consideration of HK\$1.00 is payable to the Company upon acceptance of the option in accordance with the terms of the Share Option Scheme, such acceptance must be on or before the 60th day after the option is offered to the relevant Grantee.
- (7) The period during which an option may be exercised will be determined by the Board at its absolute discretion at the time of offer of the option to the Grantee, save that no option may be exercised more than 10 years after it has been granted.

Save for the terms set out above, all the other terms of the options to be granted to the Grantees would follow the terms of the Share Option Scheme.

### 3. SUMMARY OF PARTICULARS OF OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

As at the Latest Practicable Date, options to subscribe a total of 82,779,432 Shares have been granted under the Share Option Scheme. The following table illustrates the status of all the share options granted and proposed to be granted under the Share Option Scheme.

Number of Shares in issue as at 7 June 2002, the date of adoption of the Share Option Scheme	827,867,914
Number of Shares in issue as at 25 June 2003, the date on which the 10% limit under the Share Option Scheme was refreshed by the Shareholders	857,867,914
Number of Shares that may be granted under the First Refreshed Limit ( <i>Note 1</i> )	85,786,791
	<b>Number of Shares to be issued pursuant to exercise of options</b>
Options granted under the Share Option Scheme before the First Refreshed Limit was approved by the Shareholders on 25 June 2003 and not yet exercised	1,330,679 ( <i>Note 2</i> )
Cancelled, lapsed or exercised options granted under the Share Option Scheme since its adoption	81,448,753
Options to be granted to the Grantees as proposed herein	85,786,000 ( <i>Note 3</i> )
Total	168,565,432

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## LETTER FROM THE BOARD

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*Notes:*

1. The First Refreshed Limit was approved by the Shareholders at the annual general meeting of the Company held on 25 June 2003. Under the First Refreshed Limit, the Board may grant options to eligible participants to subscribe a maximum of 85,786,791, being 10% of the Shares in issue as at 25 June 2003.
2. These options represent the rights to subscribe approximately 0.14% of the issued share capital of the Company as at the Latest Practicable Date, all of which were granted to eligible participants under the Share Option Scheme other than the Grantees. All of these options were granted prior to the approval of the First Refreshed Limit on 25 June 2003.
3. If the options proposed to be granted to the Grantees under the Share Option Scheme were exercised in full, the resulting Shares subscribed would represent approximately 9.13% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.37% of the share capital of the Company as enlarged by the options to be granted to the Grantees under the Share Option Scheme being exercised in full.

#### **4. LISTING RULES REQUIREMENTS**

Under Rule 17.03(3) of the Listing Rules, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate be more than 10% of the total number of Shares in issue as at 25 June 2003, being the date on which the First Refreshed Limit was approved by the Shareholders. In addition, the total number of Shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of Shares in issue from time to time (the “Overall Limit”).

Under Rule 17.04 of the Listing Rules, each grant of options under the Share Option Scheme and/or any other share option schemes of the Company to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors.

Under Rule 17.03(4) of the Listing Rules, the number of Shares issued and to be issued upon exercise of options granted to any eligible participant under the Share Option Scheme and/or any other share option schemes of the Company in any 12-month period must not exceed 1% of the total number of Shares in issue (the “Individual Limit”). Where any further grant of options to an eligible participant would result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over the Individual Limit, such further grant must be separately approved by the Independent Shareholders in general meeting.

#### **5. CONDITION**

The total number of Shares to be allotted and issued to each of the Grantees upon exercise in full of the proposed options to be granted to the relevant Grantee when aggregated with the number of Shares to be issued pursuant to the options already granted to the relevant Grantee under the Share Option Scheme will exceed the Individual Limit. Pursuant to Rules 17.03(4) of the Listing Rules, the proposed grant of the options to the Grantees will be subject to the approval by the Independent Shareholders at the Special General Meeting and accordingly, the Grantees and their respective associates will abstain from voting in the relevant resolution approving the grant of the options pursuant to the requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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Pursuant to Rules 17.04 of the Listing Rules, the proposed grant of the options to the Grantees will be subject to the approval by the independent non-executive Directors. The approval for the conditional grant of options to the grantees was given by the independent non-executive Directors on the Board Resolution Date. The Shares which may be issued upon exercise of all outstanding options and the options proposed to be granted to the Grantees represent approximately 9.27% of the Shares in issue as at the Latest Practicable Date and fall within the Overall Limit.

The number of Shares to be issued pursuant to the options proposed to be granted to the Grantees fall within the First Refreshed Limit and therefore, no separate application to the Stock Exchange for the listing of, and permission to deal in, the Shares that are subject matter of the options proposed to be granted to the Grantees is required.

### **6. REASONS AND BENEFITS**

The Board considers that a stable management team mainly comprising the Grantees and the Grantees' continuing commitment is crucial in facilitating the Group's continuing endeavour in its future development. The Board believes that the proposed grant of options to the Grantees would serve both as the Group's recognition of the dedication and efforts of the Grantees towards the development of the Group and as incentive for their future contribution to the growth of the Group.

### **7. VALUATION OF OPTIONS**

The Board considers that it is inappropriate to estimate the value of the options proposed to be granted to the Grantees as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. Given that the market value of share options of the Company is not readily available, the Board believes that any estimation of the value of such options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

### **8. REFRESHMENT OF THE 10% GENERAL LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME**

At the Special General Meeting, an ordinary resolution will be proposed for the Company to approve the refreshment of the 10% general limit on grant of options under the Share Option Scheme and all other share option scheme(s) of the Company. The following provides details in respect of the proposed refreshment of the 10% general limit of the Share Option Scheme and all other share option scheme(s) of the Company. Other than the Share Option Scheme, the Company has no other share option.

Under the First Refreshed Limit, the Board may grant options to eligible participants under the Share Option Scheme to subscribe a maximum of 85,786,791 Shares, being 10% of the Shares in issue as at 25 June 2003. As at 25 June 2003, the Company has 857,867,914 Shares in issue.

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## LETTER FROM THE BOARD

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Assuming the passing of the resolution in relation to the proposed conditional grant of options to the Grantees as approved on the Board Resolution Date, options carrying rights to subscribe up to a total of 85,786,000 Shares would be granted to the Grantees and only 791 Shares would be available for further grant of options under the Share Option Scheme and all other share option scheme(s) of the Company.

It is therefore proposed that subject to the approval of the Shareholders at the Special General Meeting and such other requirements prescribed under the Listing Rules, the general limit on grant of options under the Share Option Scheme and all other share option scheme(s) of the Company will be refreshed to 10% of the Shares in issue as at the date of the approval by the Shareholders at the Special General Meeting (the “Second Refreshed Limit”) and options previously granted under any share option scheme(s) of the Company (including those outstanding, cancelled, lapsed in accordance with such scheme(s) or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

The Second Refreshed Limit will enable the Company to grant further options to 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 and agents, partners or business associates who will contribute or have contributed to the Company or any Subsidiaries or any Associated Companies as incentives or rewards.

Assuming that no further Shares will be issued prior to the date of approving the Second Refreshed Limit by the Shareholders, the maximum number of Shares subject to options under the Share Option Scheme and all other share option scheme(s) of the Company that can be granted by the Company under the Second Refreshed Limit would be 93,931,666 Shares representing 10% of the Shares in issue as at the Latest Practicable Date.

### **Conditions**

As required by the Share Option Scheme and the Listing Rules, an ordinary resolution will be proposed at the Special General Meeting to approve the Second Refreshed Limit.

The adoption of the Second Refreshed Limit is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the Special General Meeting; and
- (b) the Stock Exchange granting the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any options granted under the Second Refreshed Limit.

### **Application for Listing**

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares (representing a maximum of 10% of the Shares in issue as at the date of the Special General Meeting) which may fall to be issued upon the exercise of any options that may be granted under the Second Refreshed Limit. All the Shares to be allotted and issued upon the exercise of the options to be granted under the Share Option Scheme will be subject to all the provisions of the bye-laws of the Company.

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## LETTER FROM THE BOARD

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### 9. SPECIAL GENERAL MEETING

The notice of the Special General Meeting is set out on pages 23 and 24 in this circular. At the Special General Meeting, ordinary resolutions will be proposed to approve (1) the grant of the options to subscribe Shares to the Grantees on terms as set out in the section headed “Proposed grant of options to the Grantees”; and (2) the adoption of the Second Refreshed Limit.

A form of proxy for the Special General Meeting is enclosed herewith. Whether or not you intend to be present at the Special General Meeting, you are requested to complete the form of proxy and return it to the Company’s branch share registrars in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the said meeting. Completion of a form of proxy will not preclude you from attending and voting at the said meeting in person.

Pursuant to Bye-law 70 of the Company, every resolution submitted to a general meeting shall be determined on a show of hands in the first instance by the Shareholders present in person, but a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the Chairman or by:

- (a) at least 3 Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote at the meeting; or
- (b) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) any Shareholder or Shareholders present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

### 10. 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 enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

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## LETTER FROM THE BOARD

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### 11. RECOMMENDATION

The Board (including the independent non-executive Directors) is of the opinion that (1) the proposed grant of options to the Grantees on the terms as set out in the section headed “Proposed grant of options to the Grantees”; and (2) the adoption of the Second Refreshed Limit are fair and reasonable and in the best interests of the Company and therefore recommend you to vote in favour of the resolutions to be proposed at the Special General Meeting. Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Shareholders as to voting at the Special General Meeting regarding the proposed grant of the options to the Grantees. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains, among others, its advice to the Independent Board Committee in relation to the grant of the options to the Grantees and the principal factors and reasons considered by it in concluding its advice. The letter of advice from the Independent Financial Adviser is set out on pages 16 to 22 of this circular. For the reasons stated above, the Board recommends the Shareholders to vote in favour of the resolutions to implement the proposals at the Special General Meeting.

Yours faithfully,  
For and on behalf of the Board  
**Cao Zhong**  
*Vice Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**SHOUGANG CONCORD GRAND (GROUP) LIMITED**

*(incorporated in Bermuda with limited liability)*

10 May 2004

*To the Shareholders*

Dear Sirs or Madams,

**PROPOSED GRANT OF OPTIONS**

We refer to the circular of Shougang Concord Grand (Group) Limited to the Shareholders dated 10 May 2004 (the “Circular”) of which this letter forms part. Terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

This letter sets out our recommendation to the Shareholders as to voting in relation to the resolution to be proposed at the Special General Meeting for the approval of the proposed grant of options to the Grantees.

Having considered, among others, the principal factors and reasons considered by and the opinion of, Altus Capital Limited as set out in its letter of advice, we consider the grant of options to the Grantees on the terms as set out in the section headed “Proposed grant of options to the Grantees” in the Circular is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Shareholders are concerned. Accordingly, we approve the grant of options to the Grantees and recommend the Shareholders to vote in favour of the ordinary resolution in relation to the grant of options to the Grantees set out in the notice convening the Special General Meeting on pages 23 to 24 of the Circular, to be proposed at the Special General Meeting.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Choy Hok Man, Constance**

*Independent non-executive Director*

**Tam King Ching, Kenny**

*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice to the Independent Board Committee from Altus Capital Limited dated 10 May 2004 prepared for incorporation in this Circular.*

*The Independent Board Committee*

**Shougang Concord Grand (Group) Limited**

6th Floor, Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

10 May 2004

Dear Sirs,

### PROPOSED GRANT OF OPTIONS

#### INTRODUCTION

We refer to the circular to the Shareholders dated 10 May 2004 (the “Circular”) issued by the Company of which this letter forms part and to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the grant of options to the Grantees, details of which are set out in the Letter from the Board contained in the Circular. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Under Rule 17.03(4) of the Listing Rules, the number of Shares issued and to be issued upon exercise of options granted to any eligible participant under the Share Option Scheme and/or any other share option schemes of the Company in any 12-month period must not exceed 1% of the total number of Shares in issue (the “Individual Limit”). Where any further grant of options to an eligible participant would result in the number of Shares issued and to be issued upon full exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant would represent in aggregate over the Individual Limit, such further grant must be separately approved by the Independent Shareholders in general meeting, where the Grantees and their associates, where applicable, would abstain from voting.

As the total number of Shares to be allotted and issued to each of the Grantees upon the exercise in full of the respective options granted to them will exceed the Individual Limit, the grant of the options shall be subject to the approval of the Independent Shareholders. The Grantees and their respective associates will abstain from voting on this proposal at the Special General Meeting.

In addition, under Rule 17.04 of the Listing Rules, each grant of options under the Share Option Scheme and/or any other share option schemes of the Company to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors. Mr. Cao Zhong, Mr. Chen Zheng, Mr. Wang Tian and Ms. Cheng Xiaoyu are Directors. The grant of options to them therefore falls within Rule 17.04 and requires the approval of the independent non-executive Directors. We understand that the approvals for the granting of options to the aforesaid Directors have been given by the independent non-executive Directors on the Board Resolution Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee comprising Mr. Tam King Ching, Kenny and Ms. Choy Hok Man, Constance, both being independent non-executive Directors, has been set up to advise the Independent Shareholders in relation to, among other things, the grant of options to the Grantees.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied to a considerable extent on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true at the date of the Circular, and we have relied on the same. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the letter from the Board in the Circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We have also discussed with the management of the Group their plans for the Group and the prospects of the businesses of the Group.

We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the proposed grant of options under the Share Option Scheme to the Grantees and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinions. We have no reason to suspect that any material facts or information (which is known to the Company) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the business and affairs of the Group.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our recommendation in relation to the grant of options to the Grantees, we have considered the following:

**(a) Business development and strategies**

The Group recorded turnover of approximately HK\$15.5 million for the financial year ended 31 December (“FY”) 2003, representing a marginal decrease from HK\$15.7 million in FY2002. Net profit increased substantially from HK\$2.8 million in FY2002 to HK\$28.5 million in FY2003 due mainly to gains of HK\$28.3 million on deemed disposal of Shougang Concord Technology Holdings Limited.

According to the Directors, the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) and the sluggishness of the property leasing market have adversely affected the Hong Kong investment properties business. The Beijing Dongzhimen business segment was also affected by the outbreak of SARS and the suspension of business of East Lake Villas Phase 1 for renovation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Nevertheless, with the economic recovery and a revival of the property market in Hong Kong, as well as the continued economic growth in the People's Republic of China ("PRC"), the Directors are optimistic with the prospects of both the Hong Kong investment properties and the Beijing Dongzhimen businesses.

To reorganise its businesses, the Company conducted a distribution in specie of shares in Shougang Concord Technology Holdings Limited in March 2004 ("Distribution in Specie"). The Directors explained that the distribution enabled the Group to focus on the property investment and management and the financial services businesses. Following the completion of the aforesaid distribution, the Group plans to further broaden its asset and earning base by actively exploring various business opportunities, especially in the PRC.

In view of the above business strategies, the Directors are of the view that it is imperative for the Group to recruit talents and to retain the services of key management. To this end, Mr. Chen Zheng and Ms. Cheng Xiaoyu were appointed as executive Directors on 6 January 2004 and Mr. Wang Tian was appointed as an executive Director on 1 March 2004. The profiles of the relevant executive Directors are set out in the section headed "Responsibilities and contributions of the Grantees" below.

Taking into consideration the Group's business strategies and future expansion plans into the PRC market, we concur with the Directors' view that it is important for the Group to attract talents and to retain its key management to capitalise on their management and business development experience.

### **(b) Responsibilities and contributions of the Grantees**

Mr. Cao Zhong was appointed the vice-chairman of the Company, deputy chairman and general manager of Shougang Holding (HK) Limited, managing director of Shougang Concord International Enterprises Company Limited and chairman of each of Shougang Concord Century Holdings Limited and Shougang Concord Technology Holdings Limited in November, 2001. He is also the deputy chairman and general manager of China Shougang International Trade and Engineering Corporation and has over 22 years of work experience. Mr. Cao is an economist and holds a master's degree in Economics and has extensive experience in corporate management and operation. The Board noted that Mr. Cao is instrumental in the overall business development and in devising the corporate reorganisation plan and future strategies of the Group. The implementation of the Distribution in Specie represents an important step for the Group in reorganising its business.

Mr. Chen Zheng was appointed as an executive Director in January 2004 and has over 22 years of work experience. Mr. Chen is responsible for the Group's daily management as well as business development. Mr. Chen had held senior management positions in financial and public relations/media companies prior to joining the Group and has extensive experience in investment business and corporate management. He is an engineer and a senior economist. He has a bachelor's degree in chemical engineering and a master's degree in business administration.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Wang Tian was appointed as executive Director in March 2004 and is responsible for the Group's financial services business. Mr. Wang is a senior economist and has over 24 years of experience in the finance industry. He completed his doctoral degree in finance at South-western Financial University and has extensive experience in the field of financial management. He has been awarded the certificate and special allowance from the PRC Government as commendation for his contribution in developing the financial business in the PRC.

Ms. Cheng Xiaoyu was appointed as executive Director and a director of Beijing Dongzhimen International Apartment Co., Limited in January 2004. Ms. Cheng graduated from the Graduate School of Xian Jiaotong University and majored in Linguistics and Applied Linguistics. She joined Shougang International Trade and Engineering Corporation in 1988 as a translator and has been with the group of companies of Shougang Corporation for over 16 years. She was the assistant to the managing director of Shougang Concord International Enterprises Company Limited, the assistant general manager, the project manager and the secretary of the board of Shougang Holding (Hong Kong) Limited and the director of Shougang Concord Century Holdings Limited. Ms. Cheng is responsible for managing the Group's investments in the PRC, such as the Beijing Dongzhimen business.

Mr. Chen Jianyong is the assistant general manager of the Company and assists the Directors in each of their business areas and project development. Mr. Chen graduated from the University of Massachusetts, Amherst with a master of science degree in industrial engineering and operation research and has experience in project management and financial investment.

The Grantees, save for Mr. Cao Zhong and Mr. Chen Jianyong, are newly appointed by the Group and have been with the Group for less than six months. However, we believe the Group will be able to leverage on the management experience and investment knowledge of the Grantees, enabling it to formulate business strategies and make investment decisions that will facilitate the existing operations and future development of the Group. We are of the view that the grant of options can serve as motivation and an alignment of interests with the Grantees and the lock up mechanism as discussed below would ensure the commitment of the Grantees over the medium to long term.

### **(c) Remuneration packages of the Grantees**

We have reviewed the remuneration packages of the Grantees. As a reference, we note that they fall within the range of annual remuneration package of senior management of multi-national companies in Hong Kong, based on information gathered from an independent executive search firm.

In addition, based on our knowledge of the prevailing salary range in the sector and companies listed in Hong Kong having similar scale of business and operations, we are of the view that the salaries of the Grantees, taking into account their relevant experience, fall within the prevailing salary range of such category of senior managers.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**(d) Shareholdings of the Grantees and dilution in Shareholders' interests upon exercise of options**

Set out below are details of the shareholdings of the Grantees as percentages of the existing share capital of the Company and of the share capital of the Company as enlarged by the Shares to be issued under the options:

Grantee	(1) Number of Shares held and the related approximate shareholding as at the Latest Practicable Date	(2) Date of grant of options to the Grantees under the Share Option Scheme prior to the Latest Practicable Date and the related number of Shares issued pursuant to the exercise thereof	(3) Number of Shares to be issued upon exercise in full of the options proposed to be granted and the related approximate shareholding as at the Latest Practicable Date	(4) Approximate shareholding upon exercise in full of the options proposed to be granted and the shareholding resulted from options already granted under the Share Option Scheme with respect to the issued share capital as at the Latest Practicable Date	(5) Approximate shareholding upon exercise in full of the options proposed to be granted and the shareholding resulted from options already granted under the Share Option Scheme with respect to the enlarged issued share capital resulting from the exercise in full of the said options
Cao Zhong	8,278,679 (0.88%)	23 August 2002 8,278,679 #	21,447,000 (2.28%)	3.16%	2.90%
Chen Zheng	Nil	Nil	18,015,000 (1.92%)	1.92%	1.76%
Wang Tian	Nil	Nil	16,299,000 (1.74%)	1.74%	1.59%
Cheng Xiaoyu	8,278,679 (0.88%)	23 August 2002 1,822,944 #  6 March 2003 6,455,735 #	15,441,000 (1.64%)	2.52%	2.31%
Chen Jianyong	Nil	Nil	14,584,000 (1.55%)	1.55%	1.42%
<b>Total</b>	<b>16,557,358 (1.76%)</b>		<b>85,786,000 (9.13%)</b>	<b>10.89%</b>	<b>9.98%</b>

# These options have been fully exercised on 1 March 2004

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Cao Zhong and Ms. Cheng Xiaoyu have previously been granted options by the Company and both of them have fully exercised the options granted to them on 1 March 2004. Upon the exercise in full of the options proposed to be granted to the Grantees, Mr. Cao Zhong's shareholding in the Company would increase from approximately 0.9% as at the Latest Practicable Date to approximately 2.9% of the issued share capital as enlarged by the exercise in full of the options proposed to be granted and already granted under the Share Option Scheme and Ms. Cheng Xiaoyu's shareholding in the Company would increase from approximately 0.9% as at the Latest Practicable Date to approximately 2.31% of the issued share capital as enlarged by the exercise in full of the options proposed to be granted and already granted under the Share Option Scheme.

Mr. Chen Zheng, Mr. Wang Tian and Mr. Chen Jianyong do not own any Shares as at the Latest Practicable Date. Their shareholdings would increase from nil to about 1.76%, 1.59% and 1.42% respectively of the issued share capital as enlarged by the exercise in full of the options proposed to be granted and already granted under the Share Option Scheme.

The dilution effect on the shareholding of Shareholders as a result of the exercise of the options will be approximately 8.4%. The shareholdings of the current Shareholders (other than the controlling Shareholders, Mr. Cao Zhong and Ms. Cheng Xiaoyu) will decrease from about 36.6% to about 33.5%. Taking into consideration the benefits of using the options as a form of incentive as compared to other alternatives as discussed below, we are of the view that the aforesaid dilution is fair and reasonable and acceptable from the point of view of Independent Shareholders.

**(e) Benefits of the options as incentive scheme**

The Directors have informed us that in view of the strategy and development plans of the Group, they believe that a merit-based incentive scheme will further align the interests of senior management with that of the Group.

In this connection, the Directors have considered several methods of providing incentives to the Grantees, including lump sum cash bonuses, profit sharing schemes as well as the granting of options. After careful consideration of the various alternatives, the Directors consider that the grant of options to be most appropriate and in the best interest of the Group and the Independent Shareholders given that, as opposed to the other alternatives, a grant of options will enable the Group to conserve its cash resources while allowing added incentives to management. Since the economic benefits of options rely on an improvement in share price of the Company, the benefit of the options will only be realised when all the Shareholders are also in a position to benefit.

The Directors therefore propose that, based on the respective Grantee's seniority and length of service, the Grantees be granted the options.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(f) Lock up and exercise period**

As advised by the Directors, the options to be granted to the Grantees are subject to certain restrictions summarised below:

<b>Exercise period</b>	<b>Exercisable amount</b>	<b>Restrictions on sale of Shares</b>
From date of offer of grant (“Offer Date”) to the end of the 12th month after the Offer Date	Nil	Not applicable
From the 13th month after the Offer Date	Up to 40% of the options granted to the Grantee	May not sell within 90 days from the relevant allotment date of the Shares
From the 25th month after the Offer Date	Up to 70% of the options granted to the Grantee	May not sell within 90 days from the relevant allotment date of the Shares
From the 37th month after the Offer Date	The balance of the options granted to the Grantee	May not sell within 90 days from the relevant allotment date of the Shares

The termination and lapse of the options to be granted to the Grantees will be subject to the conditions of the Share Option Scheme and the restrictions on the exercise period of these options and the sale of the relevant Shares as set out above. The aforesaid restrictions are in addition to the conditions of the Share Option Scheme. These restrictions and conditions will ensure that the Company’s objective of using the options as incentives to retain services of senior corporate management is achieved as they align the interests of the Grantees with the performance of the Company over the medium to long-term.

### CONCLUSIONS AND RECOMMENDATIONS

Having considered the above principal factors for the Share Option Scheme, we are of the view that the grant of options to the Grantees in excess of the Individual Limit under the Share Option Scheme is fair and reasonable and would advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution to approve the grant of options to the Grantees to be proposed at the Special General Meeting.

For and on behalf of  
**Altus Capital Limited**

**Arnold Ip**  
*Executive Director*

**Sean Pey Chang**  
*Executive Director*

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## NOTICE OF SPECIAL GENERAL MEETING

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### SHOUGANG CONCORD GRAND (GROUP) LIMITED

*(incorporated in Bermuda with limited liability)*

(Stock Code: 730)

**NOTICE IS HEREBY GIVEN** that a special general meeting of the Company will be held at the Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 8 June 2004 at 10:45 a.m. for the purpose of considering and if thought fit, passing the following resolutions as ordinary resolutions:

1. **“THAT** the grant of options (the “Options”) to Mr. Cao Zhong which would entitle him to subscribe shares of HK\$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 7 June 2002 on the terms and conditions as set out in the circular of the Company dated 10 May 2004, a copy of which is tabled at this meeting and marked “A” and initialled by the Chairman of this meeting for identification purpose, be and is hereby ratified, confirmed and approved and the directors of the Company be and are hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to the grant and exercise of the Options.”
2. **“THAT** the grant of options (the “Options”) to Mr. Chen Zheng which would entitle him to subscribe shares of HK\$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 7 June 2002 on the terms and conditions as set out in the circular of the Company dated 10 May 2004, a copy of which is tabled at this meeting and marked “A” and initialled by the Chairman of this meeting for identification purpose, be and is hereby ratified, confirmed and approved and the directors of the Company be and are hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to the grant and exercise of the Options.”
3. **“THAT** the grant of options (the “Options”) to Mr. Wang Tian which would entitle him to subscribe shares of HK\$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 7 June 2002 on the terms and conditions as set out in the circular of the Company dated 10 May 2004, a copy of which is tabled at this meeting and marked “A” and initialled by the Chairman of this meeting for identification purpose, be and is hereby ratified, confirmed and approved and the directors of the Company be and are hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to the grant and exercise of the Options.”
4. **“THAT** the grant of options (the “Options”) to Ms. Cheng Xiaoyu which would entitle her to subscribe shares of HK\$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 7 June 2002 on the terms and conditions as

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## NOTICE OF SPECIAL GENERAL MEETING

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set out in the circular of the Company dated 10 May 2004, a copy of which is tabled at this meeting and marked "A" and initialled by the Chairman of this meeting for identification purpose, be and is hereby ratified, confirmed and approved and the directors of the Company be and are hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to the grant and exercise of the Options."

5. "THAT the grant of options (the "Options") to Mr. Chen Jianyong which would entitle him to subscribe shares of HK\$0.01 each in the share capital of the Company pursuant to the share option scheme of the Company adopted on 7 June 2002 on the terms and conditions as set out in the circular of the Company dated 10 May 2004, a copy of which is tabled at this meeting and marked "A" and initialled by the Chairman of this meeting for identification purpose, be and is hereby ratified, confirmed and approved and the directors of the Company be and are hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to the grant and exercise of the Options."
6. "THAT conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of HK\$0.01 each ("Shares") in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the New Scheme Limit (as defined below), the refreshment of the scheme limit of the Company's share option scheme adopted on 7 June 2002 and all other share option scheme(s) of the Company, up to 10 per cent of the number of Shares in issue as at the date of passing this resolution ("New Scheme Limit") be and is hereby approved and any director of the Company be and is hereby authorised to do such act and execute such document to effect the New Scheme Limit."

By Order of the Board  
**Chan Yuet Kwai**  
*Company Secretary*

Hong Kong, 10 May 2004

*Notes:*

- (1) A member entitled to attend and vote at the above 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) In order to be valid, the form of proxy, together with the power of authority or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority must be lodged at the Company's branch share registrars in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting (as the case may be).
- (3) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof (as the case may be) and in such event, the authority of the proxy will be deemed to be revoked.
- (4) In case of joint registered holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) The grantees of the options referred to in the circular of the Company dated 10 May 2004 and their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting in relation to resolutions 1 to 5 in the notice convening this meeting.