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

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

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首長四方(集團)有限公司*

SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 730)

CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the Independent Board Committee



First Shanghai Capital Limited

A notice convening a Special General Meeting to be held at 10:50 a.m., on Wednesday, 6 June 2007, at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 25 to 26 of this circular. A form of proxy for the Special General Meeting for use by the Shareholders is enclosed with this circular. Whether or not you are able to attend the Special General Meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Hong Kong branch share registrars and transfer office of the Company, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting thereof (as the case may be) should you so wish.

* For identification purpose only

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DEFINITIONS

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

“associates”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Continuing Connected Transactions”	the transactions contemplated under the Master Supply Agreement
“Director(s)”	the director(s) of the Company
“First Shanghai” or “Independent Financial Adviser”	First Shanghai Capital Limited, a corporation licensed to carry on type 6 regulated activity (advising on corporate finance) under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Continuing Connected Transactions
“GDC”	Global Digital Creations Holdings Limited, a company incorporated in Bermuda with limited liability whose securities are listed on the Growth Enterprise Market of the Stock Exchange and is a non-wholly owned subsidiary of the Company and is held as to approximately 61% by the Company as at the Latest Practicable Date
“GDC Tech”	GDC Technology Limited, a company incorporated in the British Virgin Islands, which is owned as to approximately 56.25% by GDC, as to approximately 32.5% by Greater Appeal and as to approximately 11.25% by the management of GDC Tech
“Greater Appeal”	Greater Appeal Investments Limited, a company incorporated in the British Virgin Islands and is ultimately beneficially wholly-owned by Mr. Li Ka-shing
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Tam King Ching, Kenny, Ms. Zhou Jianhong and Mr. Yip Kin Man, Raymond, being the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than Mr. Li Ka-shing and his associates
“Latest Practicable Date”	2 May 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“Master Supply Agreement”	the master supply agreement entered into between the Company and GDC Tech on 11 April 2007
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	the holders of the shares of the Company
“IDMT Shenzhen”	Institute of Digital Media Technology (Shenzhen) Limited, a company incorporated in the PRC and is a wholly-owned subsidiary of GDC
“Special General Meeting”	the special general meeting of the Company to be held to approve the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning as ascribed to it under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD



首長四方(集團)有限公司*

SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 730)

Directors:

Wang Qinghai (*Chairman*)

Cao Zhong (*Vice Chairman and Managing Director*)

Chen Zheng (*Managing Director of Operations*)

Wang Tian (*Deputy Managing Director*)

Cheng Xiaoyu (*Deputy Managing Director*)

Yuan Wenxin (*Deputy Managing Director*)

Leung Shun Sang, Tony (*Non-executive Director*)

Tam King Ching, Kenny

(*Independent Non-executive Director*)

Zhou Jianhong (*Independent Non-executive Director*)

Yip Kin Man, Raymond

(*Independent Non-executive Director*)

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal place of business

in Hong Kong:

6th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai, Hong Kong

4 May 2007

To the Shareholders:

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Board announced that on 11 April 2007, the Company and GDC Tech entered into the Master Supply Agreement pursuant to which GDC Tech agreed to supply the Company and/or its associates with digital cinema equipment and network management and other related equipment and services.

GDC Tech is an indirect non-wholly owned subsidiary of the Company in which Greater Appeal is interested as to approximately 32.5% in its issued share capital. As Greater Appeal is ultimately beneficially wholly-owned by Mr. Li Ka-shing, who, together with his associates, is interested as to approximately 11.7% in the issued share capital of the Company, transactions between GDC Tech and the Company constitute continuing connected transactions for the Company under the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

As the annual amount of the Continuing Connected Transactions is expected to exceed the thresholds provided in Rule 14A.34(1) and (2) of the Listing Rules, the Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Mr. Li Ka-shing and his associates are required to abstain from voting at the Special General Meeting to be held to approve the Continuing Connected Transactions.

The Independent Board Committee, comprising the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Master Supply Agreement. First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the terms of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions.

The purpose of this circular is to give you (i) further details of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions; (ii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions; (iii) the recommendation of the Independent Board Committee in respect of the terms of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions; and (iv) a notice of the Special General Meeting to consider and, if thought fit, to approve the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions.

THE MASTER SUPPLY AGREEMENT

Date:	11 April 2007
Parties:	The Company; and GDC Tech, an indirect non-wholly owned subsidiary of both GDC and the Company and a connected person of the Company under the Listing Rules.
Subject:	Pursuant to the Master Supply Agreement, GDC Tech agreed to supply the Company and/or its associates with digital cinema equipment and network management and other related equipment and services.
Condition:	The Master Supply Agreement is subject to approval by the Independent Shareholders and the approval by the independent shareholders of GDC (if applicable), respectively.
Term:	The Master Supply Agreement has a term expiring on 31 December 2009.
Price:	The basis of determining the prices for the Continuing Connected Transactions are in accordance with: (1) a comparable market price; or (2) by agreement between the parties on an arm's length basis, if no comparable market price can be taken as a reference.

LETTER FROM THE BOARD

Payment: Payments for the Continuing Connected Transactions shall be on credit terms to be agreed between the parties in accordance with the normal term of supplies GDC Tech offered to third parties; or such other methods as may be reasonably requested by GDC Tech.

The Directors propose that the cap amounts of the Continuing Connected Transactions under the Master Supply Agreement for each of the period ending 31 December 2007 and the two financial years ending 31 December 2009 will not exceed the following cap amounts:

	For the period ending 31 December 2007 <i>US\$'000</i>	For the financial year ending 31 December 2008 <i>US\$'000</i>	For the financial year ending 31 December 2009 <i>US\$'000</i>
Proposed cap amounts for the Continuing Connected Transactions:			
Equipment	100,000	100,000	100,000
Services	3,000	4,500	6,000
Total	103,000	104,500	106,000

The cap amounts are determined with reference to the anticipated future sales of digital cinema equipment and services provided by GDC Tech to the Company and/or its associates for the period to be covered by the Master Supply Agreement. Save as announced by the Company on 4 April 2007 on the purchase of 4 units of digital cinema integrated projection system from GDC Tech by the IDMT Shenzhen, a wholly-owned subsidiary of GDC and hence an associate of the Company, for a sum of US\$240,000 (approximately HK\$1,860,000), there has been no previous transaction of a similar nature between GDC Tech and the Company. Digital cinema is in the initial period of deployment in the PRC, and it is expected to replace the traditional cinema screens in the PRC. The cap amounts were determined in accordance with the deployment plan of the digital cinema business pursuant to the co-operation between IDMT Shenzhen and China Film Group Corporation (“**China Film Group**”). China Film Group is the largest and the most influential state-run film enterprise in the PRC. It is the major importer of foreign film in the PRC. The cooperation with China Film Group is expected to be implemented in the near future and it is aimed at installing 1,500 units of digital cinema equipment at major cinemas in the PRC in each of the coming years.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

GDC, a non-wholly owned subsidiary of the Company, announced on 31 October 2006 that it has entered into a co-operation agreement with China Film Group to jointly promote digital cinema businesses in the PRC. The purchases are for the purpose of developing the digital cinema business of IDMT Shenzhen pursuant to the co-operation with China Film Group. GDC Tech is principally engaged in the provision of computing solutions for digital content distribution and exhibitions, and the digital cinema equipment it produces are advanced in design and technology and reaches international standards.

LETTER FROM THE BOARD

The Directors consider that the Continuing Connected Transactions are of the types that are entered into in the ordinary and usual course of business of the Company on a frequent and regular basis. Therefore, the Directors consider that it would be: (i) impracticable to negotiate for numerous agreements with GDC Tech for the Continuing Connected Transactions; and (ii) too costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules. Hence, the Directors (including the independent non-executive Directors) are of the view that the Master Supply Agreement is beneficial to the Group and the Independent Shareholders as a whole.

GDC Tech is owned as to 56.25% by GDC, a non-wholly owned subsidiary of the Company, as to 32.5% by Greater Appeal and as to 11.25% by the management of GDC Tech. Greater Appeal is ultimately beneficially wholly-owned by Mr. Li Ka-shing, who, together with his associates, is interested as to approximately 11.7% in the issued share capital of the Company. Accordingly, GDC Tech is a connected person of the Company and the abovementioned transactions between GDC Tech and the Company and/or its associates constitute continuing connected transactions for the Company under the Listing Rules.

As the annual amount of the Continuing Connected Transactions is expected to exceed the thresholds provided in Rule 14A.34(1) and (2) of the Listing Rules, the Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. Mr. Li Ka-shing and his associates are required to abstain from voting at the Special General Meeting to be held to approve the Continuing Connected Transactions. The votes to be taken at the Special General Meeting will be by poll.

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Company and/or its associates and the terms of the Continuing Connected Transactions have been negotiated and will be conducted on an arm's length basis and on normal commercial terms between the Company and/or its associates and GDC Tech. The Directors (including the independent non-executive Directors) are therefore of the view that the Continuing Connected Transactions and the terms thereof are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in property investment and management, cultural mass media and financial services.

The Independent Board Committee, comprising the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Master Supply Agreement. First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

A notice convening the Special General Meeting to be held at 10:50 a.m., on Wednesday, 6 June 2007, at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 25 to 26 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

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

PROCEDURE FOR DEMANDING A POLL AT THE SPECIAL GENERAL MEETING

Pursuant to bye-law 70 of the bye-laws of the Company, unless voting by way of a poll is required by the Listing Rules, 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 or (being a corporation) by a duly authorised corporate representative, but a poll may be demanded (before or upon the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) by the chairman of the relevant meeting 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 for the time being 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 not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) a 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 vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or
- (d) if required by the Listing Rules, any Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at the meeting.

The Company will publish an announcement on the results of the Special General Meeting with respect to whether or not the resolution for the Continuing Connected Transactions has been passed by the Shareholders.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 9 of this circular which contains its recommendation to the Independent Shareholders on the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions. Your attention is also drawn to the letter of advice from First Shanghai which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions and the principal factors and reasons considered by it in concluding its advice. The letter from the Independent Financial Adviser is set out on pages 10 to 15 of this circular.

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

Yours faithfully,

By Order of the Board of

SHOUGANG CONCORD GRAND (GROUP) LIMITED

Cao Zhong

Vice Chairman and Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



首長四方(集團)有限公司*

SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 730)

4 May 2007

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 4 May 2007 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

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

We wish to draw your attention to the letter of advice from First Shanghai Capital Limited (“**First Shanghai**”), the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Continuing Connected Transactions as set out on pages 10 to 15 of the Circular and the letter from the Board set out on pages 3 to 8 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of First Shanghai as stated in its letter of advice, we consider that the terms of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions to be proposed at the Special General Meeting.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
Shougang Concord Grand (Group) Limited**

Tam King Ching, Kenny Zhou Jianhong Yip Kin Man, Raymond
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed Continuing Connected Transactions for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

4 May 2007

To the Independent Board Committee and the Independent Shareholders
Shougang Concord Grand (Group) Limited
6th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the circular of the Company dated 4 May 2007 (the “Circular”) to the Shareholders of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

As disclosed in the announcement of the Company dated 12 April 2007, the Board announced that on 11 April 2007, the Company and GDC Tech entered into the Master Supply Agreement pursuant to which GDC Tech has agreed to supply the Company and/or its associates with digital cinema equipment and network management and other related equipment and services.

GDC Tech is an indirect non-wholly owned subsidiary of the Company in which Greater Appeal is interested as to approximately 32.5% in its issued share capital. As Greater Appeal is ultimately beneficially wholly-owned by Mr. Li Ka-shing, who, together with his associates, is interested as to approximately 11.7% in the issued share capital of the Company, transactions between GDC Tech and the Company constitute connected transactions for the Company under the Listing Rules. Since the annual amount of the Continuing Connected Transactions is expected to exceed the thresholds provided in Rule 14A.34(1) and (2) of the Listing Rules, the Continuing Connected Transactions are subject to the reporting,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Mr. Li Ka-shing and his associates are required to abstain from voting at the Special General Meeting to be held to approve the Continuing Connected Transactions.

The Independent Board Committee, comprising the independent non-executive Directors, namely, Mr. Tam King Ching, Kenny, Ms. Zhou Jianhong and Mr. Yip Kin Man, Raymond, has been appointed to advise the Independent Shareholders in respect of the terms of the Master Supply Agreement and the relevant cap amounts in relation to the Continuing Connected Transactions. Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is to give an independent opinion as to whether the Continuing Connected Transactions and the relevant cap amounts are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole in the Special General Meeting to be held to approve of such transactions.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the Directors and the Company, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Directors and the Company were true at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and have been advised by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations as to the fairness and reasonableness of the Continuing Connected Transactions, we have taken into account the following principal factors and reasons:

1. Background

The Group is principally engaged in property investment and management, cultural mass media and financial services.

GDC Tech is principally engaged in the provision of computing solutions for digital content distribution and exhibitions, and the digital cinema equipment it produces are advanced in design and technology and reaches international standards.

On 31 October 2006, GDC, the majority shareholder of GDC Tech and a non-wholly owned subsidiary of the Company announced that IDMT Shenzhen, a wholly-owned subsidiary of GDC entered into a co-operation agreement with China Film Group Corporation ("China Film Group") for a term of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ten years whereby IDMT Shenzhen and China Film Group have agreed to jointly promote digital cinema business in the PRC. As stated in the announcement of GDC dated 31 October 2006, pursuant to the co-operation agreement, IDMT Shenzhen and China Film Group target to jointly promote digital cinema business in the PRC by two stages. China Film Group will be responsible for promoting the installation of digital cinema equipment in the PRC whereas IDMT Shenzhen will supply the digital cinema equipment. IDMT Shenzhen and China Film Group will share a portion of box office receipts of those cinemas using IDMT Shenzhen's digital cinema equipment for distribution of digital motion pictures.

2. Reasons for entering into the Master Supply Agreement

IDMT Shenzhen intends to purchase the digital cinema equipment from GDC Tech and, as a result, the Master Supply Agreement was entered into, pursuant to which GDC Tech has agreed to supply the Company and/or its associates with digital cinema equipment and network management and other related equipment and services.

As mentioned in the "Letter from the Board" in the Circular, the Directors consider that the Continuing Connected Transactions are of the types that are entered into in the ordinary and usual course of business of the Company on a frequent and regular basis. Therefore, the Directors consider that it would be: (i) impracticable to negotiate for numerous agreements with GDC Tech for the Continuing Connected Transactions; and (ii) too costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules.

We have made reference to the annual report of the Group for the year ended 31 December 2005 and the annual report of the Group for the year ended 31 December 2006, and noted that approximately 82.5% and 77.1% of the total revenue respectively were contributed by the cultural mass media sector. As such, we concur with the Director's view that the Continuing Connected Transactions are in the ordinary and usual course of business of the Company.

As stated in the "Letter from the Board" in the Circular, China Film Group is the largest and the most influential state-run film enterprise in the PRC, and also the major importer of foreign films in the PRC. According to an article published in August 2006 on www.news.cn (新華網), the box office income for cinemas in the PRC amounted to a total sum of approximately RMB2.05 billion in 2005, and based on an article published in January 2007 on www.takungpao.com.hk (大公網), the box office income for cinemas in the PRC reached a total of approximately RMB2.62 billion in 2006, representing an increase of approximately 27.8%.

In addition, based on our understanding, the PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970's. In the past ten years, China's gross domestic products (the "GDP") had increased from approximately RMB7,117.7 billion in 1996 to approximately RMB18,308.5 billion in 2005, representing a compound average growth rate of approximately 11.1%; while the per capita GDP had also correspondingly increased from approximately RMB5,846 in 1996 to approximately RMB14,040 in 2005, representing a compound average growth rate of approximately 10.2%. With increasing purchasing power and improving living standards in the PRC, we believe that the entertainment industry in the PRC has immense development potential.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principle terms of the Master Supply Agreement

Based on the Master Supply Agreement, the basis of determining the prices for the Continuing Connected Transactions are in accordance with (i) a comparable market price; or (ii) by agreement between the parties on an arm's length basis, if no comparable market price can be taken as a reference. We understand from the Directors that the digital cinema integrated projection system, which is the subject of the Continuing Connected Transactions, is a newly developed product of GDC Tech. Since there has been no previous sales made to independent third party customers in respect of this system up to the Latest Practicable Date, we were unable to compare the selling price between GDC Tech to the Group and the selling price between GDC Tech to independent third party customers.

As advised by the Directors, the digital cinema integrated projection system primarily consists of a digital cinema projector which is sourced from an independent third party supplier and a digital film server developed by GDC Tech. We have reviewed (i) the agreement entered into between GDC Tech and the independent third party supplier for the digital cinema projector, and noted that the selling price of the digital cinema projector from GDC Tech to the Group is equivalent to the purchase price from the independent third party supplier; and (ii) sample invoices of past transactions on sales of the digital film server by GDC Tech to independent third party customers, and noted that the prices paid by independent third party customers are comparable to prices charged by GDC Tech to the Group in respect of the digital film server.

4. The proposed cap amounts for the Continuing Connected Transactions

As mentioned in the "Letter from the Board" in the Circular, the proposed cap amounts are determined with reference to the anticipated future sales of digital cinema equipment and services provided by GDC Tech to the Company and/or its associates for the period to be covered by the Master Supply Agreement.

According to the Directors, the proposed cap amounts of the Continuing Connected Transactions under the Master Supply Agreement for each of the period ending 31 December 2007 and the two financial years ending 31 December 2009 will not exceed the following cap amounts:

	For the period ending 31 December 2007 <i>US\$'000</i>	For the financial year ending 31 December 2008 <i>US\$'000</i>	For the financial year ending 31 December 2009 <i>US\$'000</i>
Equipment	100,000	100,000	100,000
Services	3,000	4,500	6,000
Total	<u>103,000</u>	<u>104,500</u>	<u>106,000</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Equipment

As mentioned in the “Letter from the Board” in the Circular, the co-operation with China Film Group is aimed at installing 1,500 units of digital cinema equipment at major cinemas in the PRC in each of the coming years. According to an article published on Shanghai Daily and information published by Statistic Information of the State Administration of Radio, Film and Television, the PRC has 2,396 cinema screens in 2004, 2,668 cinema screens in 2005 and 3,034 cinema screens in 2006, representing a growth rate of 11.4% and 13.7% respectively for 2005 and 2006. It is expected that such growth would continue. In addition, with reference to an article published by the State Administration of Radio, Film and Television, the PRC government is in support of the digitalisation of the movie industry. We also understand from the Directors that GDC Tech is a leading digital cinema equipment provider in the PRC. As such, we consider that the number of digital cinema equipment planned to be installed in the coming years is reasonable.

In order to assess the reasonableness of the proposed cap amounts, we have referred to the previous purchase announced by the Company on 4 April 2007, whereby the Group purchased four units of digital cinema integrated projection system from GDC Tech for a sum of US\$240,000 (approximately HK\$1,860,000), which represented a purchase price of US\$60,000 (approximately HK\$465,000) for each set of the digital cinema equipment. In accordance with the Group’s development plan of digital cinema in the PRC, 1,500 units of digital cinema equipment are aimed to be installed for each of the coming years. The total purchase cost will amount to approximately US\$90,000,000 (approximately HK\$697,500,000) for each year during the relevant period. Based on discussion with the Directors, we understand that the remainder of the cap amount represents purchase of ancillary equipment from GDC Tech.

Services

The services to be provided by GDC Tech include after sales technical support and maintenance service. The cap for each of the three years ending 31 December 2009 were based on the plan of 1,500 units of digital cinema equipment to be installed each year and the per unit charge for the services. In respect of the cap for each of the two years ending 31 December 2009, we noted that there is expected to be an increase in the amount payable to GDC Tech for the provision of service by approximately US\$1,500,000 (approximately HK\$11,625,000). The increase is due to the expected increase in the number of digital cinema systems to be installed by the Group for each of the coming years, causing the recurring after sales technical support and maintenance service cost to increase accordingly. We have reviewed a previous service agreement entered into between GDC Tech and China Film Group, which is an independent third party, and observed that the per unit service fee proposed to be charged to the Group by GDC Tech for the year ending 31 December 2007 is comparable to that charged to the independent third party. The service charge per unit per annum proposed to be charged to the Group by GDC Tech is expected to decrease for each of the two years ending 31 December 2009, as the expected number of digital cinema systems to be installed by the Group increases.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons as discussed and summarised below:

- (i) given a principle business of the Group being cultural mass media, the entering into of the Master Supply Agreement falls within the ordinary and usual course of business of the Group;
- (ii) the entering into of the Master Supply Agreement allows the Group to enjoy the potential growth on the filming industry in the PRC;
- (iii) the basis of determining the prices of the Continuing Connected Transactions are in accordance with (i) a comparable market price; or (ii) by agreement between the parties on an arm's length basis, if no comparable market price can be taken as a reference; and
- (iv) the proposed annual caps for the equipment and services are determined having taken into consideration the co-operation plan between IDMT Shenzhen and China Film Group,

we are of the opinion that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and that the terms of the Master Supply Agreement and the relevant cap amounts are fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the Continuing Connected Transactions and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Eric Lee

Executive Director

1. 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 of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in shares and underlying shares of the Company and its associated corporations

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

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

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Percentage of total interest as to the issued share capital of the Company
		Interests in shares	Interests under equity derivatives *	Total interests	
Wang Qinghai	Beneficial owner	8,278,679	11,368,000	19,646,679	1.72%
Cao Zhong	Beneficial owner	8,278,679	11,368,000	19,646,679	1.72%
Chen Zheng	Beneficial owner	–	11,368,000	11,368,000	1.00%
Wang Tian	Beneficial owner	–	9,094,000	9,094,000	0.80%
Cheng Xiaoyu	Beneficial owner	8,278,679	9,094,000	17,372,679	1.52%
Yuan Wenxin	Beneficial owner	4,920,000	9,094,000	14,014,000	1.23%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	11,368,679	19,646,679	1.72%
Tam King Ching, Kenny	Beneficial owner	–	1,136,000	1,136,000	0.10%
Zhou Jianhong	Beneficial owner	–	1,136,000	1,136,000	0.10%
Yip Kin Man, Raymond	Beneficial owner	–	1,136,000	1,136,000	0.10%

* The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the “**Scheme**”). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors.

- (ii) Long positions in shares and underlying shares of GDC, an associated corporation of the Company:

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in GDC			Percentage of total interest as to the issued share capital of GDC
		Interests in shares	Interests under equity derivatives *	Total interests	
Cao Zhong	Beneficial owner	–	8,008,200	8,008,200	0.73%
Chen Zheng	Beneficial owner	8,008,200	–	8,008,200	0.73%
Wang Tian	Beneficial owner	400,820	–	400,820	0.04%
Cheng Xiaoyu	Beneficial owner	–	800,820	800,820	0.07%
Yuan Wenxin	Beneficial owner	200,820	–	200,820	0.02%
Leung Shun Sang, Tony	Beneficial owner	8,008,200	–	8,008,200	0.73%
Tam King Ching, Kenny	Beneficial owner	–	800,820	800,820	0.07%
Zhou Jianhong	Beneficial owner	500,615	–	500,615	0.05%

* The relevant interests are unlisted physically settled options granted pursuant to GDC's share option scheme adopted on 18 July 2003 (the "GDC Scheme"). Upon exercise of the share options in accordance with the GDC Scheme, ordinary shares of HK\$0.01 each in the share capital of GDC are issuable. The share options are personal to the respective Directors.

- (iii) Long positions in shares and underlying shares of GDC Tech, an associated corporation of the Company:

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in GDC Tech			Percentage of total interest as to the issued share capital of GDC Tech
		Interests in shares	Interests under equity derivatives *	Total interests	
Cao Zhong	Beneficial owner	4,266,667	4,266,667	8,533,334	5.29%
Chen Zheng	Beneficial owner	4,266,667	4,266,667	8,533,334	5.29%
Leung Shun Sang, Tony	Beneficial owner	2,130,000	3,333	2,133,333	1.32%

* The relevant interest are unlisted physically settled options granted pursuant to GDC Tech's share option scheme adopted on 19 September 2006 (the "GDC Tech Scheme"). Upon exercise of the share options in accordance with the GDC Tech Scheme, ordinary shares of HK\$0.1 each in the share capital of GDC Tech are issuable. The share options are personal to the respective Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests

or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed in this circular, none of the Directors or proposed Director is a director or employee of a company which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

(b) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

(c) Directors' interests in competing businesses

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

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Wang Qinghai	Shougang Corporation [#]	Property investment	Director
Cao Zhong	China Shougang International Trade and Engineering Corporation [#]	Property investment	Director

[#] Such businesses may be carried out through its subsidiaries or associates or by way of other forms of investments.

Save as disclosed above, as at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

(d) Directors' interests in assets and contracts

None of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

None of the Directors was materially interested, directly or indirectly, in any contract or arrangements entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

3. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of SFO, the following persons and companies (other than the Directors or chief executive of the Company) had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company:

Name of Shareholder	Capacity in which interests are held	Number of shares held in the Company	Percentage of interest as to the issued share capital of the Company	Note(s)
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	465,753,673	40.83%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	430,491,315	37.74%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	133,048,717	11.66%	2, 3
Max Same Investment Limited ("Max Same")	Beneficial owner	91,491,193	8.02%	2
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	133,048,717	11.66%	3

Name of Shareholder	Capacity in which interests are held	Number of shares held in the Company	Percentage of interest as to the issued share capital of the Company	Note(s)
Li Ka-Shing Unity Trustee Company Limited (“TUT1”)	Trustee	133,048,717	11.66%	3
Li Ka-Shing Unity Trustee Corporation Limited (“TDT1”)	Trustee, beneficiary of a trust	133,048,717	11.66%	3
Li Ka-Shing Unity Trustcorp Limited (“TDT2”)	Trustee, beneficiary of a trust	133,048,717	11.66%	3

Notes:

1. *Wheeling was a wholly-owned subsidiary of Shougang Holding and its interest was included in the interest held by Shougang Holding.*
2. *Max Same was a wholly-owned subsidiary of Cheung Kong and its interest was included in the interest held by Cheung Kong.*
3. *Li Ka-Shing Unity Holdings Limited (“Unity Holdco”), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust (“UT1”), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.*

In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and TDT2 as trustee of another discretionary trust (“DT2”). Each of TDT1 and TDT2 held units in UT1.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

- (b) As at the Latest Practicable Date, so far as is known to any Director, the following persons and companies were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital:

Name of registered Shareholder	Name of beneficial owner	Name of member of the Group	% of attributable interest
Zhou Lin	Zhou Lin	四方源創國際影視 文化傳播(北京) 有限公司 (Concord Creation International (Beijing) Company Limited#) ("Concord Creation")	20.00%
Yang Yong	Yang Yong	廣東四方源創動畫 製作有限公司 (Concord Creation Animation Production Guangdong Company Limited#) ("Guangdong Creation")	20.00%
Concord Creation	Zhou Lin	Guangdong Creation	16.00% (Note 1)
Concord Creation	Zhou Lin	東陽市四方源創影視 製作有限公司 (Dongyang Concord Creation Film@TV Company Limited#) ("Dongyang Creation")	20.00% (Note 2)
Guangdong Creation and Chen Zhen	Zhou Lin	杭州四方源創動畫 製作有限公司 (Concord Creation Animation Production Hangzhou Company Limited#) ("Hangzhou Creation")	16.00% (Note 3)
Guangdong Creation and Chen Zhen	Yang Yong	Hangzhou Creation	20.00% (Note 4)

For identification purpose only

Notes:

1. *Guangdong Creation was held as to 80.00% by Concord Creation. As Concord Creation was beneficially held as to 20.00% by Zhou Lin, Guangdong Creation was deemed to be held as to 16.00% by Zhou Lin.*
2. *Dongyang Creation was held as to 90.00% by Concord Creation. As Concord Creation was beneficially held as to 20.00% by Zhou Lin, Dongyang Creation was deemed to be held as to 18.00% by Zhou Lin. Together with Zhou Lin's beneficial interest of 2.00% held in Dongyang Creation through another nominee, Zhou Lin has an aggregate interest of 20.00% in Dongyang Creation.*
3. *Hangzhou Creation was beneficially held as to 100.00% by Guangdong Creation which included its beneficial interest of 10.00% held in Hangzhou Creation through its nominee, Chen Zheng. As Guangdong Creation was deemed to be beneficially held as to 16.00% by Zhou Lin, Hangzhou Creation was deemed to be held as to 16.00% by Zhou Lin.*
4. *Hangzhou Creation was beneficially held as to 100.00% by Guangdong Creation which included its beneficial interest of 10.00% held in Hangzhou Creation through its nominee, Chen Zheng. As Guangdong Creation was held as to 20.00% by Yang Yong, Hangzhou Creation was deemed to be held as to 20.00% by Yang Yong.*

Save as disclosed above, the Directors and chief executive of the Company were not aware of any person who has an interest or short position in the shares, or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. LITIGATION

As at the Latest Practicable Date, the Group was engaged in the following litigation or arbitration of material importance:

- (a) On 14 May 2003, GDC Entertainment Limited (“**GDC Entertainment**”), an indirect non-wholly owned subsidiary of the Company, entered into a co-production agreement (the “**Co-production Agreement**”) with Westwood Audiovisual and Multimedia Consultants, Inc. (“**WAMC**”) and Production and Partners Multimedia, SAS (“**P&PM**”), in which the Group has a 25% equity interest, in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers have advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC was in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration.

P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. The arbitrator published her Award on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties apart from recently. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration. GDC Entertainment is still waiting to hear from the arbitrator as to how she would like to proceed with the arbitration.

- (b) On 16 August 2006, 深圳大學文化科技服務有限公司 (“**Shenzhen University**”) commenced legal action in the People's Court (Nanshan District) (“**Nanshan Court**”) in the PRC against IDMT Shenzhen, an indirect non-wholly owned subsidiary of the Company for, among others, unpaid rent, related expenses and compensation in the amount of RMB8,960,000. On 14 September 2006, IDMT Shenzhen filed a counterclaim against Shenzhen University for, among others, compensation for renovation fee and relocation expenses in the amount of approximately RMB10,726,000 and RMB6,000,000 respectively and returns of rental deposit. On 19 March 2007, Shenzhen University filed an application to the Nanshan Court to withdraw its claim against IDMT Shenzhen. On 22 March 2007, IDMT Shenzhen filed an application to the Nanshan Court to withdraw its counterclaim against Shenzhen University. Both applications were approved by the Nanshan Court on 10 April 2007.

Save as disclosed above, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

5. MATERIAL ADVERSE CHANGES

Save as disclosed in this circular, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited financial accounts of the Group were made up.

6. EXPERT'S QUALIFICATION AND CONSENT

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

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
First Shanghai	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO

7. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and the principal place of business of the Company in Hong Kong is at 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The Company's Hong Kong branch share registrars and transfer office is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Company is Ms. Cheng Man Ching, who is a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and an associate member of the Hong Kong Institute of Bankers, and holds a master degree in business administration and a master degree of arts.
- (d) The qualified accountant of the Company is Mr. Tsang Yu Tit, who is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants, and holds a bachelor degree of arts in accountancy.
- (e) The English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 6 June 2007:

- (a) the Memorandum of Association and the Articles of Association of the Company;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 9 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 10 to 15 of this circular;
- (d) the Master Supply Agreement; and
- (e) the written consent from First Shanghai referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



首長四方(集團)有限公司*

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 shareholders of Shougang Concord Grand (Group) Limited (the “**Company**”) will be held at 10:50 a.m., on Wednesday, 6 June 2007, at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the master supply agreement (the “**Master Supply Agreement**”) dated 11 April 2007 entered into between the Company and GDC Technology Limited (“**GDC Tech**”), a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose, pursuant to which, GDC Tech has agreed to supply the Company and/or its associates with digital cinema equipment and network management and other related equipment and services (the “**Continuing Connected Transactions**”), be and is hereby approved, ratified and confirmed;
- (b) the cap amounts in relation to the Continuing Connected Transactions for the period ending 31 December 2007 of US\$103,000,000 and each of the two financial years ending 31 December 2009 of US\$104,500,000 and US\$106,000,000, respectively, be and are hereby approved; and
- (c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Master Supply Agreement.”

By Order of the Board
Shougang Concord Grand (Group) Limited
Cao Zhong
Vice Chairman and Managing Director

Hong Kong, 4 May 2007

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

Notes:

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