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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

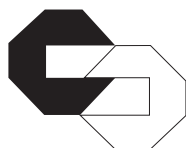
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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

**If you have sold or transferred** all your shares in Shougang Concord Century Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealers or other agent through whom the sale 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 Century Holdings Limited** **首長寶佳集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF AN AGGREGATE OF 28.24% OF THE ISSUED SHARE CAPITAL OF ONLINE INVESTMENTS LIMITED AND PROPOSED GRANTING OF SHARE OPTION TO THE GRANTEE**

**Independent Financial Advisor to the Independent Board Committee of  
Shougang Concord Century Holdings Limited**



**漢宇資本(亞洲)有限公司**  
**GC Capital (Asia) Limited**

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A letter from the board of directors of Shougang Concord Century Holdings Limited is set out on pages 6 to 18 of this circular. A letter from the independent board committee of Shougang Concord Century Holdings Limited containing its advice to the independent shareholders of Shougang Concord Century Holdings Limited in connection with the Acquisitions (as defined herein) and the granting of Share Option (as defined herein) to the Grantee (as defined herein) is set out on page 19 of this circular. A letter from GC Capital (Asia) Limited, the independent financial advisor to the independent board committee of Shougang Concord Century Holdings Limited, containing its advice to the independent board committee of Shougang Concord Century Holdings Limited in connection with the Acquisitions (as defined herein) and the granting of Share Option (as defined herein) to the Grantee (as defined herein) is set out on pages 20 to 34 of this circular.

A notice convening the extraordinary general meeting of Shougang Concord Century Holdings Limited to be held on 2nd October 2003 are set out on pages 40 to 42 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are strongly urged to complete and sign the enclosed form of proxy, in accordance with the instructions printed thereon, and to lodge them with the share registrars of Shougang Concord Century Holdings Limited, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting (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 extraordinary general meeting of Shougang Concord Century Holdings Limited or any adjourned meeting should you so wish.

15th September 2003, Hong Kong

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## DEFINITIONS

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

“Acquisitions”	the Bravo’s Acquisition and the Skyriver’s Acquisition
“Announcement”	the announcement of the Company dated 22nd August 2003 and published on 25th August 2003 in relation to the Acquisitions and a private placement of 60,000,000 new Shares
“Board”	the board of Directors
“Bravo”	Bravo Industrial Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Everbest
“Bravo’s Agreement”	the sale and purchase agreement dated 21st August 2003 entered into between Bravo and Clear Vision, pursuant to which Bravo agreed to sell and Clear Vision agreed to buy 3,174,000 Online’s Shares (representing approximately 10.24% of Online’s existing issued share capital) held by Bravo together with the Bravo’s Loan
“Bravo’s Loan”	the sum of US\$541,384.62 (equivalent to approximately HK\$4,223,000) owed by Online to Bravo, being the entire amount owed by Online to Bravo
“Business Day”	any day on which banks in Hong Kong are generally open for business excluding Saturdays and Sundays
“Clear Vision”	Clear Vision Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Company”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange
“Completion Date”	the third Business Day after the conditions for the Acquisitions have been fulfilled
“Director(s)”	director(s) of the Company
“Efficient”	Efficient Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held on Thursday, 2nd October 2003 at 11:00 a.m. at the registered office of the Company at 6th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wanchai, Hong Kong, the notice of which is set out on pages 40 to 42 of this circular
“Everbest”	Everbest Century Holdings Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange, whose single largest shareholder is Mr. Chan (holding approximately 27.31% of the issued share capital of Everbest as at the Latest Practicable Date). Save for Mr. Chan’s interest in Everbest as disclosed above and for its interest in Online through Bravo, Everbest is independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules)
“Grantee”	Mr. Cao Zhong, particulars of whom are set out in the section headed “Proposed granting of Share Option to the Grantee” in this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising Messrs. Yip Kin Man, Raymond and Lai Kam Man, which has been established to advise the Independent Shareholders in relation to the Acquisitions and the granting of Share Option to the Grantee
“Independent Financial Advisor”	GC Capital (Asia) Limited, a deemed licensed corporation registered with the Securities and Futures Commission under the SFO and the independent financial advisor to the Independent Board Committee in respect of the Acquisitions and the granting of Share Option to the Grantee
“Independent Shareholders”	in respect of the Acquisitions, Shareholders other than Mr. Chan, Everbest, Bravo, Skyriver and their respective associates (as defined under the Listing Rules) and in respect of the granting of Share Option to the Grantee, Shareholders other than Mr. Cao Zhong and his associates (as defined under the Listing Rules)

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## DEFINITIONS

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“Jiaxing Eastern”	Jiaxing Eastern Steel Cord Co., Ltd., a company registered in the PRC with limited liability, which is a wholly-owned subsidiary of Online
“Latest Practicable Date”	11th September 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31st December 2003 (or such later date as may be agreed between Clear Vision, Bravo and Skyriver respectively)
“Mottingham”	Mottingham Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is the legal and beneficial owner of 5,580,000 Online’s Shares (representing 18.00% of Online’s existing issued share capital). Mottingham is beneficially owned as to 50% by Cheung Kong (Holdings) Limited and 50% by Canadian Imperial Bank of Commerce, a financial institution incorporated in Canada. Save for Cheung Kong (Holdings) Limited is a substantial shareholder of Shougang International, holding approximately 11.13% of the issued share capital of Shougang International as at the Latest Practicable Date, Mottingham and its 2 beneficial owners are independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules)
“Mottingham’s Loan”	the sum of US\$955,384.62 (equivalent to approximately HK\$7,452,000) owed by Online to Mottingham, being the entire amount owed by Online to Mottingham
“Mr. Chan”	Mr. Chan Chun Keung, the chairman and controlling shareholder of Everbest and the sole shareholder of Skyriver. Save for his interest in less than 5% of the issued share capital of the Company, in Everbest and Skyriver as disclosed in this circular, Mr. Chan is independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules)

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## DEFINITIONS

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“Online”	Online Investments Limited, a company incorporated in the British Virgin Islands with limited liability having an issued and paid-up share capital of US\$31,000,000 divided into 31,000,000 ordinary shares of US\$1.00 each, of which 5,580,000 shares (18.00%), 3,174,000 shares (10.24%), 6,463,000 shares (20.85%) and 15,783,000 shares (50.91%) are legally and beneficially owned by Mottingham, Bravo, Efficient and Clear Vision, respectively
“Online’s Share(s)”	ordinary share(s) of US\$1.00 each in the share capital of Online
“PRC”	the People’s Republic of China
“Private Placement”	the private placement of 60,000,000 new Shares to 15 independent investors at a price of HK\$0.68 per Share announced on the Announcement on 25th August 2003 and completed on 8th September 2003
“Put Option”	the put option conferred by Skyriver upon Mottingham, pursuant to which Mottingham has the right to require Skyriver to purchase 5,580,000 Online’s Shares held by Mottingham together with the Mottingham’s Loan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option”	the option to be granted to the Grantee pursuant to the Share Option Scheme, subject to the approval by the Independent Shareholders at the EGM
“Share Option Scheme”	the share option scheme adopted by the Company on 7th June 2002
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability which indirectly owned approximately 12.50% of the existing issued share capital of the Company as at the Latest Practicable Date

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## DEFINITIONS

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“Shougang International”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and indirectly owned approximately 27.54% of the existing issued share capital of the Company as at the Latest Practicable Date
“Skyriver”	Skyriver (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Chan
“Skyriver’s Agreement”	the sale and purchase agreement dated 21st August 2003 entered into between Skyriver and Clear Vision, pursuant to which Skyriver agreed to sell and Clear Vision agreed to buy 5,580,000 Online’s Shares (representing 18.00% of Online’s existing issued share capital) together with the Skyriver’s Loan to be acquired by Skyriver through the completion of the payment by Skyriver to Mottingham under the Put Option
“Skyriver’s Loan”	the sum of US\$955,384.62 (equivalent to approximately HK\$7,452,000) to be owed by Online to Skyriver after the Put Option has been successfully exercised
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*Amounts denominated in US\$ have been converted, for the purpose of illustration only, into HK\$ at a rate of US\$1.00 = HK\$7.80. No representation is made that any amounts in US\$ could have been or could be converted at such rate or at any other rates or at all.*

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## LETTER FROM THE BOARD

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# Shougang Concord Century Holdings Limited 首長寶佳集團有限公司

*(Incorporated in Hong Kong with limited liability)*

*Directors:*

Cao Zhong (*Chairman*)  
Tong Yihui (*Managing Director*)  
Leung Shun Sang, Tony  
Li Shaofeng  
Xu Xianghua  
Cheng Xiaoyu  
Tang Kwok Kau  
Yip Kin Man, Raymond\*  
Lai Kam Man\*

*Registered office:*

6th Floor  
Bank of East Asia Harbour View Centre  
51-57 Gloucester Road  
Wanchai  
Hong Kong

\* *Independent non-executive Director*

15th September 2003

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE  
ACQUISITION OF AN AGGREGATE OF 28.24% OF THE  
ISSUED SHARE CAPITAL OF ONLINE INVESTMENTS LIMITED  
AND  
PROPOSED GRANTING OF SHARE OPTION TO THE GRANTEE**

### 1. INTRODUCTION

It was announced by the Company on 25th August 2003 that the Company entered into the Bravo's Agreement and the Skyriver's Agreement with Bravo and Skyriver, respectively, on 21st August 2003.

The Acquisitions constitute discloseable and connected transactions under the Listing Rules by virtue of Bravo's being and Skyriver's going to be a substantial shareholder of Online, a non-wholly-owned subsidiary of the Company. The purpose of this circular is to provide you with further details relating to the Acquisitions, to set out the recommendation from the Independent Board Committee and to set out the advice from the Independent Financial Advisor.



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## LETTER FROM THE BOARD

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### 2. ACQUISITION OF AN AGGREGATE OF 28.24% OF THE ISSUED SHARE CAPITAL OF ONLINE INVESTMENTS LIMITED

#### Principal terms of the Bravo's Agreement

The principal terms and conditions of the Bravo's Agreement were arrived at after arm's length negotiation between the parties involved and are summarized below:

**Date:** 21st August 2003

**Vendor:** Bravo (Save and except for its interest in Online as disclosed in this circular, Bravo and its ultimate beneficial owner are independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules))

**Purchaser:** Clear Vision

#### *Assets to be acquired*

3,174,000 Online's Shares (representing approximately 10.24% of Online's existing issued share capital) together with the Bravo's Loan in the sum of US\$541,384.62 (equivalent to approximately HK\$4,223,000), which are the entire interest of Bravo in Online. The Bravo's Loan is unsecured, non-interest bearing and pro rata to the respective shareholding interests of Online's shareholders, the terms of which are the same as the Skyriver's Loan and any other loans owed by Online to its shareholders.

#### *Consideration and payment terms*

Pursuant to the Bravo's Agreement, the consideration for the Bravo's Acquisition is approximately HK\$58,012,000, of which approximately HK\$53,789,000 is for the acquisition of 3,174,000 Online's Shares and approximately HK\$4,223,000 is for the acquisition of the Bravo's Loan. The consideration shall be satisfied as to approximately HK\$36,257,000 by cash on the Completion Date and the balance of approximately HK\$21,755,000 by cash within 3 months from the Completion Date. The balance of approximately HK\$21,755,000 shall carry interest at a rate of 3% per annum from the Completion Date until payment and the Company has given a guarantee to Bravo for such payment. The consideration for the 3,174,000 Online's Shares represents a price-to-earning multiple of 7.3 times based on the audited consolidated net profit attributable to shareholders of Online of approximately HK\$71.52 million for the year ended 31st December 2002. The consideration for 3,174,000 Online's Shares also represents a premium of approximately 68.9% over the audited consolidated net asset value of Online of approximately HK\$310,971,000 as at 31st December 2002. After taking into account the earning capacity of Online, the Directors are of the view that the consideration is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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The Bravo's Agreement was negotiated on arm's length basis between the Company and Bravo and the Directors (including the independent non-executive Directors) take the view that the consideration was determined on normal commercial terms, fair and reasonable as far as the Shareholders are concerned, and in the ordinary and usual course of business between the parties thereto with reference to the price-to-earning multiple of 7.3 times based on the audited consolidated net profit attributable to the shareholders of Online of approximately HK\$71.52 million for the year ended 31st December 2002.

### Conditions of the Bravo's Agreement

The completion of the Bravo's Agreement is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- i. the passing of ordinary resolutions by the shareholders of Everbest in general meeting approving the Bravo's Agreement and the Bravo's Acquisition;
- ii. the passing of ordinary resolutions by the Independent Shareholders at the EGM approving the Bravo's Agreement, the Bravo's Acquisition, the Skyriver's Agreement and the Skyriver's Acquisition;
- iii. the Skyriver's Agreement and the transactions contemplated thereunder become unconditional; and
- iv. the obtaining by all parties concerned of all necessary consents, approvals or waivers to effect the signing and completion of the Bravo's Agreement.

### Completion of the Bravo's Agreement

Completion of the Bravo's Agreement is to take place simultaneously with the completion of the Skyriver's Agreement on the Completion Date, which is the third Business Day after all the conditions mentioned above have been fulfilled.

### Principal terms of the Skyriver's Agreement

The principal terms and conditions of the Skyriver's Agreement were arrived at after arm's length negotiation between the parties involved and are summarized below:

<b>Date:</b>	21st August 2003
<b>Vendor:</b>	Skyriver (Save and except for its interest in Online as disclosed in this circular, Skyriver and its ultimate beneficial owner are independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules))
<b>Purchaser:</b>	Clear Vision

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## LETTER FROM THE BOARD

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### *Assets to be acquired*

5,580,000 Online's Shares (representing 18.00% of Online's existing issued share capital) together with the Skyriver's Loan in the sum of US\$955,384.62 (equivalent to approximately HK\$7,452,000), which will be the entire interest of Skyriver in Online. The Skyriver's Loan is unsecured, non-interest bearing and pro rata to the respective shareholding interests of Online's shareholders, the terms of which are the same as the Bravo's Loan and any other loans owed by Online to its shareholders.

### *Consideration and payment terms*

Pursuant to the Skyriver's Agreement, the consideration for the Skyriver's Acquisition is approximately HK\$101,988,000, of which approximately HK\$94,536,000 is for the acquisition of 5,580,000 Online's Shares and approximately HK\$7,452,000 is for the acquisition of the Skyriver's Loan. The consideration shall be satisfied as to approximately HK\$63,742,000 by cash on the Completion Date and the balance of approximately HK\$38,246,000 shall be paid by cash within 3 months from the Completion Date. The balance of approximately HK\$38,246,000 shall carry interest at a rate of 3% per annum from the Completion Date until payment and the Company has given a guarantee to Skyriver for such payment. The consideration for 5,580,000 Online's Shares represents a price-to-earning multiple of 7.3 times based on the audited consolidated net profit attributable to shareholders of Online of approximately HK\$71.52 million for the year ended 31st December 2002. The consideration for 5,580,000 Online's Shares also represents a premium of approximately 68.9% over the audited consolidated net asset value of Online of approximately HK\$310,971,000 as at 31st December 2002. After taking into account the earning capacity of Online, the Directors are of the view that the consideration is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

The Skyriver's Agreement was negotiated on arm's length basis between the Company and Skyriver and the Directors (including the independent non-executive Directors) take the view that the consideration was determined on normal commercial terms, fair and reasonable as far as the Shareholders are concerned, and in the ordinary and usual course of business between the parties thereto with reference to the price-to-earning multiple of 7.3 times based on the audited consolidated net profit attributable to the shareholders of Online of approximately HK\$71.52 million for the year ended 31st December 2002.

### **Conditions of the Skyriver's Agreement**

The completion of the Skyriver's Agreement is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- i. Skyriver has successfully acquired all of the 5,580,000 Online's Shares together with the Mottingham's Loan from Mottingham;
- ii. the passing of ordinary resolutions by the Independent Shareholders at the EGM approving the Bravo's Agreement, the Bravo's Acquisition, the Skyriver's Agreement and the Skyriver's Acquisition;
- iii. the Bravo's Agreement and the transactions contemplated thereunder become unconditional; and
- iv. the obtaining by all parties concerned of all necessary consents, approvals or waivers to effect the signing and completion of the Skyriver's Agreement.

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## LETTER FROM THE BOARD

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### Completion of the Skyriver's Agreement

Completion of the Skyriver's Agreement is to take place simultaneously with the completion of the Bravo's Agreement on the Completion Date, which is the third Business Day after all the conditions mentioned above have been fulfilled.

### Funding for the Acquisitions

The total consideration for the Acquisitions amounts to approximately HK\$160 million. The Group will fund the Acquisitions by its internal resources of approximately HK\$70 million, the net proceeds of approximately HK\$39.80 million from the Private Placement as described in the Announcement and bank borrowings of approximately HK\$50.20 million from commercial banks.

### Reasons for the Acquisitions

As at the Latest Practicable Date, Online is owned as to 71.76%, 10.24% and 18.00% by the Company (through Efficient and Clear Vision), Bravo and Mottingham, respectively. Save for its holding of the entire interest in Jiaxing Eastern, Online does not have any other business or asset.

Jiaxing Eastern, a wholly-owned subsidiary of Online, is a company registered in the PRC on 26th July 1994 which commenced operation in October 1997. Jiaxing Eastern is principally engaged in the manufacturing of steel cords for radial tyres in the PRC. Jiaxing Eastern's annual production capacity is approximately 12,000 tonnes of steel cords, both the Board and the board of directors of Jiaxing Eastern plan to expand the annual production capacity of steel cords to 30,000 tonnes by 2005. As at 31st December 2002, the audited net asset value of Jiaxing Eastern was approximately HK\$405,301,000. The following table sets out the turnover and net profit attributable to shareholders of Jiaxing Eastern for the two years ended 31st December 2002:

	Year ended 31st December	
	2002	2001
	HK\$'million	HK\$'million
Turnover	176.0	142.2
Net profit attributable to shareholders ( <i>Note</i> )	73.4	28.1

*Note:* Bad debt provision for the year ended 31st December 2001 was approximately HK\$12.1 million and recovery of bad debt for the year ended 31st December 2002 was approximately HK\$12.9 million. The net profit attributable to shareholders, excluding the bad debt provision and recovery of bad debt was approximately HK\$40.2 million and HK\$60.5 million for the years ended 31st December 2001 and 2002 respectively.

The Board believes the strong economic growth in the PRC, specifically the rapid development of the domestic motor vehicles market and freeway and expressway network, will continue to boost the demand for radial tyres, and hence the demand for steel cords as steel cord is one of the raw materials required for the production of radial tyres. Jiaxing Eastern is one of the major suppliers of steel cords to the PRC radial tyres manufacturers, which in turn are the major suppliers of radial tyres to automobiles manufacturers in the PRC.

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## LETTER FROM THE BOARD

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The Board believes that the Acquisitions, as a result of which Jiaying Eastern will be 100% beneficially owned by the Company, will enable the Company to fully enjoy the growth of Jiaying Eastern and is of the best interest to the Company and the Shareholders as a whole.

### **Listing Rules requirement**

The Acquisitions constitute discloseable and connected transactions of the Company under the Listing Rules by virtue of Bravo's being and Skyriver's going to be a substantial shareholder of Online which is a non-wholly-owned subsidiary of the Company. Accordingly, the Company shall seek Independent Shareholders' approval on the Acquisitions at the EGM. As at the Latest Practicable Date, Mr. Chan owns less than 5% of the issued share capital of the Company and is the chairman and controlling shareholder of Everbest and the sole shareholder of Skyriver. Accordingly, Mr. Chan is the only Shareholder interested in the Acquisitions. Save for Mr. Chan and his associates (as defined under the Listing Rules), no Shareholder will be required to abstain from voting at the EGM.

### **Information of the Group**

The principal activities of the Group include the manufacturing and sale of steel cord for radial tyres, processing and trading of copper and brass products and property investment. As set out in the annual report of the Company for the year ended 31st December 2002, the Group recorded an annual turnover of approximately HK\$187.1 million and HK\$234.9 million for the two years ended 31st December 2002, respectively. For the same periods, the Group recorded net profits of approximately HK\$20.1 million and HK\$42.3 million, respectively.

### **Information of Online**

As at 31st December 2002, the audited consolidated net asset value of Online was approximately HK\$310,971,000. Online recorded an audited consolidated profit before tax and after tax of approximately HK\$71,522,000 and HK\$71,524,000 respectively for the financial year ended 31st December 2002 and an audited consolidated profit before tax and after tax of approximately HK\$26,024,000 and HK\$25,858,000 respectively for the financial year ended 31st December 2001.

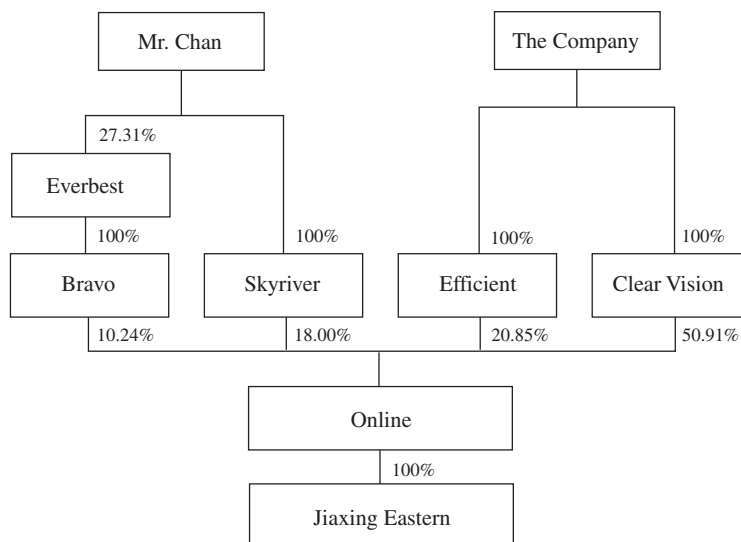
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## LETTER FROM THE BOARD

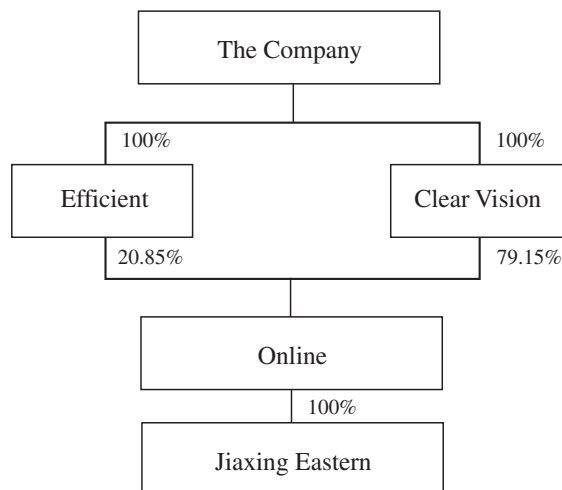
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Immediately before completion of the Acquisitions, Efficient and Clear Vision (both being indirect wholly-owned subsidiaries of the Company) owns 20.85% and 50.91% of the issued share capital of Online. Immediately after completion of the Acquisitions, Efficient and Clear Vision will own 20.85% and 79.15% of the issued share capital of Online. The following charts show the shareholding structure of Online immediately before and after the completion of the Acquisitions:

*Immediately before completion of the Acquisitions*



*Immediately after completion of the Acquisitions*



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## LETTER FROM THE BOARD

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### **Information of Bravo**

Bravo is a wholly-owned subsidiary of Everbest, a company whose shares are listed on the Stock Exchange and whose single largest shareholder is Mr. Chan (holding approximately 27.31% of the issued share capital of Everbest as at the Latest Practicable Date).

### **Information of Skyriver**

Skyriver is wholly owned by Mr. Chan. Pursuant to the Put Option, Mottingham has the right to require Skyriver to purchase 5,580,000 Online's Shares together with the Mottingham's Loan, being the entire interest of Mottingham in Online. The Put Option has been fully exercised by Mottingham and the completion of which is subject to the payment in full of the consideration by Skyriver to Mottingham.

### **Information of Mottingham**

Mottingham is beneficially owned as to 50% by Cheung Kong (Holdings) Limited and 50% by Canadian Imperial Bank of Commerce, a financial institution incorporated in Canada. Cheung Kong (Holdings) Limited is a substantial shareholder of Shougang International, holding approximately 11.13% of the issued share capital of Shougang International as at the Latest Practicable Date. Canadian Imperial Bank of Commerce is independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules).

### **Approval of the Acquisitions**

At the EGM, the Board will seek approval from the Independent Shareholders by way of ordinary resolutions for the Acquisitions.

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## LETTER FROM THE BOARD

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### 3. PROPOSED GRANTING OF SHARE OPTION TO THE GRANTEE

The Board proposed to grant the Share Option to the Grantee. Such proposal has also been approved by all of the independent non-executive Directors. As at the Latest Practicable Date, a total of 1,015,848,000 Shares were in issue. The following table illustrates the changes in shareholdings of the Grantee with respect to the issued share capital of the Company as at the Latest Practicable Date, assuming exercise in full of the Share Option and/or the share options already granted to the Grantee and with respect to the enlarged issued share capital of the Company upon exercise in full of the Share Option and/or the share options already granted to the Grantee:

Name of Grantee	Number of Shares held as at the Latest Practicable Date	Number of Shares to be issued upon exercise of share options already granted to the Grantee (and the related shareholding as at the Latest Practicable Date)	Number of Shares to be issued upon exercise in full of the Share Option proposed to be granted (and the related shareholding as at the Latest Practicable Date)	Shareholding upon exercise in full of the Share Option to be granted and share options already granted to the Grantee with respect to the enlarged issued share capital following the exercise of the above options	Shareholding upon exercise in full of the Share Option to be granted and share options already granted to the Grantee with respect to the enlarged issued share capital following the exercise of the above options
Cao Zhong	Nil	7,652,000 (0.75%)	57,350,000 (5.65%)	6.40%	6.01%

The Grantee is an executive Director and the chairman of the Company. Set out below are the brief particulars of the Grantee:

Mr. Cao Zhong (“Mr. Cao”), being the Grantee, holds a master degree in Economics. He was appointed the chairman of the Company and managing director of Shougang International, deputy chairman of Shougang Concord Grand (Group) Limited and the chairman of Shougang Concord Technology Holdings Limited in November 2001. He also serves as the deputy chairman and general manager of both Shougang HK and China Shougang International Trade and Engineering Corporation. Mr. Cao has extensive experience in corporate management and operation. Save for being a director and an employee of Shougang HK and a director of Shougang International, Mr. Cao has no relationship with any substantial shareholders of the Company.



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## LETTER FROM THE BOARD

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### Subscription price of the Share Option

The subscription price per Share of the Share Option is HK\$0.78, representing a premium of 5.4% on the highest of (i) HK\$0.74, the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for traders of Shares on 25th August 2003, being the date of the passing of the resolutions of the Board approving the granting of the Share Option; (ii) HK\$0.74, the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for traders of Shares for the five trading days immediately preceding 25th August 2003; and (iii) HK\$0.10, being the nominal value of a Share.

### Number of options already granted under the Share Option Scheme

As at the Latest Practicable Date, options to subscribe for a total of 180,262,000 Shares have been granted under the Share Option Scheme. The following table illustrates the status of all the share options granted under the Share Option Scheme and other share option schemes of the Company and the Share Option to be granted to the Grantee.

Number of Shares in issue as at 7th June 2002, the date of adoption of the Share Option Scheme	<u>765,372,000</u>
Number of Shares in issue as at 25th June 2003, the date on which the 10% limit under the Share Option Scheme was refreshed by the Shareholders	<u>765,372,000</u>
	<b>Number of Shares to be issued pursuant to exercise of options</b>
Options already granted under the Share Option Scheme	
– before the 10% limit under the Share Option Scheme was refreshed by the Shareholders on 25th June 2003	145,406,000
– after the 10% limit under the Share Option Scheme was refreshed by the Shareholders on 25th June 2003 ( <i>Note</i> )	<u>34,856,000</u>
	180,262,000
Options already granted under share option schemes of the Company other than the Share Option Scheme	Nil
Cancelled, lapsed or exercised options granted under the Share Option Scheme	Nil
The Share Option to be granted to the Grantee under the Share Option Scheme	<u>57,350,000</u>
Total	<u>237,612,000</u>

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## LETTER FROM THE BOARD

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*Note:* The 10% limit (“Refreshed Limit”) under the Share Option Scheme was refreshed by the Shareholders at the annual general meeting of the Company held on 25th June 2003. Under the Refreshed Limit, the Board may grant options to eligible participants to subscribe for a maximum of 76,537,200 Shares, being 10% of the Shares in issue as at the date on 25th June 2003. As at the Latest Practicable Date, options to subscribe for 34,856,000 Shares (representing 45.54% of the Refreshed Limit) under the Share Option Scheme have been granted.

### **Reasons and benefits**

The Grantee has been the chairman of the Company since November 2001 and is also the chairman of Jiaxing Eastern, which is the core business and major profit contributor of the Group. The Board considers that the Grantee is the key person in devising the optimal corporate and capital structures of the Group and is the architect for the Group’s future business development. In view of his vision, input and effective communication with the investment community, the Board believes that the true value of the Shares is being fairly factored into the market price thereof and the success of previous transactions is mostly dependent on the effort of the Grantee. As a result, the Board is of the view that the Grantee should be given the incentive. To conclude, the Board is of the view that the Grantee’s business insight and corporate development skills are unravel and deserve the exceptional high number of options to recognize his devotion to the Group. As the purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants as incentives or rewards for their contribution to the Group or potential contribution to the Group, it is therefore proposed that the Share Option be granted to the Grantee for the purposes of redeeming his venerable contribution in the past as well as giving incentives to him to further contribute to the Group’s future growth and development.

The Board also considers that the granting of Share Option at an exercise price of HK\$0.78, which represents a 5.4% premium on the highest of (i) HK\$0.74, the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for traders of Shares on 25th August 2003, being the date of the passing of the resolutions of the Board approving the granting of the Share Option; (ii) HK\$0.74, the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet for traders of Shares for the five trading days immediately preceding 25th August 2003; and (iii) HK\$0.10, being the nominal value of a Share, to the Grantee as an incentive to motivate him to continue to work even harder for the benefit of the Group. In conclusion, the Board believes that the exercise price setting at HK\$0.78 will muster further gumption for the Grantee to continue to develop the businesses of the Group.

### **Valuation of Share Option**

The Board considers that it is inappropriate to estimate the value of the Share Option to be granted to the Grantee as if it 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. The Board believes that any estimation of the value of the Share Option as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

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## LETTER FROM THE BOARD

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### **Listing Rules Requirement**

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 25th June 2003, being the date on which the 10% limit was refreshed by the Shareholders under the Share Option Scheme. 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 (“Overall Limit”).

Under Rule 17.04 of the Listing Rules, each grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by 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 in any 12-month period must not exceed 1% of the total number of Shares in issue. Where any further grant of options to a 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 1% of the total number of Shares in issue, such further grant must be separately approved by the independent Shareholders in general meeting.

The proposed granting of Share Option to the Grantee is within the Overall Limit but exceeds the Refreshed Limit and 1% of the total number of Shares in issue under Rule 17.03(4) of the Listing Rules, accordingly, the granting of Share Option to the Grantee shall be subject to the approval of the Independent Shareholders. Notwithstanding the Refreshed Limit is exceeded, as the granting of Share Option to the Grantee is to be specifically approved by the Independent Shareholders, it still complies with the provisions under Rule 17.03(3) of the Listing Rules.

### **Conditions of the granting of Share Option**

The number of Share to be allotted and issued to the Grantee upon exercise in full of the Share Option will exceed the Refreshed Limit and 1% of the issued share capital of the Company as at the date of the granting of the Share Option. Pursuant to the provisions set out in Rules 17.03(3) and 17.03(4) of the Listing Rules, the granting of the Share Option shall be subject to the approval of the Independent Shareholders. Accordingly, the Grantee and his associates (as defined under the Listing Rules) will abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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### **Approval of the granting of Share Option**

At the EGM, the Board will seek approval from the Independent Shareholders by way of an ordinary resolution for the granting of Share Option to the Grantee and the allotment and issue of the Shares which fall to be allotted and issued upon exercise in full of the Share Option. As the granting of Share Option to the Grantee is to be specifically approved by the Independent Shareholders, it shall not be counted as granted under the Refreshed Limit of the Share Option Scheme as approved by the Shareholders at the annual general meeting held on 25th June 2003.

### **Application for listing**

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in the Shares which may fall to be issued upon the exercise of the Share Option to be granted to the Grantee.

### **4. RECOMMENDATION**

The text of a letter to the Independent Shareholders from the Independent Board Committee, containing their recommendation in relation to the Acquisitions and the granting of the Share Option to the Grantee, is set out on page 19 of this circular. Having considered the advice from the Independent Financial Advisor in relation to the Acquisitions and the granting of the Share Option to the Grantee, which is set out on pages 20 to 34 of this circular, the Independent Board Committee is of the opinion that the terms of the Bravo's Agreement and the Skyriver's Agreement are fair and reasonable so far as the Shareholders are concerned and the Acquisitions and the granting of Share Option to the Grantee are in the interests of the Company and the Shareholders and recommends the Independent Shareholders to vote in favour of the relevant resolutions to approve the Acquisitions and the granting of the Share Option to the Grantee at the EGM.

### **5. ADDITIONAL INFORMATION**

Your attention is drawn to the information set out in the following sections of this circular.

- (i) Letter from the Independent Board Committee (page 19);
- (ii) Letter from the Independent Financial Advisor (pages 20 to 34); and
- (iii) General Information (pages 35 to 39).

By order of the board of  
**Shougang Concord Century Holdings Limited**  
**Cao Zhong**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**Shougang Concord Century Holdings Limited**  
**首長寶佳集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

15th September 2003

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE  
ACQUISITION OF AN AGGREGATE OF 28.24% OF THE  
ISSUED SHARE CAPITAL OF ONLINE INVESTMENTS LIMITED  
AND  
PROPOSED GRANTING OF SHARE OPTION TO THE GRANTEE**

It was announced on 25th August 2003 that the Bravo's Agreement and Skyriver's Agreement were entered into on 21st August 2003, further details of which are set out in the "Letter from the Board" on pages 6 to 18 of a circular of the Company dated 15th September 2003 (the "Circular"), of which this letter forms part. On 25th August 2003, the Share Option to subscribe for Shares has been proposed to grant to the Grantee, Mr. Cao Zhong, a Director and the chairman of the Company. Such proposal has also been approved by all of the independent non-executive Directors. Pursuant to the Listing Rules and the rules of the Share Option Scheme, such grant of Share Option to the Grantee requires the approval of Independent Shareholders in general meeting.

The Independent Board Committee has been established to give a recommendation to the Independent Shareholders in respect of the Acquisitions and the granting of Share Option to the Grantee. GC Capital (Asia) Limited has been appointed as the Independent Financial Advisor to advise us in this respect.

Having taken into account the opinion of the Independent Financial Advisor and, in particular, the factors, reasons and recommendations as set out in its letter on pages 20 to 34 of the Circular, we consider that the terms of the Acquisitions and the granting of Share Option to the Grantee are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the Acquisitions and the granting of Share Option to the Grantee.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Yip Kin Man, Raymond**

*Independent non-executive Director*

**Lai Kam Man**

*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*The following is the text of the letter from GC Capital (Asia) Limited, the independent financial advisor to the Independent Board Committee, prepared for the purpose of incorporation in this circular:*



15th September 2003

The Independent Board Committee  
Shougang Concord Century Holdings Limited  
6th Floor  
Bank of East Asia Harbour View Centre  
51-57 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE  
ACQUISITION OF AN AGGREGATE OF 28.24% OF THE  
ISSUED SHARE CAPITAL OF ONLINE INVESTMENTS LIMITED  
AND  
PROPOSED GRANTING OF SHARE OPTION TO THE GRANTEE**

We refer to our appointment as the Independent Financial Advisor to the Independent Board Committee in relation to (i) the acquisition of an aggregate of 28.24% of the issued share capital of Online pursuant to the Bravo's Agreement and the Skyriver's Agreement on 21st August 2003, and (ii) the proposed granting of Share Option to the Grantee. Details of the Acquisitions and the granting of Share Option to the Grantee are set out in a circular (the "Circular") to the Shareholders dated 15th September 2003, of which this letter forms part. Terms used in this letter have the same meanings as given to them under the section headed "Definitions" in the Circular.

**I. DISCLOSEABLE AND CONNECTED TRANSACTION**

Under the Listing Rules, the Acquisitions constitute discloseable and connected transaction of the Company by virtue of Bravo's being and Skyriver's going to be a substantial shareholder of Online. Accordingly, the Acquisitions are subject to the approval of the Independent Shareholders at the EGM. The Independent Board Committee has been formed to consider the Acquisitions and to advise the Independent Shareholders in this connection.

As at the Latest Practicable Date, Mr. Chan owns less than 5% of the issued share capital of the Company and he is the chairman and controlling shareholder of Everbest, the holding company of Bravo, and the sole shareholder of Skyriver. As Mr. Chan and his associates (as defined under the Listing Rules) are interested in the Acquisitions, they will abstain from voting at the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### II. PROPOSED GRANTING OF SHARE OPTION TO THE GRANTEE

The Board proposed to grant the Share Option to the Grantee. Such proposal has also been approved by all of the independent non-executive Directors. The number of Shares to be allotted and issued to the Grantee upon exercise in full of the Share Option will exceed the Refreshed Limit and 1% of the issued share capital of the Company as at the date of the grant of the Share Option. In accordance with the provisions set out under Rules 17.03(3) and 17.03(4) of the Listing Rules, the proposed granting of Share Option is subject to the approval by the Independent Shareholders. The Grantee and his associates (as defined under the Listing Rules) will abstain from voting at the EGM.

This letter contains our opinion on the fairness and reasonableness of the Acquisitions and our view relating to the proposed granting of Share Option to the Grantee so far as the Independent Shareholders are concerned. In arriving at our recommendations, we have relied on the information and facts contained or referred to in the Circular and the information and representations provided to us by the Board and management of the Company. We have assumed that all such information and representations contained or referred to in the Circular or otherwise provided by the Directors and for which they are solely responsible were true and accurate at the time when they were made and given and continue to be true as at the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and management of the Company. We have also been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

### III. DISCLOSEABLE AND CONNECTED TRANSACTION

#### Principal factors considered

In arriving at our advice to the Independent Board Committee, we have considered the following principal factors and considerations:

(i) **Background**

*Information of the Group*

The Group is principally engaged in the manufacturing and sale of steel cord for radial tyres, processing and trading of copper and brass products and property investment. The following table sets out the audited consolidated turnover and net profit attributable to Shareholders of the Group for the two years ended 31st December 2002:

	Year ended 31st December	
	2002	2001
	HK\$ million	HK\$ million
Turnover	234.9	187.1
Net profit attributable to Shareholders	42.3	20.1

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Information of Online*

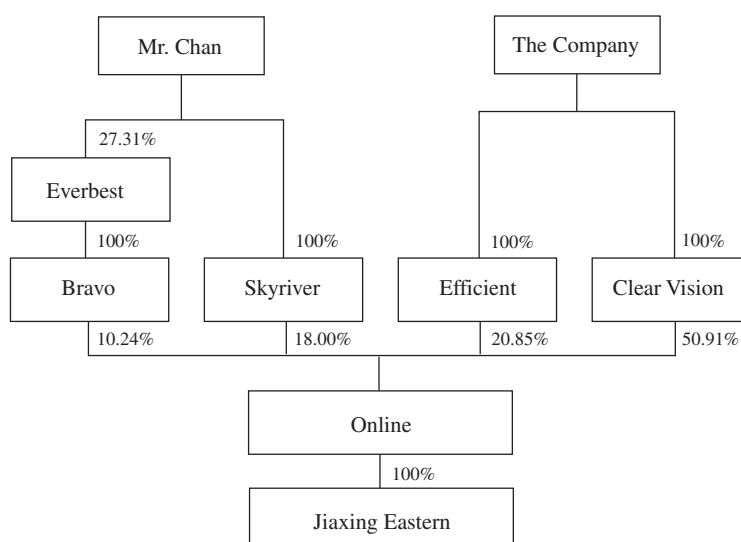
Online is an investment holding company. As at the Latest Practicable Date, Online is owned as to 71.76%, 10.24% and 18.00% by the Company (through Efficient and Clear Vision), Bravo and Mottingham respectively. Save for its interest in Jiaxing Eastern, Online does not have any other business or asset.

The following table sets out the audited consolidated turnover and net profit attributable to shareholders of Online for the two years ended 31st December 2002:

	<b>Year ended 31st December</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	176.0	142.2
Net profit attributable to shareholders	71.5	25.9

Efficient and Clear Vision are both indirect wholly-owned subsidiaries of the Company. Immediately before completion of the Acquisitions, Efficient and Clear Vision owns 20.85% and 50.91% of the issued share capital of Online respectively. Immediately after completion of the Acquisitions, Efficient and Clear Vision will own 20.85% and 79.15% of the issued share capital of Online respectively and Online will become an indirect wholly-owned subsidiary of the Company. The following charts show the shareholding structure of Online immediately before and after the completion of the Acquisitions:

### *Immediately before completion of the Acquisitions*



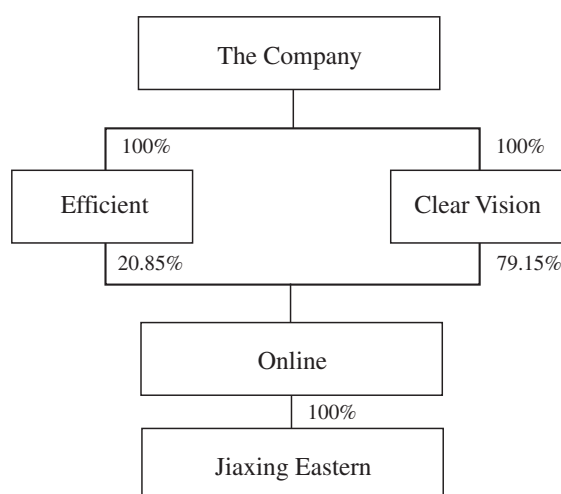


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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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*Immediately after completion of the Acquisitions*



### *Information of Jiaxing Eastern*

Jiaxing Eastern, a company registered in the PRC on 26th July 1994 and commenced its operation in October 1997, is a wholly-owned subsidiary of Online and is principally engaged in the manufacturing of steel cord for radial tyres in the PRC. We were advised by the Directors that Jiaxing Eastern is one of the major suppliers of steel cords to the PRC radial tyres manufacturers in the PRC. Both the Board and the board of directors of Jiaxing Eastern plan to expand Jiaxing Eastern's annual production capacity of steel cords from currently 12,000 tonnes to 30,000 tonnes by 2005. The following table sets out the turnover and net profit attributable to shareholders of Jiaxing Eastern for the two years ended 31st December 2002:

	<b>Year ended 31st December</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	176.0	142.2
Net profit attributable to shareholders <i>(Note)</i>	73.4	28.1

*Note:* Bad debt provision for the year ended 31st December 2001 was approximately HK\$12.1 million and recovery of bad debt for the year ended 31st December 2002 was approximately HK\$12.9 million. The net profit attributable to shareholders, excluding the bad debt provision and recovery of bad debt was approximately HK\$40.2 million and HK\$60.5 million for the years ended 31st December 2001 and 2002 respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Information of Bravo*

Bravo is a wholly-owned subsidiary of Everbest, a company whose shares are listed on the Stock Exchange and whose single largest shareholder is Mr. Chan (holding approximately 27.31% of the issued share capital of Everbest as at the Latest Practicable Date). Save and except for its interest in Online as disclosed in the Circular, Bravo and its ultimate beneficial owners are independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules).

### *Information of Skyriver*

Skyriver is 100% owned by Mr. Chan. Pursuant to the Put Option, Mottingham has the right to require Skyriver to purchase 5,580,000 Online's Shares together with the Mottingham's Loan, being the entire interest of Mottingham in Online. The Put Option has been fully exercised by Mottingham and the completion of which is subject to the payment in full of the consideration by Skyriver to Mottingham. Save and except for its interest in Online as disclosed in the Circular, Skyriver and its ultimate beneficial owner are independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules).

### *Information of Mottingham*

Mottingham is beneficially owned as to 50% by Cheung Kong (Holdings) Limited and 50% by Canadian Imperial Bank of Commerce, a financial institution incorporated in Canada. Cheung Kong (Holdings) Limited is a substantial shareholder of Shougang International, holding approximately 11.13% of the issued share capital of Shougang International as at the Latest Practicable Date. Canadian Imperial Bank of Commerce is independent of and not connected with the director, substantial shareholder or chief executive of the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules).

### *Reasons for the Acquisitions*

The Board believes that the strong economic growth in the PRC and the rapid development of domestic motor vehicles market and freeway and expressway network in the PRC will continue to boost the demand for radial tyres. As steel cord is one of the materials required for production of radial tyres, demand for steel cord is expected to increase accordingly. The Board considers the Acquisitions, resulting Jiaying Eastern to become a wholly-owned subsidiary of the Company, will enable the Company to fully enjoy the growth of Jiaying Eastern and is in the best interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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Having considered the business activities of the Group and the expected growth of Jiaxing Eastern, we are of the view that the Acquisitions are in line with the business activities of the Group and we concur with the Directors' view that the Acquisitions will provide the Group an opportunity to further benefit from the expected growth in the steel cord market through its interest in Jiaxing Eastern.

**(ii) The Acquisitions**

*Asset to be acquired in Bravo's Agreement*

3,174,000 Online's Shares, representing approximately 10.24% of Online's existing issued share capital together with the Bravo's Loan of US\$541,384.62 (equivalent to approximately HK\$4,223,000), which are the entire interest of Bravo in Online. The Bravo's Loan is unsecured, non-interest bearing and pro-rata to the respective shareholding interests of Online's shareholders, the terms of which are the same as the Skyriver's Loan and any other loans owed by Online to its shareholders.

*Asset to be acquired in Skyriver's Agreement*

5,580,000 Online's Shares, representing 18.00% of Online's existing issued share capital together with the Skyriver's Loan of US\$955,384.62 (equivalent to approximately HK\$7,452,000), which will be the entire interest of Skyriver in Online. The Skyriver's Loan is unsecured, non-interest bearing and pro-rata to the respective shareholding interests of Online's shareholders, the terms of which are the same as the Bravo's Loan and any other loans owed by Online to its shareholders.

**(iii) Basis of the consideration under the Acquisitions**

*Bravo's Agreement*

The consideration under the Bravo's Agreement is approximately HK\$58,012,000, of which approximately HK\$53,789,000 is for the acquisition of 3,174,000 Online's Shares and approximately HK\$4,223,000 is for the acquisition of the Bravo's Loan. The consideration will be satisfied as to approximately HK\$36,257,000 by cash on the Completion Date and the balance of approximately HK\$21,755,000 by cash within 3 months from the Completion Date. The amount of approximately HK\$21,755,000 carries interest rate of 3% per annum from the Completion Date until payment and the Company has given a guarantee to Bravo for such payment. The consideration for 3,174,000 Online's Share is determined with reference to a price-to-earning multiple of 7.3 times on the audited consolidated net profit attributable to shareholders of Online of approximately HK\$71.52 million for the year ended 31st December 2002. The consideration for 3,174,000 Online's Shares represents a premium of approximately 68.9% over the audited consolidated net asset value of Online of approximately HK\$310,971,000 as at 31st December 2002.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Skyriver's Agreement*

The consideration under the Skyriver's Agreement is approximately HK\$101,988,000, of which approximately HK\$94,536,000 is for the acquisition of 5,580,000 Online's Shares and approximately HK\$7,452,000 is for the acquisition of the Skyriver's Loan. The consideration shall be satisfied as to approximately HK\$63,742,000 by cash on the Completion Date and the balance of approximately HK\$38,246,000 by cash within 3 months from the Completion Date. The amount of approximately HK\$38,246,000 carries interest rate of 3% per annum from the Completion Date until payment and the Company has given a guarantee to Skyriver of such payment. The consideration for 5,580,000 Online's Share is determined with reference to a price-to-earning multiple of 7.3 times on the audited consolidated net profit attributable to shareholders of Online of approximately HK\$71.52 million for the year ended 31st December 2002. The consideration for 5,580,000 Online's Shares also represents a premium of approximately 68.9% over the audited consolidated net asset value of Online of approximately HK\$310,971,000 as at 31st December 2002.

### *Basis of consideration under the Bravo's Agreement and the Skyriver's Agreement*

Considerations for the 3,174,000 Online's Shares under the Bravo's Agreement and the 5,580,000 Online's Shares under the Skyriver's Agreement were both determined with reference to a price-to-earning multiple of 7.3 times on the audited consolidated net profit attributable to shareholders of Online of approximately HK\$71.52 million for the year ended 31st December 2002. Total consideration for acquiring the 3,174,000 Online's Shares and the 5,580,000 Online's Shares amounted to approximately HK\$148.33 million.

The Group has four business segments, namely (i) production and sale of steel cord for radial tyres; (ii) processing and trading of copper and brass products; (iii) property investment; and (iv) corporate and others. Segment profits or (loss) before common expenses and finance costs for the year ended 31st December 2002 were approximately HK\$74.8 million, HK\$0.9 million, HK\$(1.1) million and HK\$(13.8) million respectively. The Directors advised that the Group's steel cord business carried out by Jiaying Eastern was and will continue to be the major contributor to the Group's profits.

Based on the closing price of approximately HK\$0.66 as stated in the Stock Exchange's daily quotations sheet for traders of Shares as at the Latest Practicable Date and the Group's consolidated earnings per Share of approximately 5.52 cents for the year ended 31st December 2002, price-to-earning multiple of the Company was approximately 12.0 times. The price-to-earning multiple of 7.3 times, being the basis on which the considerations under the Bravo's Agreement and the Skyriver's Agreement were determined, represented a discount of approximately 39.2% to the Company's price-to-earning multiple as at the Latest Practicable Date. Taking into account profit contribution of Jiaying Eastern to the Group and the current price-to-earning multiple of the Company, we concur with the Directors that the basis of considerations under the Bravo's Agreement and the Skyriver's Agreement is fair and reasonable to the Group and its Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Funding for the Acquisitions*

Total consideration for the Acquisitions amounts to approximately HK\$160 million. The Group will fund the Acquisitions by its internal resources of approximately HK\$70 million, the net proceeds of approximately HK\$39.80 million from the Private Placement as described in the Announcement and bank borrowings of approximately HK\$50.20 million from commercial banks. The Directors advise that the Group will be able to obtain bank borrowings from banks in Hong Kong on terms acceptable to the Company. The Directors consider that bank borrowings should not have adverse impact on the Group's working capital position.

**We would like to draw Shareholder's attention to the risk that there is no assurance that the Group would be able to obtain necessary financing from financial institutions in Hong Kong on terms acceptable to the Company. In the event financing is not available on terms acceptable to the Group, the Acquisitions may be affected.**

#### **(iv) Conditions of the Acquisitions**

##### *Conditions of Bravo's Agreement*

The Completion of the Bravo's Agreement is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (a) the passing of ordinary resolutions by the shareholders of Everbest in general meeting approving the Bravo's Agreement and the Bravo's Acquisition;
- (b) the passing of ordinary resolutions by the Independent Shareholders at the EGM approving the Bravo's Agreement and the Bravo's Acquisition, the Skyriver's Agreement and the Skyriver's Acquisition;
- (c) the Skyriver's Agreement and the transactions contemplated thereunder become unconditional; and
- (d) the obtaining by all parties concerned of all necessary consents, approvals or waivers to effect the signing and completion of the Bravo's Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### *Completion of the Bravo's Agreement*

Completion of the Bravo's Agreement is to take place simultaneously with the completion of the Skyriver's Agreement on the Completion Date, which is the third Business Day after all the conditions mentioned above have been fulfilled.

### *Conditions of Skyriver's Agreement*

The Completion of the Skyriver's Agreement is conditional upon the following conditions being fulfilled on or before the Long Stop Date:

- (a) Skyriver has successfully acquired all of 5,580,000 Online's Shares together with the Mottingham's Loan from Mottingham;
- (b) the passing of ordinary resolutions by the Independent Shareholders at the EGM approving the Bravo's Agreement, the Bravo's Acquisition, the Skyriver's Agreement and the Skyriver's Acquisition;
- (c) the Bravo's Agreement and the transactions contemplated thereunder become unconditional; and
- (d) the obtaining by all parties concerned of all necessary consents, approvals or waivers to effect the signing and completion of the Skyriver's Agreement.

### *Completion of the Skyriver's Agreement*

Completion of the Skyriver's Agreement is to take place simultaneously with the completion of the Bravo's Agreement on the Completion Date, which is the third Business Day after all the conditions mentioned above have been fulfilled.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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(v) **Financial effects on the Group**

*Earnings per Share*

Set out below are the pro forma net profit attributable to Shareholders, pro forma number of issued Shares and pro forma earnings per Share of the Group immediately after the Acquisitions:

1.	Pro forma net profit	<i>HK\$'000</i>
	Net profit for the year ended 31st December 2002 ( <i>Note 1</i> )	42,283
	<i>Add:</i>	
	Share of 28.24% of Online's net profit attributable to shareholders after the Acquisitions	20,198
	<i>Less:</i>	
	Interest income forgone on internal resources of HK\$70 million and net proceeds of approximately HK\$39.80 million from the Private Placement ( <i>Note 2</i> )	(1,208)
	Interest expenses on HK\$50.20 million bank loans ( <i>Note 3</i> )	(1,556)
	Amortisation of pro forma goodwill	(3,025)
	Pro forma net profit	<u>56,692</u>
2.	Pro forma number of Shares	
	Number of Shares outstanding as at 31st December 2002	765,372,000
	Number of Shares issued under the Private Placement as described under the Announcement	<u>60,000,000</u>
	Pro forma number of Shares	<u>825,372,000</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### 3. Pro forma earnings per Share

	<i>cents</i>
Earnings per Share for the year ended 31st December 2002	5.52
<b>Pro forma earnings per Share</b>	<b>6.87</b>

*Notes:*

1. This amount included 71.76% share of Online's consolidated net profit attributable to shareholders
2. Assume at Hong Kong Inter-banks Offer Rate ("HIBOR") of 1.1% per annum
3. Assume interest rate on bank loans at HIBOR plus 2% per annum
4. Pro forma goodwill of approximately HK\$60.51 million will arise from the Acquisitions based on consolidated net asset value of Online of approximately HK\$310,971,000 as at 31st December 2002 and the aggregate considerations of approximately HK\$148.33 million for the 3,174,000 Online's Shares and the 5,580,000 Online's Shares under the Bravo's Agreement and the Skyriver's Agreement respectively. The Directors advised that the accounting policies of the Group is to amortise goodwill over 20 years

Based on the above assumptions, there is an earnings per Share enhancement from 5.52 cents to 6.87 cents, represented an increase of approximately 24.5%.

#### *Cashflow and financial ratio*

Based on information provided by the Company, the Group will fund the aggregate considerations of approximately HK\$160 million of the Acquisitions by internal resources of approximately HK\$70 million, the net proceeds of approximately HK\$39.80 million from the Private Placement as described in the Announcement and bank borrowings of approximately HK\$50.20 million. The Directors confirmed that the Group has sufficient resources to finance the Acquisitions.

With the planned funding for the Acquisitions, **the gearing ratio (calculated as total bank borrowings/total assets) of the Group will be increased from approximately 4.0% as at 31st December 2002 to approximately 14.1% and current ratio of the Group will be decreased from 4.0 times as at 31st December 2002 to approximately 2.3 times as a result of the Acquisitions.** Although there was increase in gearing ratio and decrease in current ratio, we concur with the Directors that such changes are acceptable given the nature of the Group's business.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### IV. PROPOSED GRANTING OF SHARE OPTION TO THE GRANTEE

The Board proposed to grant the Share Option to the Grantee. The number of Shares to be allotted and issued to the Grantee upon the exercise in full of the Share Option will exceed the Refreshed Limit and 1% of the issued share capital of the Company as at the date of the grant of the Share Option. In accordance with the provisions set out under Rules 17.03(3) and 17.03(4) of the Listing Rules, the proposed granting of Share Option is subject to the approval by the Independent Shareholders. Notwithstanding the Refreshed Limit is exceeded, as the granting of Share Option to the Grantee is to be specifically approved by Independent Shareholders, it still complies with the provisions under Rule 17.03(3) of the Listing Rules. The Grantee and his associates (as defined under the Listing Rules) will abstain from voting at the EGM.

In formulating our opinion on the granting of Share Option to the Grantee, we have taken into consideration the following principal factors and reasons:

**(i) Number of Shares to be issued upon full exercise of the Share Option proposed to be granted to Grantee**

The following table illustrates the changes in shareholdings of the Grantee with respect to the issued share capital of the Company as at the Latest Practicable Date, assuming exercise in full of the Share Option and/or the share options already granted to the Grantee and with respect to the enlarged issued share capital of the Company upon exercise in full of the Share Option and/or share options already granted to the Grantee:

Name of Grantee	Number of Shares held as at the Latest Practicable Date	Number of Shares to be issued upon exercise of share options already granted to the Grantee (and the related shareholding as at the Latest Practicable Date)	Number of Shares to be issued upon exercise in full of the Share Option proposed to be granted (and the related shareholding as at the Latest Practicable Date)	Shareholding upon exercise in full of the Share Option to be granted and share options already granted to the Grantee with respect to the issued share capital as at the Latest Practicable Date	Shareholding upon exercise in full of the Share Option to be granted and share options already granted to the Grantee with respect to the enlarged issued share capital upon exercise of the above options
Cao Zhong	Nil	7,652,000 (0.75%)	57,350,000 (5.65%)	6.40%	6.01%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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As stated in the above table, the number of Shares to be allotted and issued upon exercise of the Share Option proposed to be granted to the Grantee exceeds the Refreshed Limit and the 1% limit set out under Rule 17.03(4) of the Listing Rules. In the event that the Grantee exercises the Share Option to be granted and share options already granted to the Grantee in full, the aggregate shareholding of the Grantee will represent about 6.01% of the enlarged issued share capital of the Company.

As at the Latest Practicable Date, options to subscribe for a total of 180,262,000 Shares have been granted under the Share Option Scheme. The following table illustrates the status of all the share options granted under the Share Option Scheme and other share option schemes of the Company and the Share Option to be granted to the Grantee.

Number of Shares in issue as at 7th June 2002, the date of adoption of the Share Option Scheme	<u><u>765,372,000</u></u>
Number of Shares in issue as at 25th June 2003, the date on which the 10% limit under the Share Option Scheme was refreshed by the Shareholders	<u><u>765,372,000</u></u>
	<b>Number of Shares to be issued pursuant to exercise of options</b>
Options already granted under the Share Option Scheme	
– before the 10% limit under the Share Option Scheme was refreshed by the Shareholders on 25th June 2003	145,406,000
– after the 10% limit under the Share Option Scheme was refreshed by the Shareholders on 25th June 2003 ( <i>Note</i> )	<u>34,856,000</u>
	180,262,000
Options already granted under share option schemes of the Company other than the Share Option Scheme	Nil
Cancelled, lapsed or exercised options granted under the Share Option Scheme	Nil
The Share Option to be granted to the Grantee under the Share Option Scheme	<u>57,350,000</u>
Total	<u><u>237,612,000</u></u>

*Note:*

The 10% limit (“Refreshed Limit”) under the Share Option Scheme was refreshed by the Shareholders at the annual general meeting of the Company held on 25th June 2003. Under the Refreshed Limit, the Board may grant options to eligible participants to subscribe for a maximum of 76,537,200 Shares, being 10% of the Shares in issue as at the date on 25th June 2003. As at the Latest Practicable Date, options to subscribe for 34,856,000 Shares (representing 45.54% of the Refreshed Limit) under the Share Option Scheme have been granted.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### (ii) Experience and background of the Grantee

Mr. Cao Zhong (“Mr. Cao”), being the Grantee, holds a master degree in Economics. He was appointed the chairman of the Company and managing director of Shougang International, deputy chairman of Shougang Concord Grand (Group) Limited and the chairman of Shougang Concord Technology Holdings Limited in November 2001. He also serves as the deputy chairman and general manager of both Shougang HK and China Shougang International Trade and Engineering Corporation. Save for being a director and an employee of Shougang HK and a director of Shougang International, Mr. Cao has no relationship with any of the substantial Shareholders of the Company. The Directors advised that Mr. Cao has extensive experience in corporate management and operation.

The Board considers that the Group has been capitalizing on the expertise and management skills of Mr. Cao since his joining of the Group in November 2001. In the opinion of the Board, the Grantee is the key executive involved in devising the optimal corporate and capital structures of the Group and is responsible for charting the future development of the Group.

### (iii) Contributions of the Grantee to the Group

The Group is principally engaged in manufacturing and sale of steel cord for radial tyres, processing and trading of copper and brass products and property investment. The Board is of the view that Mr. Cao has made substantial contribution to the Group.

The following table sets out the performance of the Group in the past two years:

	<b>For the year ended 31st December</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
Net profit attributable to Shareholders	42.3	20.1
Net asset value	444.5	393.7

We understand from the Directors that the Grantee has played an important role in improving the performance of the Group since he joined the Group in November 2001. The Grantee is the chairman of Jiaxing Eastern. Jiaxing Eastern is the core business and major profit contributor of the Group. The Board considers that the Grantee is the key person in devising the optimal corporate and capital structures of the Group and is the architect for the Group’s future business development. As a result, the Board is of the view that the Grantee should be given the incentive. To conclude, the Board is of the view that the Grantee’s business insight and corporate development skills are unravel and deserve the exceptional high number of options to recognize his devotion to the Group. Based on the information provided by the Group, we concur with the view of the Directors that the granting of Share Option to the Grantee can motivate the Grantee to continue to contribute to the Group’s future success.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISOR

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### (iv) Valuation of Share Option

The Board considers that it is inappropriate to estimate the value of the Share Option to be granted to the Grantee as if it 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. The Board believes that any estimation of the value of the Share Option as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

We have discussed with the Directors relating to the basis for determination of valuation of the Share Option. Given that the Company has complied with the disclosure requirement under the Listing Rules regarding valuation of the Share Option, we agree that the Directors' view as stated in the above paragraph is reasonable.

### (v) Pricing of Share Option

According to Rule 17.03(9) of the Listing Rules, exercise price of the Share Option should be fixed at the highest of: (i) HK\$0.74, the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for traders of Shares on 25th August 2003, being the date of the passing of the resolution of the Board approving the granting of Share Option; (ii) HK\$0.74, the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for traders of Shares for the five trading days immediately preceding 25th August 2003; and (iii) the nominal value of the Shares of HK\$0.10 each. The exercise price of the Share Option of HK\$0.78 is set with reference to the highest price of HK\$0.74 according to Rule 17.03(9) of the Listing Rules plus a premium of approximately 5.4%. The Board considers setting the exercise price of the Share Option at a premium to the price set according to the abovementioned basis will motivate the Grantee to improve the operational performance and results of the Group, which may ultimately translate to a higher market valuation of the Company and a higher share price prior to the Grantee being able to exercise the Share Option. We concur with the Board that the exercise price set for the Share Option is in the interest of the Group.

## V. RECOMMENDATION

Given the above principal factors and considerations, we consider the Bravo's Agreement and the Skyriver's Agreement are on normal commercial terms and the proposed granting of Share Option to the Grantee is in the best interest to the Group. In addition, we consider the terms of the Bravo's Agreement and the Skyriver's Agreement and the terms of the proposed granting of Share Option to the Grantee are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the Bravo's Agreement, the Skyriver's Agreement and the granting of Share Option to the Grantee.

Yours faithfully  
For and on behalf of  
**GC CAPITAL (ASIA) LIMITED**  
**Phillis Wong**  
*Director*

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## GENERAL INFORMATION

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### 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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 or short positions of Directors in the share capital of the Company and its associated corporations

As at the Latest Practicable Date, save for the share options held by some of the Directors as shown below, none of the Directors had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had 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 he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

#### *Share options granted to Directors under the Share Option Scheme*

Name of Director	Number of share options held as at the Latest Practicable Date	*Date of grant	Exercise period	Exercise price per Share (HK\$)
Cao Zhong	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
Tong Yihui	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	38,268,000	25/6/2003	25/6/2003 to 24/6/2013	0.365
Li Shaofeng	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	30,614,000	25/6/2003	25/6/2003 to 24/6/2013	0.365

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## GENERAL INFORMATION

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Name of Director	Number of share options held as at the Latest Practicable Date	*Date of grant	Exercise period	Exercise price per Share (HK\$)
Xu Xianghua	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
Leung Shun Sang, Tony	4,592,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	3,060,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
	4,592,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
Cheng Xiaoyu	2,296,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	5,356,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
Tang Kwok Kau	2,296,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	1,000,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
Lai Kam Man	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
Yip Kin Man, Raymond	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740

\* The vesting period of the share options is from the date of grant to the end of the exercise period.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

As at the Latest Practicable Date, so far as was known to the Directors, the following, not being a Director or a chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions

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## GENERAL INFORMATION

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2 and 3 of Part XV of the SFO or be 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:

*Long position in Shares*

Name of Shareholder	Number of Shares in which interested	% with respect to total number of issued Shares	Capacity
Able Legend Investments Limited (“Able Legend”)	126,984,000	12.50%	Beneficial owner
Richson Limited (“Richson”)	144,984,400	14.27%	Beneficial owner
Fair Union Holdings Limited (“Fair Union”)	279,797,400	27.54%	Beneficial owner and deemed interest <sup>(1)</sup>
Shougang International	279,797,400	27.54%	Deemed interest <sup>(2)</sup>
Shougang HK	406,781,400	40.04%	Deemed interest <sup>(3)</sup>
Hélène Zaleski	52,802,000	5.20%	Beneficial owner <sup>(4)</sup>

*Notes:*

- (1) Fair Union is beneficially interested in 132,475,000 Shares and is deemed to be interested in the 144,984,400 Shares held by Richson and the 2,338,000 Shares held by Casula Investments Limited (“Casula”) as Richson and Casula are its wholly-owned subsidiaries.
- (2) Shougang International is deemed to be interested in the 132,475,000 Shares held by Fair Union, the 144,984,400 Shares held by Richson and the 2,338,000 Shares held by Casula as Richson and Casula are wholly-owned by Fair Union, a wholly-owned subsidiary of Shougang International.
- (3) Shougang HK is deemed to be interested in the 126,984,000 Shares held by Able Legend as Able Legend is its wholly-owned subsidiary and is also deemed to be interested in the 132,475,000 Shares held by Fair Union, the 144,984,400 Shares held by Richson and the 2,338,000 Shares held by Casula as it is the beneficial owner of approximately 39.2% of shareholding interest in Shougang International.
- (4) Hélène Zaleski is beneficially interested in 52,802,000 Shares.

### 3. MATERIAL CHANGE

Save for the placing of 63,492,000 Shares to independent places and the subscription of 126,984,000 Shares by Shougang HK and the Private Placement of 60,000,000 new Shares to 15 independent investors, the Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31st December 2002, the date to which the latest audited consolidated financial statements of the Group were made up.

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## GENERAL INFORMATION

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### 4. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
GC Capital (Asia) Limited	a deemed licensed corporation registered with the Securities and Futures Commission under the SFO

### 5. CONSENT

GC Capital (Asia) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of a copy of its advice letter and/or references to its name, in the form and context in which they respectively appear.

### 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has or proposes to have a service agreement with any member of the Group which is not expiring or determinable by such member within one year without payment of compensation (other than statutory compensation).

### 7. INTEREST OF DIRECTORS

- (i) None of the Directors has since 31st December 2002, being the date to which the latest published audited accounts of the Group have been made up, any direct or indirect interests in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.
- (ii) None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

### 8. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.



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## GENERAL INFORMATION

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### 9. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Chan Lai Yee, an associate member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries.
- (b) The registered office of the Company is situated at 6th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wanchai, Hong Kong.
- (c) The share registrars of the Company is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular and the form of proxy shall prevail over the Chinese text.

### 10. DOCUMENTS AVAILABLE FOR INSPECTION

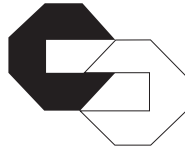
Copies of the following documents will be available for inspection at the offices of Li & Partners, 22nd Floor, World Wide House, Central Hong Kong during normal business hours on any weekday (public holidays excepted) until 30th September 2003:

- (a) the Bravo's Agreement;
- (b) the Skyriver's Agreement;
- (c) the letter from the Independent Board Committee as set out in this circular;
- (d) the letter from the Independent Financial Advisor as set out in this circular;
- (e) the consent letter from the Independent Financial Advisor referred to in paragraph 5 above;  
and
- (f) the rules of the Share Option Scheme.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# Shougang Concord Century Holdings Limited 首長寶佳集團有限公司

*(Incorporated in Hong Kong with limited liability)*

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Shougang Concord Century Holdings Limited (the “Company”) will be held at Thursday, 2nd October 2003 at 11:00 a.m. at the registered office of the Company at 6th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions respectively:

### ORDINARY RESOLUTIONS

- (1) “**THAT** the execution of the sale and purchase agreement (the “Bravo’s Agreement”) dated 21st August 2003 entered into between Bravo Industrial Limited (“Bravo”) as vendor, Clear Vision Investments Limited (“Clear Vision”) as purchaser, a wholly-owned subsidiary of the Company, and the Company as guarantor, pursuant to which Bravo agreed to sell and Clear Vision agreed to buy 3,174,000 ordinary shares of US\$1.00 each in the share capital of Online Investments Limited (“Online”) together with a shareholder’s loan in the sum of US\$541,384.62 advanced by Bravo to Online, at a consideration of HK\$58,012,337.22, of which HK\$36,257,710.76 would be satisfied in cash on completion and the remaining HK\$21,754,626.46 would be paid within 3 months from completion with the Company’s acting as the guarantor to secure the payment thereof, subject to the terms and conditions set out in the Bravo’s Agreement, a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose, and the performance by the Company thereof and the transactions contemplated thereby be and are hereby confirmed, ratified and approved; and that any one or more of the directors of the Company be and are hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he/she or they may consider necessary or desirable for the purpose of giving effect to the Bravo’s Agreement and completing the transactions contemplated by the Bravo’s Agreement with such changes as any such director(s) may consider necessary, desirable or expedient.”
- (2) “**THAT** the execution of the sale and purchase agreement (the “Skyriver’s Agreement”) dated 21st August 2003 entered into between Skyriver (B.V.I.) Limited (“Skyriver”) as vendor, Clear Vision Investments Limited (“Clear Vision”) as purchaser, a wholly-owned subsidiary of the Company, and the Company as guarantor, pursuant to which Skyriver agreed to sell and Clear Vision agreed to buy 5,580,000 ordinary shares of US\$1.00 each in the share capital of Online Investments Limited (“Online”) together with a shareholder’s loan in the sum of US\$955,384.62 advanced by Skyriver to Online, at a consideration of

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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HK\$101,987,662.78, of which HK\$63,742,289.24 would be satisfied in cash on completion and the remaining HK\$38,245,373.54 would be paid within 3 months from completion with the Company's acting as the guarantor to secure the payment thereof, subject to the terms and conditions set out in the Skyriver's Agreement, a copy of which has been produced to the meeting marked "B" and initialed by the chairman of the meeting for identification purpose, and the performance by the Company thereof and the transactions contemplated thereby be and are hereby confirmed, ratified and approved; and that any one or more of the directors of the Company be and are hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he/she or they may consider necessary or desirable for the purpose of giving effect to the Skyriver's Agreement and completing the transactions contemplated by the Skyriver's Agreement with such changes as any such director(s) may consider necessary, desirable or expedient."

- (3) "THAT share option (the "Share Option") be and is hereby granted to the following person to subscribe for shares ("Option Shares") of HK\$0.10 each in the capital of the Company at the subscription price of HK\$0.78 per Option Share at any time commencing from the date of acceptance of the offer pursuant to the rules of the share option scheme (the "Share Option Scheme") adopted by the Company on 7th June 2002 and THAT such grant of Share Option not be counted as granted under the refreshed 10% limit of the Share Option Scheme as approved by the shareholders of the Company at the annual general meeting held on 25th June 2003.

Name of Grantee	Number of Shares to be allotted and issued upon exercise in full of the Share Option
Cao Zhong	57,350,000"

By Order of the Board  
**Cao Zhong**  
*Chairman*

Hong Kong, 15th September 2003

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

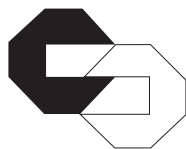
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*Registered Office:*

6th Floor, Bank of East Asia Harbour View Centre  
51-57 Gloucester Road  
Wanchai  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited at the Company's share registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong together with the power or attorney or other authority (if any) under which it is signed or certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
3. Where there are joint holders of any share, any one of such persons may vote at the EGM either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. A form of proxy for use in connection with the EGM is enclosed.



# Shougang Concord Century Holdings Limited

## 首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)

### Form of proxy for use at the Extraordinary General Meeting (the "Meeting") to be held on 2nd October 2003 at 11:00 a.m. (or any adjournment thereof)

I/We <sup>(Note 1)</sup> \_\_\_\_\_  
of \_\_\_\_\_  
being the holder(s) of <sup>(Note 2)</sup> \_\_\_\_\_ shares of HK\$0.10 each (the  
"Shares") in the capital of Shougang Concord Century Holdings Limited (the "Company") HEREBY  
APPOINT <sup>(Note 3)</sup> the Chairman of the Meeting or <sup>(Note 4)</sup> \_\_\_\_\_  
of \_\_\_\_\_  
as my/our proxy to attend and vote for me/us and on my/our behalf at the Meeting of the Company to be  
held at registered office of the Company at 6th Floor, Bank of East Asia Harbour View Centre, 51-57  
Gloucester Road, Wanchai, Hong Kong on 2nd October 2003 at 11:00 a.m. (or at any adjournment  
thereof) in respect of the ordinary resolutions set out in the notice convening the Meeting as hereunder  
indicated, and if no such indication is given, as my/our proxy thinks fit.

	Ordinary Resolutions	For <sup>(Note 5)</sup>	Against <sup>(Note 5)</sup>
1.	Ordinary Resolution No. 1		
2.	Ordinary Resolution No. 2		
3.	Ordinary Resolution No. 3		

Signature <sup>(Note 6)</sup> : \_\_\_\_\_ Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2003

#### Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**. Only one of the joint holders needs to sign (but see Note 8 below).
2. Please insert the number of Shares to which this form of proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the Shares registered in your name(s).
3. If any proxy other than the Chairman is preferred, strike out "the Chairman of the Meeting" herein inserted and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
4. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on his behalf. A proxy does not need to be a member of the Company.
5. **IMPORTANT: IF YOU WISH TO VOTE FOR AN ORDINARY RESOLUTION, PLEASE TICK THE BOX MARKED "FOR" BESIDE THE ORDINARY RESOLUTION. IF YOU WISH TO VOTE AGAINST AN ORDINARY RESOLUTION, PLEASE TICK IN THE BOX MARKED "AGAINST" BESIDE THE ORDINARY RESOLUTION.** Failure to complete the box will entitle your proxy to cast his votes at his discretion.
6. This form of proxy must be signed by you or your attorney duly authorised in writing, or if you are a corporation, must either be executed under seal or under the hand of an officer, attorney or other person duly authorised.
7. To be valid, this form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited at the Company's share registrars, 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 later than 48 hours before the time fixed for the Meeting or any adjournment thereof (as the case may be).
8. Where there are joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if such holder were solely entitled thereto, but if more than one of such holders be present at the Meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for this purpose be deemed joint holders thereof.
9. Completion and delivery of this form of proxy will not preclude you from attending and voting at the Meeting or any adjournment thereof if you so wish.