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

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

**If you have sold or otherwise transferred** all your shares in Global Digital Creations Holdings Limited, you should at once hand this document and the accompanying Forms of Acceptance to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the Forms of Acceptance, the contents of which form part of the terms of the Offers contained therein.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, 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 document.

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**首長四方(集團)有限公司\***

**SHOUGANG CONCORD GRAND (GROUP) LIMITED**

*(incorporated in Bermuda with limited liability)*

(Stock Code: 730)

**Voluntary conditional share exchange offer by  
DBS Asia Capital Limited  
on behalf of Upper Nice Assets Ltd., a wholly-owned subsidiary of  
Shougang Concord Grand (Group) Limited, to acquire all the issued  
shares of, and a voluntary conditional cash offer to cancel all the outstanding options of,  
Global Digital Creations Holdings Limited  
(other than those already owned by the Offeror and parties acting in concert with it)**

**Financial Adviser to Shougang Concord Grand (Group) Limited**



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The procedures for acceptances of the Offers and related information are set out in Appendix I to this document and in the Forms of Acceptance. Acceptance of the Share Exchange Offer must be received by the Registrar at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, by not later than 4:00 p.m. on Tuesday, 15 February 2005 or such later time as the Offeror may determine and announce with the consent of the Executive. Acceptance of the Option Offer must be received by the company secretary of GDC at its head office and principal place of business in Hong Kong at Suite 1804-5, Hutchison House, 10 Harcourt Road, Central, Hong Kong by not later than 4:00 p.m. on Tuesday, 15 February 2005 or such later time as the Offeror may determine and announce with the consent of the Executive.

\* For identification purposes only

13 January 2005

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## EXPECTED TIMETABLE

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*Date*

Despatch date of the Offer Document and the commencement of the Offers ( <i>Note 1</i> )	Thursday, 13 January 2005
Latest date for posting of the Offeree Document ( <i>Note 2</i> )	Thursday, 27 January 2005
First Closing Date ( <i>Note 3</i> )	4:00 p.m. on Tuesday, 15 February 2005
Teletext announcement of the results of the Offers, as at the First Closing Date, through the Stock Exchange	7:00 p.m. on Tuesday, 15 February 2005
Announcement of the result of the Offers, as at the First Closing Date, in the newspapers in Hong Kong	Wednesday, 16 February 2005
Latest date for posting of share certificates and remittances to holders of GDC Shares and GDC Options respectively who accept the Offers by the First Closing Date, assuming the Offers become or are declared unconditional on such date ( <i>Note 4</i> )	Friday, 25 February 2005
Latest time by which the Offers can be declared unconditional as to acceptance ( <i>Note 5</i> )	Midnight, Monday, 14 March 2005

*Notes:*

1. The Offers are made on Thursday, 13 January 2005, namely the date of posting of the Offer Document, and is capable of acceptance on and from that date.
2. In accordance with the Takeovers Code, GDC is required to post the Offeree Document to the holders of GDC Shares and GDC Options within 14 days from the posting of the Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the First Closing Date.
3. In accordance with the Takeovers Code, where the Offeree Document is posted after the date on which the Offer Document is posted, the Offers must remain open for acceptance for at least 28 days following the date on which the Offer Document was posted and 4:00 p.m. on Tuesday, 15 February 2005 is the latest time for acceptance.
4. Share certificates and/or remittances in respect of the GDC Shares and/or GDC Options (as the case may be) tendered under the Offers will be posted by ordinary post to holders of GDC Shares and GDC Options (as the case may be) accepting the Offers at his/her/its own risks as soon as possible, but in any event within 10 days from the later of the date (i) of receipt by the Registrar in Hong Kong, or the company secretary of GDC, as the case may be, of all the relevant documents to render the acceptance under the Offers complete and valid, and (ii) when the Offers become unconditional.

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## EXPECTED TIMETABLE

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5. In accordance with the Takeovers Code, where the Offers become or are declared unconditional, they should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given before the Offers are closed to those holders of GDC Shares and GDC Options who have not accepted the Offers. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or are declared unconditional as to acceptances after midnight (Hong Kong time) on the 60th day after the day this document is posted. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse on midnight, Monday, 14 March 2005 unless extended with the consent of the Executive.

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## DEFINITIONS

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*In this document, the following expressions have the following meanings unless the context otherwise requires:*

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the joint announcement of the Company and GDC dated 19 November 2004 in relation to, amongst other things, the Offers
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Cheung Kong”	Cheung Kong (Holdings) Limited, the securities of which are listed on the Main Board of the Stock Exchange
“Circular”	the circular of the Company to be despatched to its shareholders for the purpose of, amongst other things, giving information to the shareholders of the Company in relation to the Offers and containing a notice of the SGM
“Closing Date”	the First Closing Date of the Offers or any subsequent closing date(s) as may be determined and announced by the Offeror with the consent of the Executive
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Conditions”	the conditions of the Offers
“DBS Asia”	DBS Asia Capital Limited, a deemed licensed corporation to carry out regulated activities of dealing of securities, advising on securities, under the SFO
“Director(s)”	the director(s) of SCG
“Enlarged Group”	the SCG Group together with the GDC Group

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“First Closing Date”	15 February 2005, being the 33rd day (over 28 days) after the date of the posting of the Offer Document
“Forms of Acceptance”	the Pink Form of Acceptance and the White Form of Acceptance
“GDC”	Global Digital Creations Holdings Limited, a company incorporated in Bermuda whose securities are listed on GEM
“GDC Group”	GDC and its subsidiaries
“GDC Option(s)”	share options which remain outstanding as at the Latest Practicable Date and were granted by GDC to (i) eligible participants conferring on the grantee thereof the right to subscribe for one new GDC Share at an exercise price of HK\$0.401 per GDC Share pursuant to the share option scheme of GDC adopted on 18 July 2003 and (ii) Sotas Limited on 5 June 2003 entitling Sotas Limited to subscribe for 8,331,615 new GDC Shares at an aggregate exercise price of US\$600,000
“GDC Optionholder(s)”	holder(s) of GDC Option(s)
“GDC Share(s)”	share(s) of HK\$0.01 each in the capital of GDC
“GDC Shareholder(s)”	holder(s) of GDC Share(s)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Rules”	the Rules Governing the Listing of Securities on GEM
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Last Trading Day”	29 October 2004, being the last trading day prior to the suspension of trading in the GDC Shares on 1 November 2004
“Latest Practicable Date”	11 January 2005, being the latest practicable date prior to the printing of this document for the purposes of ascertaining certain information contained herein

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Max Same”	Max Same Investment Limited, a wholly-owned subsidiary of Cheung Kong, which was interested in approximately 9.74% of the issued share capital of the Company under the register kept by the Company as at the Latest Practicable Date
“Offer Document”	this document issued by or on behalf of the Offeror to all the holders of GDC Shares and GDC Options in accordance with the Takeovers Code containing, inter alia, details of the Offers and the terms and conditions of the Offers and the Forms of Acceptance
“Offeree Document”	the response document in respect of the Offers to be issued by GDC to the holders of GDC Shares and GDC Options in accordance with the Takeovers Code
“Offeror”	Upper Nice Assets Ltd., an indirect wholly-owned subsidiary of SCG
“Offers”	the Share Exchange Offer and the Option Offer
“Option Offer”	the voluntary conditional cash offer to cancel the GDC Options at the Option Offer Price
“Option Offer Price”	HK\$0.01 per GDC Option
“Pink Form of Acceptance”	the accompanying form of acceptance and transfer of GDC Shares in pink in respect of the Share Exchange Offer
“PRC”	the People’s Republic of China
“Registrar”	Standard Registrars Limited, the Hong Kong share registrar and transfer office of GDC at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SCG” or the “Company”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda whose securities are listed on the Main Board of the Stock Exchange
“SCG Group”	SCG and its subsidiaries
“SCG Share(s)”	share(s) of HK\$0.01 each in the capital of SCG

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## DEFINITIONS

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“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider and approve, among other things, the Offers
“Share Exchange Offer”	the voluntary conditional share exchange offer of 3 new SCG Shares for every 10 GDC Shares
“Shareholders”	holders of SCG Shares
“Shougang Holding”	Shougang Holding (Hong Kong) Limited, the controlling shareholder of SCG which was beneficially interested in approximately 47.45% of the issued share capital of SCG under the register kept by the Company as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unconditional Date”	the date on which the Offers become or are declared unconditional
“US\$”	United States Dollars, the lawful currency of the United States
Wheeling Holdings”	Wheeling Holdings Limited, a wholly-owned subsidiary of Shougang Holding and was interested in approximately 45.83% in the issued share capital of SCG under the register kept by the Company as at the Latest Practicable Date
“White Form of Acceptance”	the form of acceptance and cancellation of the outstanding GDC Options in white in respect of the Option Offer
“%”	per cent.

In this document, amounts denominated in US\$ has been translated, for the purpose of illustration only, into HK\$ at an exchange rate of US\$1.00 : HK\$7.80



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## LETTER FROM THE COMPANY

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首長四方(集團)有限公司\*

**SHOUGANG CONCORD GRAND (GROUP) LIMITED**

*(incorporated in Bermuda with limited liability)*

*Executive Directors:*

Wang Qinghai (*Chairman*)  
Cao Zhong (*Vice-chairman*)  
Chen Zheng  
Wang Tian  
Cheng Xiaoyu

*Non-executive Directors:*

Leung Shun Sang, Tony  
Choy Hok Man, Constance

*Independent non-executive Directors:*

Tam King Ching, Kenny  
Hui Hung Stephen  
Zhou Jianhong

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Principal office in Hong Kong:*

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

13 January 2005

*To the holders of GDC Shares and GDC Options,*

**Voluntary conditional share exchange offer by  
DBS Asia Capital Limited  
on behalf of Upper Nice Assets Ltd., a wholly-owned subsidiary of  
Shougang Concord Grand (Group) Limited, to acquire all the issued  
shares of, and a voluntary conditional cash offer to cancel all the outstanding options of,  
Global Digital Creations Holdings Limited  
(other than those already owned by the Offeror and parties acting in concert with it)**

### 1. INTRODUCTION

On 19 November 2004, the Company issued the Announcement jointly with GDC in respect of, amongst other things, a voluntary conditional share exchange offer by the Offeror, an indirect wholly-owned subsidiary of the Company, to acquire all the issued GDC Shares (other than those already owned by the Offeror and parties acting in concert with it) and a conditional cash offer to cancel all outstanding GDC Options (other than those already owned by the Offeror and parties acting in concert with it). Details of the Offers and the action you should take are set out in the letter from DBS Asia contained in, and in the Appendices to, this document. The Company would like to take this opportunity to give you a summary of the Offers, which the Company believes, will be helpful to you.

\* For identification purposes only

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## LETTER FROM THE COMPANY

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### 2. THE OFFERS

The Offers will be made by DBS Asia on behalf of the Offeror on the following basis:

**For every 10 GDC Shares**

**3 new SCG Shares**

**For cancellation of each outstanding GDC Option  
with the right to convert into 1 new GDC Share**

**HK\$0.01 in cash**

#### **The Share Exchange Offer**

The share exchange offer of 3 new SCG Shares for every 10 GDC Shares has been determined by the Offeror with reference to the closing price of the SCG Shares as quoted on the Stock Exchange on 15 November 2004 of HK\$0.56. This translates into a value of approximately HK\$0.17 per GDC Share and approximately HK\$1.68 per 3 SCG Shares.

#### **The Option Offer**

The Board was informed by GDC that, as at the Latest Practicable Date, GDC had 22,631,615 outstanding GDC Options, out of which Sotas Limited had been granted an option to subscribe for 8,331,615 new GDC Shares. The exercise in full of the 22,631,615 GDC Options would result in the issue of additional 22,631,615 GDC Shares (representing 2.75% of the issued share capital of GDC as enlarged thereby).

Based on the aggregate exercise price of US\$600,000 (equivalent to approximately HK\$4,680,000) entitling Sotas Limited to subscribe for 8,331,615 new GDC Shares, the exercise price of the outstanding GDC Options for Sotas Limited is derived as approximately HK\$0.56 per GDC Share. As the exercise prices for the outstanding GDC Options range from HK\$0.401 to HK\$0.56 per GDC Option, the GDC Options are thus currently “out of money” and therefore, the Option Offer Price shall be a nominal value of HK\$0.01 in cash per GDC Option.

The Board was informed by GDC that, as at the Latest Practicable Date, save for the GDC Options, GDC had no other convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of GDC.

#### **Total consideration for the Offers**

The Board was informed by GDC that, as at the Latest Practicable Date, there were a total of 800,820,000 GDC Shares in issue. On the basis of the Share Exchange Offer of 3 new SCG Shares for every 10 GDC Shares and based on the closing price of HK\$0.56 per SCG Share as quoted on the Stock Exchange on 15 November 2004, the price for each GDC Share under the Share Exchange Offer is approximately HK\$0.17 per GDC Share and the entire issued share capital of GDC is valued at approximately HK\$136 million.

On the basis of the Option Offer Price for cancellation of the outstanding GDC Options, the 22,631,615 GDC Options outstanding as at the Latest Practicable Date are valued at approximately HK\$226,316.

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## LETTER FROM THE COMPANY

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### Terms of the Offers

Acceptance of the Share Exchange Offer or the Option Offer by any GDC Shareholder or GDC Optionholder (as the case may be) will be deemed to constitute a warranty by such person that all the GDC Shares or GDC Options (as the case may be) to be sold by such person under the Share Exchange Offer or the Option Offer (as the case may be) will be acquired free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, in the case of the GDC Shares, the right to receive dividends and distributions declared, made or paid, if any, on or after the date of this Offer Document.

The availability of the Share Exchange Offer to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

### 3. CONDITIONS OF THE OFFERS

The Offers are conditional upon the following:

- (a) the Offers having been approved by the Shareholders in the SGM in accordance with the requirements under the Listing Rules;
- (b) each and every member of the GDC Group remaining solvent and not subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, provisional liquidator, receiver or other person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of any member of the GDC Group from the date of the Announcement up to the date when Conditions (a), (c), (d) and (e) are all satisfied;
- (c) no event having occurred on or before the date on which Condition (d) below has been fulfilled which would make the Offers or the acquisition of any of the GDC Shares by the Offeror and/or cancellation of the GDC Options void, unenforceable, illegal or unable to be proceeded or would impose any additional material conditions or obligations with respect to the Offers or any part thereof or the acquisition of any of the GDC Shares and/or cancellation of any GDC Options;
- (d) valid acceptances of the Share Exchange Offer having been received (and, where permitted, not withdrawn) by 4:00 p.m. on the Closing Date (or such later times(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of the GDC Shares, which together with the GDC Shares already held by the Offeror and parties acting in concert with it, constitute more than 50% of the voting rights normally exercisable at general meetings of GDC; and
- (e) the Stock Exchange granting the listing of, and permission to deal in, the new SCG Shares to be issued pursuant to the terms of the Share Exchange Offer.

*Note:* As at the Latest Practicable Date, none of the above conditions had been fulfilled.

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## LETTER FROM THE COMPANY

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### 4. WAIVER OF THE CONDITIONS OF THE OFFERS

SCG reserves the right to waive all or any of the Conditions (except Conditions (a), (d) and (e)) in whole or in part on or before the Closing Date. The SGM will be held on Monday, 31 January 2005 and the results of the SGM will be published on newspapers on Tuesday, 1 February 2005.

Thus, if the Offeror does not receive valid acceptances of the Share Exchange Offer by the Closing Date, which together with the GDC Shares already held by the Offeror and parties acting in concert with it before or during the Offers will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of GDC, the Share Exchange Offer cannot become unconditional and the Offers will lapse unless they are revised or extended.

### 5. LAPSE OF THE OFFERS

According to Rule 5 of the Takeovers Code, except with the consent of the Executive and subject to the notes to Rule 5 of the Takeovers Code, the Offeror must proceed with the Offers unless the Conditions are not met (or in respect of Conditions (b) and (c), waived by the Offeror in its sole discretion) on or before the Closing Date or such later date as required by the Takeovers Code and as the Executive may approve. Except with the consent of the Executive, all Conditions must be fulfilled or, in respect of Conditions (b) and (c) only, waived by the Offeror in its sole discretion, on or before the Closing Date, otherwise, subject to full compliance with the Takeovers Code, in particular, Note 2 of Rule 30.1, the Offers must lapse on the Closing Date. In that case, the Offeror will issue a press announcement as soon as practicable thereafter. Under the Takeovers Code, the latest date on which the Offeror can declare the Offers unconditional in all respects as to acceptances is 60 days after the date of the posting of the Offer Document i.e. Monday, 14 March 2005 (or such later date as the Executive may consent to).

### 6. CONCLUSION

As mentioned above, the detailed terms and conditions of the Offers are set out in the Letter from DBS Asia and the Appendices of this offer document. We respectfully urge you to read them carefully.

Yours faithfully,  
For and on behalf of  
**Shougang Concord Grand (Group) Limited**  
**Cao Zhong**  
*Vice Chairman*

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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13 January 2005

*To the holders of GDC Shares and GDC Options,*

Dear Sir or Madam,

**Voluntary conditional share exchange offer by  
DBS Asia Capital Limited  
on behalf of Upper Nice Assets Ltd., a wholly-owned subsidiary of  
Shougang Concord Grand (Group) Limited, to acquire all the issued  
shares of, and a voluntary conditional cash offer to cancel all the outstanding options of,  
Global Digital Creations Holdings Limited  
(other than those already owned by the Offeror and parties acting in concert with it)**

### **1. INTRODUCTION**

The Company jointly announced on 19 November 2004 with GDC, amongst other things, that the Offeror would, through DBS Asia, make a voluntary conditional share exchange offer in Hong Kong to acquire all the issued shares of, and a voluntary conditional cash offer to cancel all the outstanding options of, GDC (other than those already owned by the Offeror and parties acting in concert with it). The Offers will be conditional upon, amongst other things, the approval of the Shareholders in the SGM.

This letter sets out the details of the Offers, information on the Offeror and the intention of the Offeror regarding the GDC Group. The terms of the Offers are set out below in this letter and the Forms of Acceptance.

### **2. THE OFFERS**

The Offers will be made by DBS Asia on behalf of the Offeror on the following basis:

**For every 10 GDC Shares** **3 new SCG Shares**

**For cancellation of each outstanding GDC Option**  
**with the right to convert into 1 new GDC Share** **HK\$0.01 in cash**

#### **The Share Exchange Offer**

The share exchange offer of 3 new SCG Shares for every 10 GDC Shares has been determined by the Offeror with reference to the closing price of the SCG Shares as quoted on the Stock Exchange on 15 November 2004, which was HK\$0.56. The amount for 3 SCG Shares at HK\$0.56 per share is approximately HK\$1.68. This translates into a value of approximately HK\$0.17 per GDC Share.

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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The highest and lowest closing prices at which the GDC Shares were traded on the Stock Exchange during the six-month period immediately prior to the Last Trading Day, and up to and including the Latest Practicable Date, were HK\$0.44 and HK\$0.11 on 21 June 2004 and 27 October 2004, respectively.

Based on the closing price of HK\$0.56 per SCG Share as quoted on the Stock Exchange on 15 November 2004, the Share Exchange Offer:

- (a) represents a premium of approximately 48% and 48% to the closing price of HK\$0.115 and HK\$0.115 per GDC Share as quoted on the Stock Exchange on the Last Trading Day and the Latest Practicable Date respectively;
- (b) represents a premium of approximately 40% to the average closing price of approximately HK\$0.121 per GDC Share for the last ten trading days up to and including the Latest Practicable Date;
- (c) represents a premium of approximately 37% over the average closing price of approximately HK\$0.124 per GDC share for the one-month period up to and including the Latest Practicable Date;
- (d) a premium of approximately 29% over the average closing price of approximately HK\$0.132 per GDC Share for the six months up to and including the Latest Practicable Date; and
- (e) represents a premium of approximately 89% to the audited consolidated net asset value per GDC Share of approximately HK\$0.09 as at 31 December 2003 (based on the audited consolidated net assets of approximately HK\$68 million and 780,000,000 GDC Shares in issue as at 31 December 2003) and a premium of approximately 143% to the unaudited consolidated net asset value per GDC Share of approximately HK\$0.07 as at 30 June 2004 (based on the unaudited consolidated net assets of approximately HK\$57 million and 800,820,000 GDC Shares in issue as at 30 June 2004).

The closing price of SCG Shares as quoted on the Stock Exchange on the Latest Practicable Date was HK\$0.58. Based on the closing price of SCG Share on the Latest Practicable Date, the Stock Exchange Offer:

- (a) represents a premium of approximately 48% to the closing price of HK\$0.115 per GDC Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) represents a premium of approximately 40% to the average closing price of approximately HK\$0.121 per GDC Share for the last ten trading days up to and including the Latest Practicable Date;
- (c) represents a premium of approximately 37% over the average closing price of approximately HK\$0.124 per GDC share for the one-month period up to and including the Latest Practicable Date;

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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- (d) a premium of approximately 29% over the average closing price of approximately HK\$0.132 per GDC Share for the six months up to and including the Latest Practicable Date; and
- (e) represents a premium of approximately 89% to the audited consolidated net asset value per GDC Share of approximately HK\$0.09 as at 31 December 2003 (based on the audited consolidated net assets of approximately HK\$68 million and 780,000,000 GDC Shares in issue as at 31 December 2003) and a premium of approximately 143% to the unaudited consolidated net asset value per GDC Share of approximately HK\$0.07 as at 30 June 2004 (based on the unaudited consolidated net assets of approximately HK\$57 million and 800,820,000 GDC Shares in issue as at 30 June 2004).

### **The Option Offer**

The Board was informed by GDC that, as at the Latest Practicable Date, GDC had 22,631,615 outstanding GDC Options, out of which Sotas Limited had been granted an option to subscribe for 8,331,615 new GDC Shares. The exercise in full of the 22,631,615 GDC Options would result in the issue of additional 22,631,615 GDC Shares (representing 2.75% of the issued share capital of GDC as enlarged thereby).

Based on the aggregate exercise price of US\$600,000 (equivalent to approximately HK\$4,680,000) entitling Sotas Limited to subscribe for 8,331,615 new GDC Shares, the exercise price of the outstanding GDC Options for Sotas Limited is derived as approximately HK\$0.56 per GDC Share. As the exercise prices for the outstanding GDC Options range from HK\$0.401 to HK\$0.56 per GDC Option, the GDC Options are thus currently “out of money” and therefore, the Option Offer Price shall be a nominal value of HK\$0.01 in cash per GDC Option.

The Board was informed by GDC that, as at the Latest Practicable Date, save for the GDC Options, GDC had no other convertible securities, options, derivatives or warrants outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of GDC.

### **Total consideration for the Offers**

The Board was informed by GDC that, as at the Latest Practicable Date, there were a total of 800,820,000 GDC Shares in issue. On the basis of the Share Exchange Offer of 3 new SCG Shares for every 10 GDC Shares and based on the closing price of HK\$0.56 per SCG Share as quoted on the Stock Exchange on 15 November 2004, the price for each GDC Share under the Share Exchange Offer is approximately HK\$0.17 per GDC Share and the entire issued share capital of GDC is valued at approximately HK\$136 million.

On the basis of the Option Offer Price for cancellation of the outstanding GDC Options, the 22,631,615 outstanding GDC Options as at the Latest Practicable Date are valued at approximately HK\$226,316.

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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The Option Offer will be funded by internal resources of SCG. DBS Asia is satisfied that there are sufficient financial resources available to the Offeror to meet the Option Offer.

### **Terms of the Offers**

Acceptance of the Share Exchange Offer or the Option Offer by any GDC Shareholder or GDC Optionholder (as the case may be) will be deemed to constitute a warranty by such person that all the GDC Shares or GDC Options (as the case may be) to be sold by such person under the Share Exchange Offer or the Option Offer (as the case may be) will be acquired free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, in the case of the GDC Shares, the right to receive dividends and distributions declared, made or paid, if any, on or after the date of this Offer Document.

The availability of the Share Exchange Offer to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

### **Settlement**

The share certificates of SCG will be despatched to the GDC Shareholders who have accepted the Share Exchange Offer within ten days of the later of the date on which the Offers become or are declared unconditional and the date of receipt of duly completed valid acceptances.

GDC Shareholders should be aware that the Share Exchange Offer will be made for every 2,000 GDC Shares (representing one board lot of GDC Shares) and in the same proportion for any greater and lesser number of GDC Shares except that no fraction of a share in SCG will be issued. GDC Shareholders should also be aware that SCG Shares are traded in board lots of 1,000 shares and it is not proposed that any arrangements be made for the trading of odd lots of SCG Shares following the Share Exchange Offer.

### **3. CONDITIONS OF THE OFFERS**

The Offers are conditional upon the following:

- (a) the Offers having been approved by the Shareholders in the SGM in accordance with the requirements under the Listing Rules;
- (b) each and every member of the GDC Group remaining solvent and not subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, provisional liquidator, receiver or other person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the assets or undertakings of any member of the GDC Group from the date of this announcement up to the date when Conditions (a), (c), (d) and (e) are all satisfied;



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## LETTER FROM DBS ASIA CAPITAL LIMITED

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- (c) no event having occurred on or before the date on which Condition (d) below has been fulfilled which would make the Offers or the acquisition of any of the GDC Shares by the Offeror and/or cancellation of the GDC Options void, unenforceable, illegal or unable to be proceeded or would impose any additional material conditions or obligations with respect to the Offers or any part thereof or the acquisition of any of the GDC Shares and/or cancellation of any GDC Options;
- (d) valid acceptances of the Share Exchange Offer having been received (and, where permitted, not withdrawn) by 4:00 p.m. on the Closing Date (or such later times(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of the GDC Shares, which together with the GDC Shares already held by the Offeror and parties acting in concert with it, constitute more than 50% of the voting rights normally exercisable at general meetings of GDC; and
- (e) the Stock Exchange granting the listing of, and permission to deal in, the new SCG Shares to be issued pursuant to the terms of the Share Exchange Offer.

*Note:* As at the Latest Practicable Date, none of the above conditions had been fulfilled.

#### **4. WAIVER OF THE CONDITIONS OF THE OFFERS**

SCG reserves the right to waive all or any of the Conditions (except Conditions (a), (d) and (e)) in whole or in part on or before the Closing Date. The SGM will be held on Monday, 31 January 2005 and the results of the SGM will be published on the newspapers on Tuesday, 1 February 2005.

Thus, if the Offeror does not receive valid acceptances of the Share Exchange Offer by the Closing Date, which together with the GDC Shares already held by the Offeror and parties acting in concert with it before or during the Offers will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of GDC, the Share Exchange Offer cannot become unconditional and the Offers will lapse unless they are revised or extended.

#### **5. LAPSE OF THE OFFERS**

According to Rule 5 of the Takeovers Code, except with the consent of the Executive and subject to the notes to Rule 5 of the Takeovers Code, the Offeror must proceed with the Offers unless the Conditions are not met (or in respect of Conditions (b) and (c), waived by the Offeror in its sole discretion) on or before the Closing Date or such later date as the Executive may approve. Except with the consent of the Executive, all Conditions must be fulfilled or, in respect of Conditions (b) and (c) only, waived by the Offeror in its sole discretion, on or before the Closing Date, otherwise, subject to full compliance with the Takeovers Code, in particular, Note 2 of Rule 30.1, the Offers must lapse on the Closing Date. In that case, the Offeror will issue a teletext and press announcement by 7:00 p.m. on the First Closing Date and on the next business day thereafter respectively. Under the Takeovers Code, the latest date on which the Offeror can declare the Offers unconditional as to acceptances is 60 days after the date of the posting of the Offer Document i.e. Monday, 14 March 2005 (or such later date as the Executive may consent to).

#### **6. INFORMATION ON GDC**

Headquartered in Hong Kong, the GDC Group provides an integrated value chain in the digital content business which encompasses computer graphics creation and production, distribution and exhibitions of digital content, and training of Computer Graphics artists in the Asia Pacific region.

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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The core business of GDC is computer graphics creation and production (“CG”). GDC has positioned itself as a CG house capable of producing CG to international standards with CG artists principally trained in-house. This strategy is now paying dividends in the following respects:

- Its first and wholly financed CG film, Thru the Moebius Strip, has received good reception in the American Film Market and notice from international distributors.
- The quality of the CG film has attracted many potential clients in the US, Canada and the United Kingdom.
- The in-house training work has attracted attention with the result that the time has come to market training as a separate business in the PRC.

According to the third quarterly report 2004 of GDC, despite intense competition from digital cinema equipment manufacturers, turnover of GDC Technology Limited, a subsidiary of GDC involved in the digital content distribution and exhibition business, for the nine months ended 30 September 2004 was approximately HK\$13,636,000 which, when compared with the turnover for the nine months ended 30 September 2003 of HK\$4,281,000, represented an increase of approximately 218%.

Further to the installation of 10 digital cinemas in California, USA, during the second quarter of 2004, an additional 20 digital cinemas were installed in more than 11 states across the US in the third quarter of 2004. GDC Technology Limited also expanded its market share in India by retrofitting five cinemas in South India. One of the Latest additions to its list of customers now including the Deng Xiao Ping Memorial Museum in China.

On 12 September 2004 at IBC, European DocuZone (“EDZ”) announced that it had selected servers from GDC Technology Limited and digital projectors from Panasonic for its European digital cinema network. During the press conference at IBC, it was announced that over 180 independent cinemas across Europe would install customised GDC Technology DSR™ Servers alongside DLP™ projectors from Panasonic.

According to the third quarterly report of GDC for the nine months ended 30 September 2004, the board of GDC has been considering ways to best position the GDC Group’s digital content distribution and exhibition business, which involves sales and lease of digital cinema equipments to digital cinemas, in the global environment. Plans under consideration include the introduction of strategic investors (partial disposal) for GDC Technology Limited or a divestment plan (complete disposal), provided that the right valuation can be achieved. There are currently no disclosable transactions for the GDC Group. The GDC Group expects the losses will be narrowed further as contribution from both digital cinema sales increases and as further income comes in from the computer graphics business.

Based on the latest published audited financial statements of GDC, the audited consolidated net loss before and after taxation were approximately HK\$33,300,000 (representing approximately HK\$0.05 per GDC Share) and approximately HK\$33,149,000 (representing approximately HK\$0.05 per GDC Share), respectively, on turnover of approximately HK\$11,478,000 for the financial year ended 31 December 2003. The unaudited consolidated net loss after taxation of the GDC Group was approximately HK\$27,801,000 (representing approximately HK\$0.04 per GDC Share) on turnover of approximately HK\$17,187,000 for the nine months ended 30 September 2004 announced on 12 November 2004 pursuant to the GEM Listing Rules. The audited consolidated net assets of the GDC Group as at 31 December 2003 was approximately HK\$68 million (representing approximately HK\$0.09 per GDC Share), and the unaudited consolidated net assets of the GDC Group as at 30 June 2004 was approximately HK\$57 million (representing approximately HK\$0.07 per GDC Share).

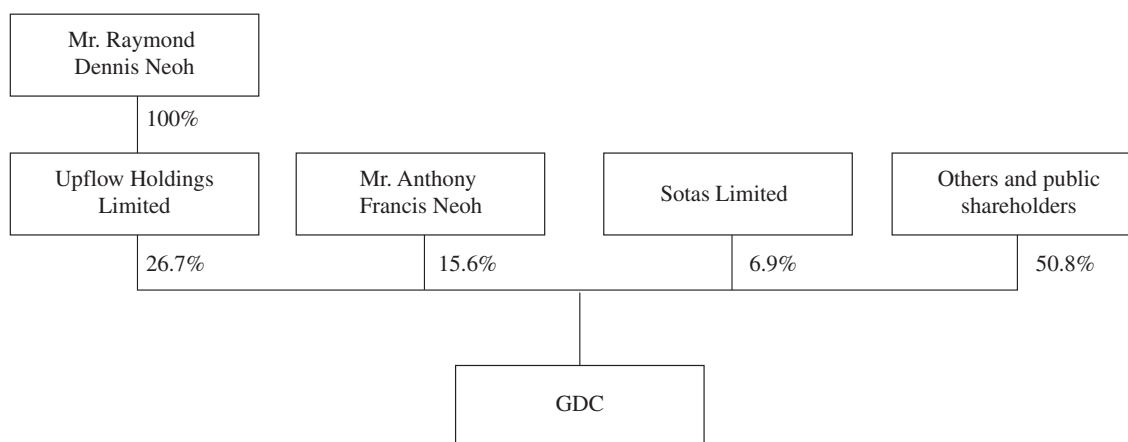
The audited consolidated net loss before and after taxation of GDC were approximately HK\$17.4 million and approximately HK\$17.4 million respectively for the financial year ended 31 December 2002. Loss per GDC Share was approximately HK\$0.026 for the financial year ended 31 December 2002. The audited consolidated net assets of the GDC Group as at 31 December 2002 was approximately HK\$5.4 million.

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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The following is the shareholding structure of GDC as at the Latest Practicable Date:–



*Note:* Upflow Holdings Limited, Mr. Raymond Dennis Neoh, Mr. Anthony Francis Neoh, and Sotas Limited are parties independent of and not connected with the Directors, chief executive and substantial shareholders of SCG.

### 7. INFORMATION ON THE OFFEROR AND SCG

The Offeror is a company incorporated in the British Virgin Islands on 18 February 1993 and is a wholly-owned subsidiary of SCG. The directors of the Offeror are Messrs. Cao Zhong and Chen Zheng, both of whom are also directors of SCG. The main business of the Offeror is investment holding. SCG is a Hong Kong-listed company incorporated in Bermuda on 9 May 1991. The principal activity of SCG is investment holding. The principal activities of the subsidiaries of SCG consist of property investment and management. As at the Latest Practicable Date, Shougang Holding and Cheung Kong, through their subsidiaries, were the substantial shareholders of SCG, beneficially interested in 445,731,315 SCG Shares and 133,048,717 SCG Shares respectively, as recorded under the register kept by the Company under Section 336 of the SFO, representing approximately 47% and 14%, respectively, of the issued share capital of SCG.

Based on the latest published audited financial statements of SCG, the audited consolidated net profit before and after taxation of SCG were approximately HK\$26.6 million and approximately HK\$28.5 million respectively for the financial year ended 31 December 2003. The unaudited consolidated net profit after taxation of SCG was approximately HK\$83.7 million for the six months ended 30 June 2004. Earnings per SCG Share was approximately HK\$0.03 and HK\$0.09 for the year ended 31 December 2003 and for the six months ended 30 June 2004 respectively. The audited consolidated net asset of the SCG Group as at 31 December 2003 was approximately HK\$632.0 million (or HK\$0.74 per SCG Share), and the unaudited consolidated net assets of the SCG Group as at 30 June 2004 was approximately HK\$343.2 million (or HK\$0.37 per SCG Share). The audited consolidated net profit before and after taxation of SCG were approximately HK\$1.5 million and approximately HK\$2.8 million respectively for the financial year ended 31 December 2002. Earnings per SCG Share was approximately HK\$0.003 for the financial year ended 31 December 2002. The audited consolidated net assets of the SCG Group as at 31 December 2002 was approximately HK\$619.7 million (or HK\$0.75 per SCG Share).

The closing price of HK\$0.58 of SCG Shares on the Latest Practicable Date represents a discount of 22% to the audited consolidated net assets per SCG Share as at 31 December 2003 and a premium of 41% to the pro forma combined net assets per share of the Enlarged Group of approximately HK\$0.41 based on the pro forma combined net assets of the Enlarged Group of approximately HK\$482,589,000 as set out in Appendix II of the Offer Document to 1,179,562,667 SCG shares in issue after completion of the Offers.

## LETTER FROM DBS ASIA CAPITAL LIMITED

Assuming all the GDC Shareholders accept the Share Exchange Offer, a total of 240,246,000 new SCG Shares will be issued, representing approximately 20.4% of the enlarged share capital of SCG or approximately 25.6% of the existing share capital of SCG. The shareholding structure of SCG, both before and after completion of the Offers, assuming full acceptance of the Share Exchange Offer is as follows:–

Name	Prior to completion of the Offers		After completion of the Offers	
	<i>No. of SCG Shares held</i>	<i>%</i>	<i>No. of SCG Shares held</i>	<i>%</i>
Shougang Holding <sup>(1)</sup>	445,731,315	47.5	445,731,315	37.8
Cheung Kong <sup>(2)</sup>	133,048,717	14.2	133,048,717	11.3
Mr. Raymond Dennis Neoh and Mr. Anthony Francis Neoh	–	–	101,729,023	8.6
Sotas Limited and related parties	–	–	16,663,231	1.4
Directors <sup>(3)</sup>	33,514,037	3.5	33,514,037	2.8
Others and public shareholders	327,022,598	34.8	448,876,344	38.1
Total	<u>939,316,667</u>	<u>100.0</u>	<u>1,179,562,667</u>	<u>100.0</u>

*Notes:*

1. Wheeling Holdings is a wholly-owned subsidiary of Shougang Holding and its interest of 430,491,315 SCG Shares is included in the interest held by Shougang Holding. Shougang Holding is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise in the PRC.
2. Max Same is a wholly-owned subsidiary of Cheung Kong and its interest in SCG is included in the interest held by Cheung Kong.

By virtue of their interests in Cheung Kong, the following person and companies are each deemed to be interested in the SCG Shares held by Cheung Kong:

Li Ka-Shing  
Li Ka-Shing Unity Trustcorp Limited as a trustee of a discretionary trust holding units in the Li Ka-Shing Unity Trust.  
Li Ka-Shing Unity Trustee Company Limited as trustee of the Li Ka-Shing Unity Trust.  
Li Ka-Shing Unity Trustee Corporation Limited as trustee of the Li Ka-Shing Unity Discretionary Trust.

3. The Directors are parties acting in concert with the Offeror. The following Directors are interested in the SCG Shares: Wang Qinghai (holding 8,278,679 SCG Shares), Cao Zhong (holding 8,278,679 SCG Shares), Cheng Xiaoyu (holding 8,278,679 SCG Shares), Leung Shun Sang, Tony (holding 8,278,000 SCG Shares) and Choy Hok Man, Constance (holding 400,000 SCG Shares).

Full acceptance of the Share Exchange Offer may have a negative impact on the financial results of SCG in the short term as GDC is currently loss making. For the nine months ended 30 September 2004, GDC reported unaudited consolidated net loss of approximately HK\$27.8 million. Full acceptance of the Share Exchange Offer will not have any material impact on current business operations of SCG. On 1 December 2004, SCG agreed to provide GDC an unsecured loan facility of up to an aggregate principal amount of HK\$20,000,000 to be used solely for fulfilling GDC's working capital requirements and repayment of short-term borrowing at an annual interest rate of HK dollar prime rate plus 3%, to be repaid in full by GDC 90 days from the first drawdown date of 1 December 2004. As at the Latest

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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Practicable Date, GDC had withdrawn in aggregate approximately HK\$12 million for working capital requirements and repayment of short term borrowing for corporate requirements. The Directors are of the opinion that the terms of the loan are fair and reasonable. SCG Finance Corporation Limited, a wholly-owned subsidiary of SCG, has a money lenders licence.

The pro forma effects on the assets and liabilities of SCG include (i) the addition of a positive goodwill of approximately HK\$82,074,000 representing the difference between the total consideration of the Offers and the net asset of the GDC Group as at 30 June 2004 and (ii) the decrease in bank balances and cash for cancellation of all the outstanding options of GDC of HK\$0.01 each in cash per every option amounted to approximately HK\$226,000. The pro forma effects of the assets and liabilities of SCG is set out in Appendix II of this circular.

### **8. INTENTION OF THE MAJOR SHAREHOLDERS OF GDC**

Two shareholders of GDC, namely Upflow Holdings Limited (which is wholly owned by Mr. Raymond Dennis Neoh, a director of GDC) and Mr. Anthony Francis Neoh, a director of GDC, who together own 339,096,746 GDC Shares, representing approximately 42.34% of the existing issued share capital of GDC, have jointly provided an irrevocable undertaking to accept the Share Exchange Offer in respect of the above shareholding and to procure shareholders holding more than 50% of the existing issued share capital of GDC (including their shareholding of 42.34%) to accept the Share Exchange Offer. There is no penalty in the undertaking. The commitment does not include any GDC Options and the commitment will not be binding if a higher offer is made.

Save as disclosed above, none of the directors of GDC, in aggregate holding 21,379,090 GDC Shares, being approximately 2.7% of the issued share capital of GDC and 14,300,000 GDC Options, had given any undertaking to accept or not to accept the Share Exchange Offer or the Option Offer up to the Latest Practicable Date.

### **9. OFFEROR'S INTENTION IN RELATION TO THE GDC GROUP**

#### **Reasons and benefits for the Offers**

The SCG Group is principally engaged in property investment and management in Hong Kong. The property market in Hong Kong has experienced a significant downturn since 1997. Although the property market has improved since the beginning of 2004, the improved market conditions apply, to a large extent, to newly constructed residential projects. The difficult market conditions in local property market have caused the SCG Group to take a fresh look at its core business in Hong Kong. During the year, the Group has disposed of certain of its properties and the Directors believe that the SCG Group should take advantage of the window of opportunity so that resources could be better applied in other investment opportunities that offer a more attractive return. In this regard, the Group has been exploring new business opportunities with a view to diversifying its existing business.

The Directors believe that the multimedia sector in the PRC offers promising prospects. Given the recent success of various animation films globally and the increasing disposable income of PRC citizens, the SCG Group has considered to invest in certain projects in this sector and has set up a film production company in the PRC. The Directors consider the Offers are inline with the current strategy of SCG, and that the investment in GDC will signify a meaningful step towards this direction and provide the Group with a solid platform for its diversification.

The Directors also believe that the transaction will be beneficial to both the shareholders of SCG and GDC by combining the expertise of GDC in the computer graphics and multimedia sector with the strong business connections of SCG. After the transaction, SCG will explore ways to further GDC's business in the PRC.

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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### Appointment of Directors

Subject to the Offers becoming unconditional and subject to compliance with the Takeovers Code, in particular not earlier than the posting of the Offer Document, the Offeror intends to appoint two directors to the board of GDC. It is the intention of the Offeror to nominate Mr. Cao Zhong as non-executive director and Mr. Chen Zheng as executive director to the board of directors of GDC. Apart from the above appointments, the Offeror does not intend to make any changes to the current board composition of GDC. The Offeror also does not have any intention to make any major changes to the management structure save for the above appointments. The Offeror intends that there will be no material changes to the continued employment of the employees of the GDC Group following completion of the Offers.

The current board composition of GDC is as follows:

*Executive Directors:*

Mr. Raymond Dennis Neoh

*Non-executive Director:*

Mr. Anthony Francis Neoh (*Chairman*)

Dr. David Deng Wei (*Vice Chairman*)

Mr. Stephen Scharf

*Independent non-executive Directors:*

Mr. Gordon Kwong Che Keung

Professor Japhet Sebastian Law

Mr. Paul Kwan Yuen Chiu

### Intention of the Offeror regarding GDC

SCG does not intend to make any changes to the current business operations of GDC. The Offeror also does not intend to introduce any major changes to the business, including any redeployment of the fixed assets of the GDC Group. The Offeror and SCG have not decided whether to maintain the listing of GDC on GEM or to effect the compulsory acquisition of GDC in the event that the Offeror is permitted to do so under the Companies Act and the Takeovers Code. Further announcement will be made in this respect accordingly.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatize GDC by means of the Offers and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Act, acceptance of the Offers and purchases (in each case of the disinterested shares) made by the Offeror and persons acting in concert with it during the period of four months after posting the Offer Document total 90% of the disinterested shares.

The Directors have undertaken and the new directors to be nominated by the Offeror and appointed to the board of directors of GDC will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that public float exists in the GDC Shares if listing is to be maintained.

Upon successful completion of the Share Exchange Offer, SCG will consolidate the financial results of the GDC Group.



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## LETTER FROM DBS ASIA CAPITAL LIMITED

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The Stock Exchange has stated that if, upon the close of the Offers, less than 25% of the GDC Shares are held by the public or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the GDC Shares; or
- there are insufficient GDC Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the GDC Shares until a level of sufficient public float is attained.

So long as GDC remains a listed company, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets of GDC. Any acquisitions or disposals of assets by the GDC Group will be subject to the provisions of the GEM Rules. Pursuant to the Listing Rules, the Stock Exchange has the discretion to require GDC to issue an announcement and a circular to the GDC shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of GDC. The Stock Exchange also has the power to aggregate a series of acquisitions or disposals of GDC and any such transactions may result in GDC being treated as if it were a new listing applicant and subject to the requirements for new listing applicants as set out in the GEM Rules.

### Availability of the Offers

The Offer Document will be sent to the GDC Shareholders and the GDC Optionholders, including those with a registered address outside Hong Kong. However, the availability of the Offers to persons not resident in Hong Kong may be affected by the applicable laws of the relevant jurisdictions. Subject to compliance with the Takeovers Code, the Offeror reserves the right to make special arrangements regarding the terms of the Offers in relation to holders of GDC Shares and GDC Options. No such special arrangement has been made. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

## 10. TAXATION

Holders of GDC Shares and/or GDC Options are recommended to consult their own professional advisors if they are in any doubt as to the taxation implications of their accepting the Offers. None of the Company, the Offeror, DBS Asia nor any of their respective directors nor any persons involved in the Offers accepts responsibility for any taxation effects or liabilities of, any person or persons as a result of their acceptance of the Offers.

## 11. ACCEPTANCE AND SETTLEMENT

### (a) Procedures for acceptance of the Offers

#### *The Share Exchange Offer*

To accept the Share Exchange Offer, you should complete and sign the Pink Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Exchange Offer.

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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The completed Pink Form of Acceptance should be forwarded, together with the relevant GDC Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of GDC Shares in respect of which you intend to accept the Share Exchange Offer, by post or by hand to the Registrar in Hong Kong at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Hong Kong in an envelope marked “**Share Exchange Offer**” as soon as practicable after receipt of the Pink Form of Acceptance but in any event so as to reach the Registrar by not later than 4:00 p.m. on Tuesday, 15 February 2005 or such later time and/or date as the Offeror shall determine and announce with the consent of the Executive. No acknowledgement of receipt of any Pink Form of Acceptance, GDC Share certificate, transfer receipt or other document of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given. Your attention is drawn to the further details regarding the procedure for acceptance set out in Appendix IV to this document and the Pink Form of Acceptance.

### *The Option Offer*

**To accept the Option Offer, you should complete the White Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.**

The completed White Form of Acceptance should be forwarded, together with the relevant GDC Option certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if any) for the whole of your holding of GDC Options, or for the number of GDC Options in respect of which you accept the Option Offer, by post or by hand to GDC at its head office and principal place of business in Hong Kong at Suite 1804-5, Hutchison House, 10 Harcourt Road, Central, Hong Kong in an envelope marked “**Option Offer**” as soon as practicable but in any event so as to reach the company secretary of GDC by not later than 4:00 p.m. on Tuesday, 15 February 2005 or such later time and/or date as the Offeror shall determine and announce with the consent of the Executive. No acknowledgement of receipt of any White Form of Acceptance and/or GDC Option certificate (if any) will be given. Your attention is drawn to the further details regarding the procedure for acceptance set out in Appendix IV to this document and the White Form of Acceptance.

### **(b) Settlement of the Offers**

#### *The Share Exchange Offer*

Provided that the Pink Form of Acceptance and share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order and have been received by the Registrar by not later than the latest time for acceptance, share certificates of SCG due to each of the shareholders of GDC in respect of the GDC Shares tendered by them under the Share Exchange Offer will be despatched to each of them within 10 days of the later of the date on which all the relevant documents are received by the Registrar



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## LETTER FROM DBS ASIA CAPITAL LIMITED

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mentioned above to render such acceptance complete and valid, and the date when the Offers become or are declared unconditional.

### *The Option Offer*

Provided that the White Form of Acceptance and GDC Option certificate(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if any) are in complete and good order and have been received by GDC by not later than the latest time for acceptance, a cheque for the amount due to each of the holders of GDC Options in respect of the GDC Options surrendered by the relevant holders of GDC Options under the Option Offer will be despatched to each of them within 10 days after the date on which all the relevant documents are received by the company secretary of GDC mentioned above to render such acceptance complete and valid, and the date when the Offers become or are declared unconditional.

### **(c) Other issues**

The securities being offered will rank *pari passu* with the existing issued securities of the Company.

The settlement of the consideration to which any holders of GDC Shares and/or GDC Options are entitled under the Offers will be satisfied in full in accordance with the terms of the Offers without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such holders of GDC Shares and GDC Options.

To ensure equality of treatment of all holders of GDC Shares and GDC Options (other than the Offeror and parties acting in concert with it), those registered holders who hold GDC Shares and/or GDC Options as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential that the beneficial owners of the GDC Shares and GDC Options whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offers.

If the Offers do not become unconditional in all respects within the time permitted by the Takeovers Code, the Form(s) of Acceptance, the relevant GDC Share certificate(s) and GDC Option certificate(s) (if any), transfer receipt(s) and any other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) received by the Offeror will be returned to the holders of GDC Shares and GDC Options who have accepted the Offers by post or such documents will be made available by the Registrar for collection, as soon as possible but in any event within 10 days after the Offers have lapsed.

## **12. GENERAL**

The attention of holders of GDC Shares and GDC Options not resident in Hong Kong is drawn to paragraph 5 of Appendix IV to this document. Further terms and conditions of the Offers, including the further procedures for acceptance, details of the acceptance period and the procedures for revisions and extension of the Offers, are set out in Appendix IV to this document and the Forms of Acceptance.

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## LETTER FROM DBS ASIA CAPITAL LIMITED

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All documents and remittance sent to holders of the GDC Shares and GDC Options (other than the Offeror and parties acting in concert with it) by post will be sent to them at their own risk. Such documents and remittances will be sent to holders of the GDC Shares and GDC Options (other than the Offeror and parties acting in concert with it) at their respective addresses as they appear in the register of members of GDC or the register of holder(s) of GDC Options (as the case may be) or, in the case of joint shareholder of GDC, to the shareholder whose name appears first in the register of members of GDC, as applicable. None of the Company, the Offeror, DBS Asia nor any of their respective directors or any other person involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### 13. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices, which form part of this document.

Yours faithfully,  
For and on behalf of  
**DBS Asia Capital Limited**  
**Kelvin Lau**  
*Managing Director*

**INDEBTEDNESS**

As at the close of business on 30 November 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this document, the SCG Group had outstanding borrowings of approximately HK\$110,850,000, which comprised bank loans of approximately HK\$109,080,000 secured by the pledge of the SCG Group's investment properties and land and buildings located in Hong Kong with the carrying value as at 30 November 2004 of approximately HK\$90,191,000 and bank deposits of the SCG Group as at 30 November 2004 of approximately HK\$65,500,000 and unsecured bank loans of approximately HK\$1,770,000.

Save as disclosed above, and apart from intra-group liabilities, the SCG Group did not have outstanding at the close of business on 30 November 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the SCG Group's internal resources and present available banking facilities, the SCG Group has sufficient working capital for its present requirements.

**CURRENT TRADING PROSPECTS**

The Company is constantly investigating and reviewing potential investment opportunities that would offer high returns. SCG does not intend to make any changes to the current business operations of GDC. According to GDC's third quarterly report 2004, GDC's board of directors considering ways to best position GDC's digital content distribution and exhibition business in the global environment.

**LIQUIDITY AND CAPITAL RESOURCES**

As at 31 December 2003, the SCG Group's gearing ratio (i.e. ratio of bank borrowings to equity) was 0.18.

The routine business operation and investment of the SCG Group are in Hong Kong and the PRC, with revenue and expenditure denominated in HK\$ and RMB. The RMB income from the PRC is mainly remitted to Hong Kong at the prevailing official exchange rate. Given the stable official exchange rate of RMB to HK\$, the SCG Group believes that it will not be subject to any significant exposure associated with fluctuation in exchange rates under foreseeable circumstances.

**SIGNIFICANT INVESTMENTS HELD BY THE SCG GROUP****Beijing Dongzhimen International Apartment Co., Ltd. ("Beijing Dongzhimen")**

The SCG Group beneficially owns a 44% interest in Beijing Dongzhimen which is principally engaged in the leasing of East Lake Villas Phases 1 and 2 (which comprises a variety of garden villa, high-rise apartments and office building, club house, shops, restaurants and numerous sports facilities).

The outbreak of SARS in the second quarter of 2003 and the reduction in revenue resulting from the suspension of business of East Lake Villas Phase 1 for renovation had a severe impact on the performance of Beijing Dongzhimen in 2003. The renovation of East Lake Villas Phase 1 was completed in 2003 as scheduled. Following the completion of the renovation, it is expected that SCG's rental income will pick up gradually in 2004 and its competitiveness is expected to be enhanced.

It is expected that China's accession into the WTO and Beijing's 2008 Olympic Games will boost the demand for quality serviced apartments in Beijing. With its newly renovated East Lake Villas Phase 1, extended scale and competitive edges such as its convenient location in the embassy district, the traditional fine art style and architecture of Suzhou Garden, comprehensive and modern facilities, and quality property management, the Company believes that Beijing Dongzhimen is well positioned for future growth.

### **FINANCIAL SUMMARY**

1. The following is a summary of the audited financial information of the SCG Group for each of the three years ended 31 December 2003, the audited consolidated income statement of the SCG Group for each of the two years ended 31 December 2003, the audited consolidated balance sheet of the SCG Group and the audited balance sheet of the Company as at 31 December 2002 and 31 December 2003, the audited consolidated statement of changes in equity and the audited consolidated cash flow statement of the SCG Group for each of the two years ended 31 December 2003, together with the accompanying notes extracted from the annual report of the Company for the year ended 31 December 2003. The financial information of the SCG Group for the year ended 31 December 2002 has been restated following the adoption of the Statement of Standard Accounting Practice 12 (Revised) "Income Taxes" (the "SSAP 12 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants. The financial information for the year ended 31 December 2001 has not been restated to show the effects of the adoption of the SSAP 12 (Revised). As required by the Takeovers Code, the Directors estimate that the approximate amount of resultant variation as a result of the above change in accounting policy for the financial information of the SCG Group for the year ended 31 December 2001 is an additional net loss of approximately HK\$1.7 million and a reduction of the net assets by approximately HK\$12.0 million.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****(a) Three year financial summary**

*Summary of results for each of the three years ended 31 December 2003*

	<b>Year ended 31 December</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	15,470	15,661	22,028
Other operating income	2,115	1,145	2,318
Administrative expenses	<u>(15,945)</u>	<u>(19,626)</u>	<u>(63,488)</u>
Profit (loss) from operations	1,640	(2,820)	(39,142)
Finance costs	(2,907)	(3,251)	(5,627)
Share of result of a jointly controlled entity	(5,583)	(2,554)	2,399
Amortisation of goodwill arising on acquisition of a jointly controlled entity	(1,873)	(1,873)	–
Share of results of associates	7,049	12,045	(27,878)
Gain on deemed disposal of an associate	<u>28,273</u>	<u>–</u>	<u>–</u>
Profit (loss) before taxation	26,599	1,547	(70,248)
Taxation	<u>1,882</u>	<u>1,239</u>	<u>(2,534)</u>
Net profit (loss) for the year	<u><u>28,481</u></u>	<u><u>2,786</u></u>	<u><u>(72,782)</u></u>
Earnings (loss) per share			
Basic	<u><u>HK3.34 cents</u></u>	<u><u>HK0.34 cents</u></u>	<u><u>(HK8.79 cents)</u></u>
Diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

*Note:* Save as disclosed above, there were no extraordinary items, exceptional items, minority interests, and dividends.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP**

*Summary of consolidated balance sheet as at 31 December 2003, 2002 and 2001*

	<b>As at 31 December</b>		
	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties	236,000	236,000	240,300
Property, plant and equipment	2,669	2,743	2,837
Interest in a jointly controlled entity	211,582	222,367	236,871
Interests in associates	249,394	241,664	231,296
	<u>699,645</u>	<u>702,774</u>	<u>711,304</u>
<b>Current assets</b>			
Other investments	1,020	830	858
Prepayments, deposits and other receivables	1,823	1,854	2,417
Bank balances and cash	51,677	6,470	23,891
	<u>54,520</u>	<u>9,154</u>	<u>27,166</u>
<b>Current liabilities</b>			
Creditors and accruals	3,580	2,443	1,893
Rental and management fee deposits received	3,281	3,457	4,186
Taxation payable	478	1,672	3,527
Bank borrowings – due within one year	5,600	30,600	30,000
	<u>12,939</u>	<u>38,172</u>	<u>39,606</u>
<b>Net current assets (liabilities)</b>	<u>41,581</u>	<u>(29,018)</u>	<u>(12,440)</u>
<b>Total assets less current liabilities</b>	<u>741,226</u>	<u>673,756</u>	<u>698,864</u>
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	105,800	51,400	70,000
Deferred tax liabilities	3,471	2,662	–
	<u>109,271</u>	<u>54,062</u>	<u>70,000</u>
<b>Net assets</b>	<u><u>631,955</u></u>	<u><u>619,694</u></u>	<u><u>628,864</u></u>
<b>Capital and reserves</b>			
Share capital	8,579	8,279	8,279
Reserves	623,376	611,415	620,585
<b>Shareholders' funds</b>	<u><u>631,955</u></u>	<u><u>619,694</u></u>	<u><u>628,864</u></u>

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****(b) Audited financial statements of the SCG Group for the year ended 31 December 2003****Consolidated Income Statement***For the year ended 31 December 2003*

	<i>Notes</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i> (As restated)
Turnover		15,470	15,661
Other operating income		2,115	1,145
Administrative expenses		(15,945)	(19,626)
Profit (loss) from operations	5	1,640	(2,820)
Finance costs	7	(2,907)	(3,251)
Share of result of a jointly controlled entity		(5,583)	(2,554)
Amortisation of goodwill arising on acquisition of a jointly controlled entity		(1,873)	(1,873)
Share of results of associates		7,049	12,045
Gain on deemed disposal of an associate		28,273	–
Profit before taxation		26,599	1,547
Taxation	8	1,882	1,239
Net profit for the year		28,481	2,786
Earnings per share	9		
Basic		HK3.34 cents	HK0.34 cents
Diluted		N/A	N/A

*Note:* Save as disclosed above, there were no extraordinary items, exceptional items, minority interests, and dividends.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****Consolidated Balance Sheet***As at 31 December 2003*

	<i>Notes</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i> (As restated)
<b>Non-current assets</b>			
Investment properties	10	236,000	236,000
Property, plant and equipment	11	2,669	2,743
Interest in a jointly controlled entity	13	211,582	222,367
Interests in associates	14	249,394	241,664
		<u>699,645</u>	<u>702,774</u>
<b>Current assets</b>			
Other investments	15	1,020	830
Prepayments, deposits and other receivables		1,823	1,854
Bank balances and cash		51,677	6,470
		<u>54,520</u>	<u>9,154</u>
<b>Current liabilities</b>			
Creditors and accruals		3,580	2,443
Rental and management fee deposits received		3,281	3,457
Taxation payable		478	1,672
Bank borrowings – due within one year	16	5,600	30,600
		<u>12,939</u>	<u>38,172</u>
<b>Net current assets (liabilities)</b>		<u>41,581</u>	<u>(29,018)</u>
<b>Total assets less current liabilities</b>		<u>741,226</u>	<u>673,756</u>
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	16	105,800	51,400
Deferred tax liabilities	20	3,471	2,662
		<u>109,271</u>	<u>54,062</u>
<b>Net assets</b>		<u><u>631,955</u></u>	<u><u>619,694</u></u>
<b>Capital and reserves</b>			
Share capital	17	8,579	8,279
Reserves		<u>623,376</u>	<u>611,415</u>
<b>Shareholders' funds</b>		<u><u>631,955</u></u>	<u><u>619,694</u></u>



**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****Balance Sheet***As at 31 December 2003*

	<i>Notes</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Interests in subsidiaries	12	<u>603,749</u>	<u>608,576</u>
<b>Current assets</b>			
Prepayments, deposits and other receivables		13	1
Amounts due from subsidiaries		13,819	12,743
Bank balances and cash		<u>51,051</u>	<u>6,130</u>
		<u>64,883</u>	<u>18,874</u>
<b>Current liabilities</b>			
Creditors and accruals		149	199
Taxation payable		29	29
Bank borrowings – due within one year	16	<u>5,600</u>	<u>30,600</u>
		<u>5,778</u>	<u>30,828</u>
<b>Net current assets (liabilities)</b>		<u>59,105</u>	<u>(11,954)</u>
<b>Total assets less current liabilities</b>		<u>662,854</u>	<u>596,622</u>
<b>Non-current liability</b>			
Bank borrowings – due after one year	16	<u>105,800</u>	<u>51,400</u>
<b>Net assets</b>		<u><u>557,054</u></u>	<u><u>545,222</u></u>
<b>Capital and reserves</b>			
Share capital	17	8,579	8,279
Reserves	19	<u>548,475</u>	<u>536,943</u>
<b>Shareholders' fund</b>		<u><u>557,054</u></u>	<u><u>545,222</u></u>

**APPENDIX I**
**FINANCIAL INFORMATION ON THE SCG GROUP**
**Consolidated Statement of Changes in Equity**
*For the year ended 31 December 2003*

	Share capital HK\$'000	Share premium HK\$'000	Negative goodwill HK\$'000	Contributed surplus HK\$'000 (Note 19)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002							
– as originally stated	8,279	192,744	85,217	364,866	3,689	(25,931)	628,864
– prior year adjustment (Note 2)	–	–	–	–	–	(11,978)	(11,978)
– as restated	8,279	192,744	85,217	364,866	3,689	(37,909)	616,886
Share of movements in reserves of an associate not recognised in the consolidated income statement	–	–	–	–	1	–	1
Exchange differences on translation of a jointly controlled entity outside Hong Kong	–	–	–	–	21	–	21
Net gains not recognised in the consolidated income statement	–	–	–	–	22	–	22
Net profit for the year	–	–	–	–	–	2,786	2,786
At 31 December 2002 and 1 January 2003	8,279	192,744	85,217	364,866	3,711	(35,123)	619,694
Exchange differences on translation of a jointly controlled entity outside Hong Kong	–	–	–	–	(1,842)	–	(1,842)
Net losses not recognised in the consolidated income statement	–	–	–	–	(1,842)	–	(1,842)
Shares issued at premium	300	14,100	–	–	–	–	14,400
Release on deemed disposal of an associate	–	–	(27,921)	–	(857)	–	(28,778)
Net profit for the year	–	–	–	–	–	28,481	28,481
At 31 December 2003	8,579	206,844	57,296	364,866	1,012	(6,642)	631,955
Attributable to:							
The Company and subsidiaries	8,579	206,844	57,296	364,866	–	(11,990)	625,595
Jointly controlled entity	–	–	–	–	(747)	7,584	6,837
Associates	–	–	–	–	1,759	(2,236)	(477)
At 31 December 2003	8,579	206,844	57,296	364,866	1,012	(6,642)	631,955
The Company and subsidiaries	8,279	192,744	85,217	364,866	–	(36,016)	615,090
Jointly controlled entity	–	–	–	–	1,095	11,364	12,459
Associates	–	–	–	–	2,616	(10,471)	(7,855)
At 31 December 2002	8,279	192,744	85,217	364,866	3,711	(35,123)	619,694

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****Consolidated Cash Flow Statement***For the year ended 31 December 2003*

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i> (As restated)
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	26,599	1,547
Adjustments for:		
Finance costs	2,907	3,251
Share of results of jointly controlled entity and associates	(1,466)	(9,491)
Amortisation of goodwill arising on acquisition of a jointly controlled entity	1,873	1,873
Gain on deemed disposal of an associate	(28,273)	–
Dividend income from other investments	(54)	(49)
Depreciation	142	97
Interest income	(202)	(237)
Unrealised holding (gain) loss on other investments	(190)	28
Deficit on revaluation of investment properties	–	3,800
Operating cash flows before movements in working capital	1,336	819
Decrease in prepayments, deposits and other receivables	31	544
Increase in creditors and accruals	1,313	625
Decrease in rental and management fee deposits received	(176)	(729)
Cash generated from operations	2,504	1,259
Hong Kong Profits Tax paid	(1,749)	(810)
Tax refunded	257	49
Interest paid	(2,833)	(3,326)
Bank facility arrangement fee	(250)	–
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,071)</b>	<b>(2,828)</b>
<b>INVESTING ACTIVITIES</b>		
Dividend received from a jointly controlled entity	3,290	2,605
Proceeds on disposal of an investment property	–	500
Interest received	202	256
Dividends received from other investments	54	49
Purchases of property, plant and equipment	(68)	(3)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>3,478</b>	<b>3,407</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(70,600)	(30,000)
Proceeds on issue of shares	14,400	–
New bank loan raised	100,000	12,000
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>43,800</b>	<b>(18,000)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>45,207</b>	<b>(17,421)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>6,470</b>	<b>23,891</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>51,677</b>	<b>6,470</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	955	587
Time deposits	50,722	5,883
	<b>51,677</b>	<b>6,470</b>

**Notes to the Financial Statements***31 December 2003***1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries, jointly controlled entity and associates are set out in notes 12, 13 and 14, respectively.

**2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS**

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”), the term of HKFRS, is inclusive of Statements of Standard Accounting Practice (“SSAP”(s)) and Interpretations approved by the HKSA.

**SSAP 12 (Revised)                      Income Taxes**

In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

As a result of this change in policy, the balance of accumulated losses at 1 January 2002 has been increased by HK\$11,978,000 representing the cumulative effect of the change in policy on the results prior to 1 January 2002.

The adoption of SSAP 12 (Revised) has given rise to goodwill of approximately HK\$33,710,000 attributable to the acquisition of the jointly controlled entity during the year ended 31 December 1998 and a corresponding reduction in share of net asset value in a jointly controlled entity. The goodwill has been capitalised as an asset and included in the interest in a jointly controlled entity and amortised on the straight-line basis over its estimated useful life. As at 1 January 2003, accumulated amortisation of goodwill amounted to HK\$8,429,000 (1 January 2002: HK\$6,556,000).

In addition, included in the above increase to the accumulated losses, approximately HK\$1,277,000 and HK\$2,440,000 respectively was the Group’s share of adjustment on adoption of SSAP 12 (Revised) in an associate and a jointly controlled entity. This has resulted in an increase in the Group’s share of the accumulated losses of the associate and jointly controlled entity as at 1 January 2003 (1 January 2002: HK\$1,810,000 and HK\$1,644,000 respectively) and a corresponding reduction in the share of net assets of the associate and jointly controlled entity.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company’s balance sheet at cost less any identified impairment loss.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

**Jointly controlled entity**

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interest in a jointly controlled entity is included in the consolidated balance sheet at the Group's share of the net assets of a jointly controlled entity plus the goodwill in so far as it has not already been amortised, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entity is included in the consolidated income statement.

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

**Negative Goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant associate.

Negative goodwill arising on acquisition after 1 January 2001 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

**Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a surplus subsequently arises, this increase is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property disposed of is credited to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the shorter of the term of the lease, or 50 years
Buildings	2%
Leasehold improvements	Over the lease term
Furniture and fixtures	20% – 25%
Motor vehicles	30%
Office equipment	25%

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***Taxation** *(Continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

**Turnover**

Turnover represents rental and management fee income but excludes intra-group transactions.

**Revenue recognition**

Rental and management fee income is recognised on a straight-line basis over the relevant lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

**Leases**

Rentals receivable (payable) under operating leases are credited (charged) to income statement on a straight-line basis over the relevant lease terms.

**Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

**Retirement benefit costs**

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

**4. SEGMENTAL INFORMATION**

The Group is principally engaged in property leasing and building management services and therefore no business segment information is presented.

No geographical segment information is presented as over 90% of the Group's segment revenue and assets are derived from operations carried out in Hong Kong. The jointly controlled entity is not a reportable segment as defined by SSAP 26 Segment reporting. Further details of the location and principal activities of the jointly controlled entity are set out in note 13.

**5. PROFIT (LOSS) FROM OPERATIONS**

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Staff costs, including directors' remuneration ( <i>note 6</i> ):		
– Salaries, wages and other benefits ( <i>Note</i> )	9,000	7,196
– Retirement benefit scheme contributions	170	151
Total staff costs	9,170	7,347
Auditors' remuneration	270	400
Costs incurred in the provision of rental and management services ( <i>Note</i> )	2,689	2,854
Depreciation of property, plant and equipment	142	97
Minimum lease payments under operating leases for land and buildings	594	543
Revaluation deficit of investment properties	–	3,800
Unrealised holding loss on other investments	–	28
and after crediting:		
Gross rents from investment properties	13,910	14,159
Less: outgoings	(618)	(653)
	13,292	13,506
Dividend income from other investments	54	49
Interest income from bank deposits	202	237
Unrealised holding gain on other investments	190	–

*Note:* Staff costs of HK\$1,430,000 (2002: HK\$1,902,000) are included in costs incurred in the provision of rental and management services.



**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS****(a) Directors' emoluments**

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	66	66
Independent non-executive directors	120	120
	<u>186</u>	<u>186</u>
Other emoluments of executive directors:		
Salaries and other benefits	2,635	2,365
Retirement benefit scheme contributions	5	–
	<u>2,640</u>	<u>2,365</u>
Total directors' emoluments	<u><u>2,826</u></u>	<u><u>2,551</u></u>

The emoluments of the directors were within the following bands:

	<b>Number of directors</b> <b>2003</b>	<b>2002</b>
Nil to HK\$1,000,000	8	9
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>9</u>	<u>10</u>

No director waived any emoluments in both years.

**(b) Employees' Emoluments**

Of the five individuals with the highest emoluments in the Group, two (2002: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2002: three) individuals were as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Salaries and other benefits	1,764	1,746
Contributions to retirement benefits schemes	36	36
	<u>1,800</u>	<u>1,782</u>

The aggregate emoluments of each of the highest paid non-director employees were within the emolument band ranging from HK\$Nil to HK\$1,000,000 for both years.

**7. FINANCE COSTS**

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	2,530	3,251
Other finance costs	377	–
	<u>2,907</u>	<u>3,251</u>

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****8. TAXATION**

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Current tax:		
Hong Kong		
Provision for the year	303	323
Overprovision in prior years	(5)	(1,417)
	<u>298</u>	<u>(1,094)</u>
Deferred taxation ( <i>note 20</i> ):		
Current year	559	694
Attributable to a change in tax rate	250	–
	<u>809</u>	<u>694</u>
Taxation attributable to the Company and its subsidiaries	1,107	(400)
Share of taxation attributable to:		
A jointly controlled entity	(1,803)	(707)
Associates	(1,186)	(132)
	<u>(1,882)</u>	<u>(1,239)</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 December 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax credit for the year can be reconciled to the profit per the income statement as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Profit before taxation	<u>26,599</u>	<u>1,547</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2002: 16%)	4,655	247
Tax effect of expenses not deductible for tax purpose	1,124	1,798
Tax effect of income not taxable for tax purpose	(5,158)	(90)
Tax effect of tax losses not recognised	738	1,027
Utilisation of tax losses previously not recognised	(241)	(447)
Increase in opening deferred tax liabilities resulting from an increase in Hong Kong Profits Tax rate	250	–
Tax effect on share of result of a jointly controlled entity	(825)	(298)
Tax effect on share of results of associates	(2,420)	(2,059)
Overprovision in prior years	(5)	(1,417)
Tax credit and effective tax rate for the year	<u>(1,882)</u>	<u>(1,239)</u>

**9. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the net profit attributable to shareholders of approximately HK\$28,481,000 (2002: HK\$2,786,000) and on the weighted average of 852,689,832 shares (2002: 827,867,914 shares) in issue during the year.

No diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for both years.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****10. INVESTMENT PROPERTIES****THE GROUP**  
*HK\$'000*

At 1 January 2003 and 31 December 2003

236,000

Investment properties were valued at their open market value at 31 December 2003 by A A Property Services Limited, an independent professional valuer and are rented out under operating leases.

The Group's investment properties have been pledged to banks to secure general banking facilities granted to the Company.

**THE GROUP**  
**2003 & 2002**  
*HK\$'000*

The carrying amount of investment properties comprises land in Hong Kong as follows:

Long lease	87,650
Medium-term lease	148,350
	<u>236,000</u>

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Leasehold land and buildings HK\$'000</b>	<b>Leasehold improvements HK\$'000</b>	<b>Other fixed assets HK\$'000</b>	<b>Total HK\$'000</b>
<b>THE GROUP</b>				
<b>COST</b>				
At 1 January 2003	3,143	101	3,526	6,770
Additions	<u>–</u>	<u>25</u>	<u>43</u>	<u>68</u>
At 31 December 2003	<u>3,143</u>	<u>126</u>	<u>3,569</u>	<u>6,838</u>
<b>DEPRECIATION</b>				
At 1 January 2003	481	101	3,445	4,027
Provided for the year	<u>70</u>	<u>25</u>	<u>47</u>	<u>142</u>
At 31 December 2003	<u>551</u>	<u>126</u>	<u>3,492</u>	<u>4,169</u>
<b>NET BOOK VALUES</b>				
At 31 December 2003	<u>2,592</u>	<u>–</u>	<u>77</u>	<u>2,669</u>
At 31 December 2002	<u>2,662</u>	<u>–</u>	<u>81</u>	<u>2,743</u>

The Group's leasehold land and buildings are situated in Hong Kong held under long term leases.

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## FINANCIAL INFORMATION ON THE SCG GROUP

### 12. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	231,154	231,154
Amounts due from subsidiaries	399,883	403,576
Amounts due to subsidiaries	(27,288)	(26,154)
	<u>603,749</u>	<u>608,576</u>

The balances with subsidiaries are unsecured and in the opinion of directors, the balances will not be receivable/repayable within one year from the balance sheet date, and are therefore shown as non-current. Except for an amount of amounts due from subsidiaries of HK\$13,819,000 (2002: HK\$12,743,000) bears interest at 3% per annum, the remaining balances are interest free.

Details of the Company's principal subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
<i>Direct subsidiary</i>				
SCG Investment (B.V.I.) Limited	British Virgin Islands ("BVI")	HK\$100,000	100%	Investment holding
<i>Indirect subsidiaries</i>				
Dunley Developments Limited	BVI	US\$1	100%	Investment holding
Ecko Limited	Hong Kong	HK\$2	100%	Property management
Eldex Investment Company Limited	Hong Kong	HK\$541,000 (ordinary) HK\$1,459,000 (non-voting deferred)	100%	Property investment
Grand Award Limited	BVI	US\$1	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK\$2	100%	Property investment
Grand Phoenix Limited	BVI	US\$1	100%	Investment holding
Jeckman Holdings Limited	BVI	US\$16	100%	Investment holding
Linksky Limited	Hong Kong	HK\$2	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK\$2	100%	Provision of management services
Lyre Terrace Management Limited	Hong Kong	HK\$1,000,000	100%	Investment holding and property investment
On Hing Investment Company, Limited	Hong Kong	HK\$1,000 (ordinary) HK\$2,000,000 (non-voting deferred)	100%	Property investment

## APPENDIX I

## FINANCIAL INFORMATION ON THE SCG GROUP

### 12. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company	Principal activities
SCG Financial Investment Limited	BVI	US\$1,000	100%	Investment holding
SCG Leasing Corporation Limited	Hong Kong	HK\$2	100%	Property investment
Strenbeeche Limited	BVI/ Hong Kong	HK\$147,000,008	100%	Property investment
Tin Fung Investment Company, Limited	Hong Kong	HK\$975,000 (ordinary) HK\$210,000 (non-voting deferred)	100%	Property investment
Upper Nice Assets Ltd.	BVI	US\$1	100%	Investment holding

*Note:* All issued share capital are ordinary shares unless otherwise stated.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of directors, result in particulars of excessive length.

### 13. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	188,174	197,086
Goodwill ( <i>Note</i> )	23,408	25,281
	<u>211,582</u>	<u>222,367</u>
<i>Note:</i>		
		HK\$'000
COST		
At 1 January 2002, 31 December 2002 and 31 December 2003		<u>33,710</u>
AMORTISATION		
1 January 2002		6,556
Charge for the year		<u>1,873</u>
At 31 December 2002 and 1 January 2003		8,429
Charge for the year		<u>1,873</u>
At 31 December 2003		<u>10,302</u>
NET BOOK VALUES		
At 31 December 2003		<u>23,408</u>
At 31 December 2002		<u>25,281</u>

## APPENDIX I

## FINANCIAL INFORMATION ON THE SCG GROUP

### 13. INTEREST IN A JOINTLY CONTROLLED ENTITY (*Continued*)

At 31 December 2003, the Group had interest in the following jointly controlled entity:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued ordinary share capital indirectly held by the Company	Principal activities
Beijing Dongzhimen International Apartment Co., Ltd. ("Beijing Dongzhimen")	Sino-foreign equity joint venture	People's Republic of China ("PRC")	44%	Property holding and provision of residential service apartments

Beijing Dongzhimen is a sino-foreign equity joint venture which was established in the PRC on 18 December 1986 with a tenure of 14 years and 8 months to 17 August 2001 (the "initial JV term"). The extension of the initial JV term for a further period of 15 years from the date of expiry of the initial JV term to 17 August 2016 has been approved by the relevant authorities.

Beijing Dongzhimen has obtained approval from relevant authorities to further extend the land use right of the residential service apartments for 40 years following the expiry of the initial JV term.

The following details have been extracted from the audited financial statements of Beijing Dongzhimen:

#### Results

	2003 HK\$'000	2002 HK\$'000
Turnover	<u>87,250</u>	<u>99,166</u>
Loss before taxation	<u>(12,689)</u>	<u>(5,804)</u>
Loss before taxation attributable to the Group	<u>(5,583)</u>	<u>(2,554)</u>

#### Financial position

	2003 HK\$'000	2002 HK\$'000
Non-current assets	712,158	663,216
Current assets	11,498	41,134
Current liabilities	(100,443)	(133,032)
Non-current liabilities	<u>(195,545)</u>	<u>(123,395)</u>
Net assets	<u>427,668</u>	<u>447,923</u>
Net assets attributable to the Group	<u>188,174</u>	<u>197,086</u>

## APPENDIX I

## FINANCIAL INFORMATION ON THE SCG GROUP

### 14. INTERESTS IN ASSOCIATES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets	249,394	241,664
Loan to an associate	27,900	27,900
Due from an associate	3,589	3,589
	<u>280,883</u>	<u>273,153</u>
Less: Allowance for doubtful debts	<u>(31,489)</u>	<u>(31,489)</u>
	<u>249,394</u>	<u>241,664</u>
Associates include:		
Share of net assets of a Hong Kong listed company	<u>249,394</u>	<u>241,664</u>
Market value of listed shares	<u>393,948</u>	<u>196,974</u>

The loan of HK\$27,900,000 (2002: HK\$27,900,000) to an associate is unsecured, interest-bearing at 15% per annum and has no fixed terms of repayment. The amount "Due from an associate" is unsecured, interest-free and has no fixed terms of repayment. Both of these amounts have been fully provided against at the balance sheet date.

As at 31 December 2003, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of incorporation/ registration and operation	Proportion of nominal value of issued share capital held by the Group	Principal activities
Shougang Concord Technology Holdings Limited ("Shougang Concord Technology")	Incorporated	Hong Kong	31.13%	Investment holding (Note)
Top Pearl International Development Limited	Incorporated	BVI/PRC	50%	Property development

*Note:* The principal activities of the material associate of the Group, Shougang Concord Technology and its subsidiaries, at the balance sheet date were engaged in the manufacture and sale of telephone cords and accessories, power cords, adaptors and electronic products, printed circuit boards, high precision metal parts and the provision of freight forwarding and delivery services.

## APPENDIX I

## FINANCIAL INFORMATION ON THE SCG GROUP

### 14. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the audited financial statements of Shougang Concord Technology:

#### Results

	2003 HK\$'000	2002 HK\$'000
Turnover	387,744	426,269
Profit before taxation	19,156	27,184
Profit before taxation attributable to the Group	7,049	12,045

#### Financial position

	2003 HK\$'000	2002 HK\$'000
Non-current assets	768,128	310,358
Current assets	395,405	559,490
Current liabilities	(286,023)	(133,332)
Non-current liabilities	(66,937)	(205,053)
Minority interests	(9,605)	(9,543)
Net assets	800,968	521,920
Net assets attributable to the Group	249,394	241,664

### 15. OTHER INVESTMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Listed equity investments in Hong Kong, at market value	1,020	830

### 16. BANK BORROWINGS

	THE GROUP AND THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Secured	109,520	80,000
Unsecured	1,880	2,000
	111,400	82,000
The maturity of the bank borrowings is as follows:		
On demand or within one year	5,600	30,600
More than one year, but not exceeding two years	15,800	35,600
More than two years, but not exceeding five years	90,000	15,800
	111,400	82,000
Less: Amounts due within one year shown under current liabilities	(5,600)	(30,600)
	105,800	51,400



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## FINANCIAL INFORMATION ON THE SCG GROUP

### 17. SHARE CAPITAL

	2003		2002	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 1 January and 31 December	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid:				
At 1 January	827,867,914	8,279	827,867,914	8,279
Share issued at premium	<u>30,000,000</u>	<u>300</u>	<u>–</u>	<u>–</u>
At 31 December	<u>857,867,914</u>	<u>8,579</u>	<u>827,867,914</u>	<u>8,279</u>

On 19 February 2003, Shougang Holding (Hong Kong) Limited (“Shougang Holding”), the intermediate holding company, entered into an agreement with the placing agent, CITIC Capital Markets Limited (“CITIC”), to place on a fully underwritten basis 30,000,000 existing ordinary shares of the Company at a price of HK\$0.48 per share. The shares were placed by CITIC to an independent third party on 21 February 2003.

On the same date, the Company entered into a conditional agreement with Shougang Holding for the subscription of 30,000,000 new ordinary existing shares by Shougang Holding at a price of HK\$0.48 per share. On 5 March 2003, the condition as specified in the agreement had been fulfilled and, accordingly the said transaction was completed.

### 18. SHARE OPTIONS SCHEMES

On 7 June 2002, the share option scheme (the “Old Scheme”) of the Company adopted on 8 September 1993 ceased to operate and a new share option scheme (the “New Scheme”) has been adopted to comply with the new requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. No share options under the Old Scheme were outstanding as at 1 January 2002 and no share option was granted by virtue of the Old Scheme for the period from 1 January 2002 and up to 7 June 2002, being the date of termination of the Old Scheme.

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations and/or its associated companies. Eligible participants of the New Scheme included directors (including executive and non-executive directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates. The New Scheme became effective on 7 June 2002, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the New Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of the passing of such resolution. At 19 April 2004, the total number of shares available for issue under the New Scheme was 85,786,791, which represented approximately 9.1% of the Company’s shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the New Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 60 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the New Scheme at any time within 10 years from the date of the options have been granted.

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## FINANCIAL INFORMATION ON THE SCG GROUP

### 18. SHARE OPTIONS SCHEMES (Continued)

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's ordinary shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following table discloses the details of the share options and movements in such holdings during the years ended 31 December 2003 and 2002:

Grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				At 1.1.2003	Granted during the year	Exercised during the year	At 31.12.2003
Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	31,431,112	–	–	31,431,112
	6.3.2003	6.3.2003 – 5.3.2013	0.76	–	10,762,283	–	10,762,283
Former directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	16,557,358	–	–	16,557,358
Employees	23.8.2002	23.8.2002 – 6.6.2012	0.73	4,000,000	–	–	4,000,000
	6.3.2003	6.3.2003 – 5.3.2013	0.76	–	5,120,000	–	5,120,000
Others	23.8.2002	23.8.2002 – 6.6.2012	0.73	1,822,944	–	–	1,822,944
	6.3.2003	6.3.2003 – 5.3.2013	0.76	–	13,085,735	–	13,085,735
				<u>53,811,414</u>	<u>28,968,018</u>	<u>–</u>	<u>82,779,432</u>

Grantees	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				At 1.1.2002	Granted during the year	Exercised during the year	At 31.12.2002
Directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	31,431,112	–	31,431,112
Former directors	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	16,557,358	–	16,557,358
Employees	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	4,000,000	–	4,000,000
Others	23.8.2002	23.8.2002 – 6.6.2012	0.73	–	1,822,944	–	1,822,944
				<u>–</u>	<u>53,811,414</u>	<u>–</u>	<u>53,811,414</u>

#### Notes:

- Total consideration received during the year from employees for taking up the options granted is amounted to HK\$7 (2002: HK\$11).
- No share options were exercised or lapsed or cancelled under the New Scheme during the year.
- The closing price of the shares of the Company immediately before 6 March 2003, the date of grant of the share options, was HK\$0.70.
- The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such item as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****19. RESERVES****THE GROUP**

The contributed surplus represented the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange.

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1 January 2002	192,744	362,731	(16,884)	538,591
Loss for the year	–	–	(1,648)	(1,648)
At 31 December 2002 and 1 January 2003	192,744	362,731	(18,532)	536,943
Shares issued at premium	14,100	–	–	14,100
Loss for the year	–	–	(2,568)	(2,568)
At 31 December 2003	206,844	362,731	(21,100)	548,475

The contributed surplus represented the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they are acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of a group reorganisation in 1991. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, as at 31 December 2003, the Company's reserves available for distribution consisted of contributed surplus and accumulated losses of HK\$341,631,000 (2002: HK\$344,199,000).

**20. DEFERRED TAX LIABILITIES**

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
<b>THE GROUP</b>			
At 1 January 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	1,941	27	1,968
– as restated	1,941	27	1,968
Charge to income statement for the year	687	7	694
At 31 December 2002 and 1 January 2003	2,628	34	2,662
Charge to income statement	557	2	559
Effect of change in tax rate			
– charge to income statement	247	3	250
At 31 December 2003	3,432	39	3,471

**20. DEFERRED TAX LIABILITIES (Continued)**

At the balance sheet date, the Group has unused tax losses of HK\$48,758,000 (2002: HK\$45,915,000) available for offset against future profits. No deferred tax asset has been recognised in relation to the unused tax losses due to the unpredictability of future profit streams.

The Company had no significant unprovided deferred taxation during the year or at the balance sheet date.

**21. OPERATING LEASES****The Group as lessor**

The Group's property rental income earned during the year was HK\$13,910,000 (2002: HK\$14,159,000). The Group's investment properties have committed tenants for the next one to three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	7,119	9,156
In the second to fifth year inclusive	1,782	4,158
	<u>8,901</u>	<u>13,314</u>

**22. CAPITAL COMMITMENTS**

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's share of the jointly controlled entity's capital commitments:		
Contracted but not provided for	<u>11,814</u>	<u>24,580</u>

The Company had no significant capital commitment at the balance sheet date.

**23. PLEDGE OF ASSETS**

At 31 December 2003, the Group's investment properties and land and buildings with an aggregate carrying value of approximately HK\$238,592,000 (2002: HK\$238,662,000) were pledged to banks for bank loans. At 31 December 2003, the outstanding amount of such bank loans were HK\$109,520,000 (2002: HK\$80,000,000).

**24. RETIREMENT BENEFIT SCHEMES**

The Group operates a Mandatory Provident Fund ("MPF") scheme for all qualifying employees in Hong Kong. The assets of the MPF scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK\$1,000 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

**25. POST BALANCE SHEET EVENT**

On 13 February 2004, a resolution was passed by the directors to approve a payment of a special dividend to be satisfied by the distribution in specie of the Group's entire shareholding of approximately 31.02% in Shougang Concord Technology to the Company's shareholders whose name as recorded on the register of members of the Company on 4 March 2004 on a pro-rata basis.

At the balance sheet date, the Group owns 371,649,069 shares in Shougang Concord Technology, representing approximately 31.13% of the Shougang Concord Technology's issued shares.

**26. RELATED PARTY TRANSACTIONS**

During the year, the Group entered into certain transactions with Shougang Holding and with Shougang Holding's subsidiary and with Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding.

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Management and service fees charged by Shougang International ( <i>Note a</i> )	–	498
Consultancy expenses charged by Shougang International ( <i>Note a</i> )	–	400
Rental expenses charged by Winluck Properties Limited ( <i>Note b</i> )	594	–
Rental expenses charged by Wonderfine Development Limited ( <i>Note b</i> )	–	543
Consultancy expenses charged by Shougang Holding ( <i>Note c</i> )	960	960

*Notes:*

- (a) The management and services fees and consultancy expenses were charged in accordance with the agreements between the Group and Shougang International.
- (b) The rental expenses were charged in accordance with the agreements between the Group, Winluck Properties Limited and Wonderfine Development Limited, subsidiaries of Shougang Holding.
- (c) The consultancy expenses were charged in accordance with the agreement between the Group and Shougang Holding.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP**

2. The following is the summary of the unaudited interim results of the SCG Group for the six months ended 30 June 2004 and 2003 respectively together with the accompanying notes extracted from the interim report for the six months ended 30 June 2004.

**Condensed Consolidated Income Statement**

*For the six months ended 30 June 2004*

		<b>Six months ended 30 June</b>	
		<b>2004</b>	<b>2003</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Turnover	4	8,162	7,577
Other operating income		369	1,027
Administrative expenses		(15,711)	(8,669)
Loss from operations		(7,180)	(65)
Finance costs	5	(973)	(1,486)
Share of result of a jointly controlled entity	6	(70,925)	(4,033)
Share of result of an associate		(5,835)	2,055
Gain on deemed disposal of an associate		115	–
Gain on disposal of an associate	7	189,210	–
Impairment loss on goodwill of interest in a jointly controlled entity	6	(22,471)	–
Profit (loss) before taxation	8	81,941	(3,529)
Taxation	9	1,760	232
Net profit (loss) for the period		<u>83,701</u>	<u>(3,297)</u>
Dividend paid	7	<u>374,740</u>	<u>–</u>
Dividend per share		<u>HK39.9 cents</u>	<u>–</u>
Earnings (loss) per share	10		
Basic		<u>HK9.17 cents</u>	<u>HK(0.39) cents</u>
Diluted		<u>HK9.00 cents</u>	<u>HK(0.39) cents</u>

*Note:* Save as disclosed above, there were no extraordinary items, exceptional items, and minority interests.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****Condensed Consolidated Balance Sheet***At 30 June 2004*

		<b>30 June 2004</b>	<b>31 December 2003</b>
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets			
Investment properties	11	228,450	236,000
Property, plant and equipment		2,669	2,669
Interest in a jointly controlled entity		120,063	211,582
Interests in associates		–	249,394
		<u>351,182</u>	<u>699,645</u>
Current assets			
Short term investments		1,000	1,020
Prepayments, deposits and other receivables		3,060	1,823
Bank balances and cash		108,916	51,677
		<u>112,976</u>	<u>54,520</u>
Current liabilities			
Creditors and accruals		3,426	3,580
Rental and management fee deposits received		3,537	3,281
Taxation payable		193	478
Bank borrowings – due within one year	12	5,600	5,600
		<u>12,756</u>	<u>12,939</u>
Net current assets		<u>100,220</u>	<u>41,581</u>
Total assets less current liabilities		<u>451,402</u>	<u>741,226</u>
Non-current liabilities			
Bank borrowings – due after one year	12	105,500	105,800
Deferred tax liabilities		2,656	3,471
		<u>108,156</u>	<u>109,271</u>
Net assets		<u><u>343,246</u></u>	<u><u>631,955</u></u>
Capital and reserves			
Share capital	13	9,393	8,579
Reserves		333,853	623,376
Shareholders' funds		<u><u>343,246</u></u>	<u><u>631,955</u></u>

# APPENDIX I

# FINANCIAL INFORMATION ON THE SCG GROUP

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2004

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated (losses) profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	8,279	192,744	85,217	364,866	3,711	(35,123)	619,694
Exchange adjustment on translation of a jointly controlled entity outside Hong Kong not recognised in the consolidated income statement	-	-	-	-	22	-	22
Shares issued at premium	300	14,100	-	-	-	-	14,400
Net loss for the period	-	-	-	-	-	(3,297)	(3,297)
At 30 June 2003	8,579	206,844	85,217	364,866	3,733	(38,420)	630,819
Exchange adjustment on translation of a jointly controlled entity outside Hong Kong not recognised in the consolidated income statement	-	-	-	-	(1,864)	-	(1,864)
Release on deemed disposal of an associate	-	-	(27,921)	-	(857)	-	(28,778)
Net profit for the period	-	-	-	-	-	31,778	31,778
At 31 December 2003	8,579	206,844	57,296	364,866	1,012	(6,642)	631,955
Exchange adjustment on translation of a jointly controlled entity outside Hong Kong not recognised in the consolidated income statement	-	-	-	-	1,099	-	1,099
Shares issued at premium	814	59,473	-	-	-	-	60,287
Release on deemed disposal of an associate	-	-	(202)	-	(6)	-	(208)
Release on disposal of an associate	-	-	(57,094)	-	(1,754)	-	(58,848)
Net profit for the period	-	-	-	-	-	83,701	83,701
Transfer ( <i>Note</i> )	-	-	-	(362,731)	-	362,731	-
Dividend paid	-	-	-	-	-	(374,740)	(374,740)
At 30 June 2004	9,393	266,317	-	2,135	351	65,050	343,246

*Note:* On 4 March 2004, a resolution was passed by the directors of the Company to approve the transfer of HK\$362,731,328 from contributed surplus to accumulated profit for the purpose of distribution.



**Condensed Consolidated Cash Flow Statement***For the six months ended 30 June 2004*

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(1,827)	(2,967)
Net cash from investing activities:		
Interest received	21	47
Dividends received	39	33
Dividends received from a jointly controlled entity	–	3,290
Purchases of property, plant and equipment	(52)	(64)
	<u>8</u>	<u>3,306</u>
Net cash from financing activities:		
Proceeds on issue of shares	60,287	14,400
New bank loan raised	–	100,000
Expenses incurred for the distribution of shares in an associate	(929)	–
Repayments of borrowings	(300)	(70,300)
	<u>59,058</u>	<u>44,100</u>
Net increase in cash and cash equivalents	57,239	44,439
Cash and cash equivalents at beginning of the period	<u>51,677</u>	<u>6,470</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>108,916</u></u>	<u><u>50,909</u></u>

**Notes to the Condensed Financial Statements***For the six months ended 30 June 2004***1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants .

**2. SIGNIFICANT ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2003.

**3. SEGMENTAL INFORMATION**

The Group is engaged in property leasing and building management services. As over 90% of the Group’s segment revenue was arising from property leasing, therefore, no business segment information is presented.

**4. TURNOVER**

Turnover represents rental and management fee income but excludes intra-group transactions.

**5. FINANCE COSTS**

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Interest on bank borrowings wholly repayable within five years	844	1,235
Other finance costs	129	251
	<u>973</u>	<u>1,486</u>

**6. SHARE OF RESULT OF A JOINTLY CONTROLLED ENTITY/IMPAIRMENT LOSS ON GOODWILL OF INTEREST IN A JOINTLY CONTROLLED ENTITY**

For the period ended 30 June 2004, the directors of the Company reviewed the carrying amount of the net assets of the Group’s jointly controlled entity. Beijing Dongzhimen International Apartments Co., Ltd. (“Beijing Dongzhimen”), in the light of current market condition. With reference to the financial results and business operated by Beijing Dongzhimen, the directors of the Company identified impairment loss in respect of its share of net assets and goodwill of approximately HK\$67,529,000 and HK\$22,471,000 respectively, and such amounts were dealt with in the income statement.

**7. GAIN ON DISPOSAL OF AN ASSOCIATE/DIVIDEND PAID**

On 13 February 2004, the directors of the Company declared to distribute special dividend to be satisfied by the distribution in specie of the Group’s entire shareholding of approximately 31.02%, representing 371,029,995 shares in an associate, Shougang Concord Technology Holdings Limited (“Shougang Technology”), to the Company’s shareholders on a pro-rata basis (the “Distribution”). The Distribution was completed on 23 March 2004 and the market price of Shougang Technology’s share at that date was HK\$1.01 per share. Total dividend paid is amounted to approximately HK\$374,740,000.

Pursuant to the completion of the Distribution, the interest of an associate is considered disposed of accordingly. Total gain of approximately HK\$189,210,000 was arising on the Distribution and was dealt with in the income statement.

**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP****8. PROFIT (LOSS) BEFORE TAXATION**

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of goodwill of a jointly controlled entity (included in share of result of a jointly controlled entity)	937	937
Cost incurred in the provision of rental and management services*	1,205	1,699
Revaluation deficit of investment properties	7,550	–
Depreciation of property, plant and equipment	52	79
Unrealised holding loss on short term investments	20	5
and after crediting:		
Dividend income from short term investments	39	33
Interest income from bank deposits	<u>21</u>	<u>49</u>

\* This amount included staff costs of HK\$924,000 (six months ended 30 June 2003: HK\$1,307,000).

**9. TAXATION**

	<b>Six months ended 30 June</b>	
	<b>2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The credit comprises:		
Hong Kong Profits Tax:		
Current period	161	171
Overprovision in prior period	(345)	(5)
Deferred taxation	<u>(815)</u>	<u>534</u>
Taxation attributable to the Company and its subsidiaries	(999)	700
Share of taxation attributable to:		
A jointly controlled entity	(779)	(997)
An associate	<u>18</u>	<u>65</u>
	<u>(1,760)</u>	<u>(232)</u>

Hong Kong Profits Tax is calculated at 17.5% (Six months ended 30 June 2003: 17.5%) of the estimated assessable profit for the period.

At 30 June 2004, the Group has unused tax losses of HK\$47,719,000 (31 December 2003: HK\$48,758,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,098,000 of such tax losses and the whole amount has been offset with the deferred tax liabilities for the period. No deferred tax asset has been recognised in respect of the remaining HK\$41,445,000 (31 December 2003: HK\$48,758,000) due to the unpredictability of future profit streams.

## APPENDIX I

## FINANCIAL INFORMATION ON THE SCG GROUP

### 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
<b>Earnings</b>		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	83,701	(3,297)
<b>Number of shares</b>	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	912,624	847,426
Effect of dilutive potential ordinary shares on share options	17,004	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	929,628	847,426

The computation of diluted loss per share for the period ended 30 June 2003 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for the shares for such period.

### 11. MOVEMENTS IN INVESTMENT PROPERTIES

A revaluation deficit of HK\$7,550,000 was recognised during the period with reference to the considerations of subsequent disposals after the balance sheet date as set out in note 16.

### 12. BORROWINGS

During the period, the Group repaid HK\$0.3 million (31 December 2003: HK\$70.6 million) of its bank loans in accordance with the repayment terms. The loans bear interest at market rates and are repayable over a period of 5 years.

### 13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each		Amount	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003
			HK\$'000	HK\$'000
Authorised:				
At beginning and end of the period/year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning of the period/year	857,867,914	827,867,914	8,579	8,279
Exercise of share options	81,448,753	–	814	–
Shares issued at premium	–	30,000,000	–	300
At the end of the period/year	939,316,667	857,867,914	9,393	8,579

### 14. PLEDGE OF ASSETS

At 30 June 2004, all of the Group's investment properties and land and buildings with an aggregate carrying value of approximately HK\$231.0 million (31 December 2003: HK\$238.6 million) were pledged to banks for bank loans. At 30 June 2004, the outstanding amount of such bank loans were HK\$109.3 million (31 December 2003: HK\$109.5 million).

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**APPENDIX I****FINANCIAL INFORMATION ON THE SCG GROUP**

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**15. CAPITAL COMMITMENTS**

The Group had the following commitments at the interim reporting date:

	<b>30 June 2004</b>	<b>31 December 2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>

The Group's share of the jointly-controlled entity's capital commitments:

Contracted, but not provided for	<u>7,774</u>	<u>11,814</u>
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**16. POST BALANCE SHEET EVENTS**

On 19 July 2004, the Group has entered into a provisional agreement with an independent third party to dispose of an investment property at HK\$40,000,000. A formal sale and purchase agreement was signed on 26 August 2004 by both parties and the transaction was completed on 27 August 2004.

On 18 August 2004, the Group has entered into a provisional agreement with an independent third party to dispose of an investment property at HK\$100,800,000 and a formal sale and purchase agreement was signed on 31 August 2004. The transaction was not yet completed at the report date.

On 9 September 2004, the Group has entered into a subscription agreement to acquire 40% equity interest in South China International Leasing Co., Ltd., a sino-foreign joint venture in Shenzhen, the People's Republic of China which is principally engaged in the provision of financial leasing at a consideration of approximately US\$1,666,000 (equivalent to approximately HK\$12,998,000), of which US\$1.3 million is for the acquisition of a shareholder's loan. Up to the report date, the Group has paid approximately US\$366,000 (equivalent to approximately HK\$2,855,000) to the vendor and the remaining consideration of US\$1.3 million will be fully settled on or before 10 December 2004 according to the terms of the subscription agreement.

**17. RELATED PARTY TRANSACTIONS**

During the period, the Group entered into certain transactions with Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the immediate holding company, and with Shougang Holding's subsidiary and with Shougang Technology.

	<b>Six months ended 30 June 2004</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental expenses charged by Winluck Properties Limited ( <i>Note a</i> )	297	297
Consultancy expenses charged by Shougang Holding ( <i>Note b</i> )	480	480
Management fee income received from Shougang Technology ( <i>Note c</i> )	<u>–</u>	<u>120</u>

*Notes:*

- (a) The rental expenses were charged in accordance with the agreements between the Group and Winluck Properties Limited, a subsidiary of Shougang Holding.
- (b) The consultancy expenses were charged in accordance with the agreements between the Group and Shougang Holding.
- (c) The management fee income was charged in accordance with the agreement between the Group and Shougang Technology.

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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### 1.      LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

*The following is the text of a letter from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma assets and liabilities statement of the Enlarged Group.*

**Deloitte.**  
**德勤**

德勤·關黃陳方會計師行  
香港中環干諾道中111號  
永安中心26樓

Deloitte Touche Tohmatsu  
26/F Wing On Centre  
111 Connaught Road Central  
Hong Kong

13 January 2005

The Board of Directors  
Shougang Concord Grand (Group) Limited  
6/F Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma assets and liabilities statement (“Pro Forma Assets and Liabilities Statement”) of Shougang Concord Grand (Group) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “SCG Group”) and Global Digital Creations Holdings Limited (“GDC”) and its subsidiaries (the “GDC Group” and, together with the SCG Group hereinafter collectively referred to as the “Enlarged Group”) set out in Appendix IV of the circular of the Company dated 13 January 2005 (the “Circular”) in connection with the major transaction of the voluntary conditional share exchange offer by DBS Asia Capital Limited on behalf of Upper Nice Assets Ltd., a wholly-owned subsidiary of the Company, to acquire all the issued shares of, and the voluntary conditional cash offer to cancel all the outstanding options, of GDC (the “Transaction”), which has been prepared by the directors of the Company (the “Directors”), as if the Transaction had been completed as at 30 June 2004 for illustrative purposes only, to provide information on how the Transaction might have affected the relevant assets and liabilities of the SCG Group.

#### **Responsibilities**

It is the sole responsibility of the Directors to prepare the Pro Forma Assets and Liabilities Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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## **APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

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It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Assets and Liabilities Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Assets and Liabilities Statement with the Directors.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the Pro Forma Assets and Liabilities Statement.

The Pro Forma Assets and Liabilities Statement has been compiled in accordance with the basis set out in the first paragraph of this letter for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Enlarged Group:

- a) on 30 June 2004; or
- b) at any future date.

### **Opinion**

In our opinion:

- a) the Pro Forma Assets and Liabilities Statement has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the SCG Group; and
- c) the adjustments are appropriate for the purposes of the Pro Forma Assets and Liabilities Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,  
**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

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## **APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

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### **2.        UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT**

The unaudited pro forma assets and liabilities statement of the Enlarged Group is based on the unaudited condensed consolidated balance sheet of the SCG Group as at 30 June 2004, and the unaudited condensed consolidated balance sheet of the GDC Group as at 30 June 2004. They have been prepared to illustrate the effect of the SCG Group's proposed acquisition of all the issued share capital of, and for the cancellation of all the outstanding options, of GDC (the "Transaction"), as if the Transaction had taken place at the date reported. They have been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Enlarged Group at the date reported, or at any future date.

#### **(i)       Basis of preparation of the Pro Forma Assets and Liabilities Statement**

The Pro Forma Assets and Liabilities Statement of the Enlarged Group has been prepared to demonstrate the effect of the SCG Group's proposed acquisition of all the issued share capital of, and for cancellation of all the outstanding options, of GDC (the "Transaction") on the assets and liabilities of the SCG Group on the assumption that GDC will become a wholly-owned subsidiary of the Company and in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the Transaction as if the Transaction had been completed on 30 June 2004.

The Pro Forma Assets and Liabilities Statement of the Enlarged Group is based upon the unaudited condensed consolidated balance sheet of the SCG Group as at 30 June 2004, which has been extracted from the Interim Report of the Company for the six months ended 30 June 2004, and the unaudited condensed consolidated balance sheet of the GDC Group as at 30 June 2004 as extracted from the Interim Report of GDC for the six months ended 30 June 2004, adjusted to reflect the effect to the pro forma adjustments described in the notes a and b thereto and reclassified certain balance sheet items to consistent with the presentation of the Enlarged Group. A narrative description of the pro forma adjustments of the Transaction that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the SCG Group, and (iii) factually supportable, are summarised in the accompanying notes.

The Pro Forma Assets and Liabilities Statement of the Enlarged Group is based on a number of assumptions, estimates and uncertainties. The Pro Forma Assets and Liabilities Statement of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Transaction been completed on 30 June 2004. The Pro Forma Assets and Liabilities Statement of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The Pro Forma Assets and Liabilities Statement of the Enlarged Group should be read in conjunction with the historical financial information of the SCG Group as set out in the Interim Report of the Company for the six months ended 30 June 2004 and other financial information included elsewhere in the Circular.



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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE ENLARGED GROUP**

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**(ii)    The Pro Forma Assets and Liabilities Statement of the Enlarged Group**

	The SCG Group as at 30 June 2004 <i>HK\$'000</i>	The GDC Group as at 30 June 2004 <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i>	<i>Notes</i>	Pro forma combined total <i>HK\$'000</i>
Non-current assets					
Investment properties	228,450	–	–		228,450
Properties, plant and equipment	2,669	34,843	–		37,512
Interest in a jointly controlled entity	120,063	–	–		120,063
Goodwill	–	–	82,074	a	82,074
Deferred tax assets	–	151	–		151
	<u>351,182</u>	<u>34,994</u>	<u>82,074</u>		<u>468,250</u>
Current assets					
Inventories	–	6,038	–		6,038
Production work in progress	–	93,454	–		93,454
Trade receivables	–	5,132	–		5,132
Prepayments, deposits and other receivables	3,060	4,820	–		7,880
Short term investments	1,000	–	–		1,000
Amount due from a related company	–	19	–		19
Pledged bank deposits	–	2,000	–		2,000
Bank balances and cash	108,916	3,596	(226)	b	112,286
	<u>112,976</u>	<u>115,059</u>	<u>(226)</u>		<u>227,809</u>
<b>TOTAL ASSETS</b>	<u><u>464,158</u></u>	<u><u>150,053</u></u>	<u><u>81,848</u></u>		<u><u>696,059</u></u>
Current liabilities					
Creditors and accruals	3,426	21,978	–		25,404
Rental and management fee deposits received	3,537	–	–		3,537
Training fees received in advance	–	1,095	–		1,095
Taxation payable	193	–	–		193
Loans from shareholders	–	5,486	–		5,486
Other loans	–	7,797	–		7,797
Borrowings – due within one year	5,600	39,511	–		45,111
	<u>12,756</u>	<u>75,867</u>	<u>–</u>		<u>88,623</u>
Non-current liabilities					
Loan from a shareholder	–	11,536	–		11,536
Borrowings – due after one year	105,500	5,155	–		110,655
Deferred tax liabilities	2,656	–	–		2,656
	<u>108,156</u>	<u>16,691</u>	<u>–</u>		<u>124,847</u>
<b>TOTAL LIABILITIES</b>	<u><u>120,912</u></u>	<u><u>92,558</u></u>	<u><u>–</u></u>		<u><u>213,470</u></u>
<b>NET ASSETS</b>	<u><u>343,246</u></u>	<u><u>57,495</u></u>	<u><u>81,848</u></u>		<u><u>482,589</u></u>

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## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial positing of the Enlarged Group.

*Notes:*

- a. The adjustment reflects the difference between the total consideration of the Transaction of approximately HK\$139,569,000, of which approximately HK\$139,343,000 calculated on the basis of the share exchange offer of 3 new SCG Share for every 10 GDC Share and on the closing price of SCG Share of HK\$0.58 per SCG Share as quoted on the Stock Exchange on the Latest Practicable Date for the proposed acquisition of all the issued shares of GDC and approximately HK\$226,000 cash will be paid for cancellation of all the outstanding options of GDC, and the audited consolidated net assets of the GDC Group as at 30 June 2004 amounted to approximately HK\$57,495,000. The balance of approximately HK\$82,074,000 represents the difference between the total consideration of the Transaction as mentioned above and the audited consolidated net assets of the GDC Group as at 30 June 2004. If a positive goodwill has been resulted on the completion of the Transaction, the Company should evaluate the goodwill for impairment on an annual basis in accordance with Hong Kong Financial Reporting Standard 3 "Business Combination" issued by the Hong Kong Institute of Certified Public Accountants. If the directors of the Company consider that the positive goodwill is not materially impaired, there will not have continuing effect.
- b. The adjustment reflects the decrease in bank balances and cash for cancellation of all the outstanding options of GDC of HK\$0.01 each in cash per every option amounted to approximately HK\$226,000, and which does not have continuing effect.
- c. The property interests of the SCG Group as at 31 December 2004 have been valued by AA Property Services Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix III of the Offer Document. If the difference between the mentioned valuation of the investment properties of the SCG Group and the carrying amount of the respective properties as at 30 June 2004 has to be recognised in the Pro Forma Assets and Liabilities Statement of the Enlarged Group, the pro forma combined total of the net assets would be increased by approximately HK\$4,750,000. At the future balance sheet dates, the investment properties of the SCG Group will be valued at their market value at the respective balance sheet date.

### 3. INDEBTEDNESS

As at the close of business on 30 November 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Circular, the Enlarged Group had outstanding borrowings of approximately HK\$188,111,000, which were analysed as follows:

	<i>HK\$'000</i>
Bank loans secured by the pledge of the SCG Group's investment properties and land and buildings located in Hong Kong with the carrying value as at 30 November 2004 of approximately HK\$90,191,000, bank deposits of the SCG Group as at 30 November 2004 of approximately HK\$65,500,000 and equity interest in a subsidiary of the GDC Group	137,366
Unsecured loans from shareholders of GDC used for operations of the GDC Group	26,567
Obligations under finance lease raised by the GDC Group	10,224
Unsecured other loans to the GDC Group	8,797
Bank overdraft secured by the pledge of bank deposits of the GDC Group as at 30 November 2004 of approximately HK\$2,000,000	3,387
Unsecured bank loans to the SCG Group	1,770
	<hr/>
	188,111
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<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP</b>
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Save as disclosed above, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 30 November 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

#### **4. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the Enlarged Group's internal resources and present available banking and other facilities, the Enlarged Group has sufficient working capital for its present requirements.

*The following is the text of a letter and valuation certificate received from A A Property Services Limited, an independent valuer, in connection with their valuation as at 31 December 2004 of the property interests of the SCG Group for the purpose of inclusion in this circular:*

13 January 2005

The Directors  
**Shougang Concord Grand (Group) Limited**  
6th Floor  
Bank of East Asia Harbour View Centre  
No. 56 Gloucester Road  
Wan Chai  
Hong Kong

Dear Sirs,

In accordance with your instruction to value the property interests owned by Shougang Concord Grand (Group) Limited and its subsidiaries (hereinafter together referred to as the “Group”) located in Hong Kong, we confirm that we have conducted inspection, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the open market value of the property interests as at 31 December 2004.

Our valuation is our opinion of the open market value which we would define as intended to mean “the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion”.

Our valuation has been made on the assumption that the property interests are sold on the open market in their existing state without the benefit of deferred term contracts, leaseback, joint ventures, management agreements or any similar arrangements which would serve to increase the value of such property interests.

We have valued the property interests on open market basis assuming sale with the benefit of vacant possession by reference to comparable market transactions and where appropriate on the basis of capitalisation of the rental income receivable under the existing tenancies or licences from the property with due allowance for reversionary income potential.

We have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, rentals, site and floor areas and all other relevant matters.

We have caused searches to be made in respect of the property interests at the relevant Land Registry. However, we have not scrutinised the original documents to verify ownership or to verify any lease and title amendments which may not appear on the copies handed to us. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate. No on-site measurements have been taken.

We have inspected the exterior and, where possible, the interior of the property included in the attached valuation certificate, in respect of which we have been provided with such information as we have required for the purpose of our valuation. No structural survey has been made. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

According to the information provided by the Group, the property interests included in the Valuation Certificate have been held by the Group as land and buildings and as long term investment properties and should be classified as capital assets in accordance with the Inland Revenue Ordinance. Under Section 14 of the Inland Revenue Ordinance, profits arising from the sale of capital assets are specifically exempted from Hong Kong Profits Tax. Accordingly, no tax liability would arise if the property interests were to be sold at the amount of the valuation pursuant to rule 11.3 of the Code on Takeovers and Mergers. Notwithstanding the foregoing in the event that tax is chargeable upon disposal of the property interests by the Group, the potential tax liability on profits arising on disposal of the property interests would not be more than HK\$7,700,000 if the property interests were to be sold at the amount of valuation.

Our summary of valuation and the valuation certificate are attached.

Yours faithfully,  
For and on behalf of  
**A A PROPERTY SERVICES LIMITED**  
**PATRICK W.C. LAI**  
MRICS, MHKIS, MCI Arb., RPS  
*Executive Director*

*Note:* Mr. Patrick W.C. Lai is a Chartered Valuation Surveyor of the Royal Institution of Chartered Surveyors and a Registered Professional Surveyor and a Real Estate Appraiser of China. He has 18 years of experience in the valuation of properties located in Hong Kong and in Beijing, Shanghai, Tianjin and other major cities in the People's Republic of China and has issued valuation certificates for and on behalf of A A Property Services for over 10 years.

**SUMMARY OF VALUATION**

<b>Property</b>	<b>Capital value in existing state as at 31 December 2004</b>
1. Flat 9 on 23rd Floor Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road Wan Chai Hong Kong	HK\$5,500,000
2. Flat 7 on 25th Floor Apartment Tower on the Western Side Convention Plaza No. 1 Harbour Road Wan Chai Hong Kong	HK\$5,000,000
3. Flat 55 on 15th Floor Parkview Rise (Tower 8) and Carparking Space No. 283 on Car Park Entrance 3 (Level 4) Hong Kong Parkview No. 88 Tai Tam Reservoir Road Tai Tam Hong Kong	HK\$18,500,000
4. Unit 2602 on 26th Floor of Block N Nos. 14-16 Hong On Street Kornhill Quarry Bay Hong Kong	HK\$2,500,000
5. Unit 1612 on 16th Floor of Block Q Nos. 6-8 Hong On Street Kornhill Quarry Bay Hong Kong	HK\$3,100,000

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**APPENDIX III**

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**PROPERTY VALUATION**

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	<b>Property</b>	<b>Capital value in existing state as at 31 December 2004</b>
6.	Unit 2904 on 29th Floor of Block R Nos. 2-4 Hong On Street Kornhill Quarry Bay Hong Kong	HK\$2,600,000
7.	16th Floor together with Up Roof and Roof and Carparking Space Nos. 7, 8 and 9 on Ground Floor Manson Industrial Building A Kung Ngam Road A Kung Ngam Hong Kong	HK\$9,000,000
8.	Unit 2907 on 29th Floor West Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Sheung Wan Hong Kong	HK\$12,700,000
9.	Units A and B on 3rd, 6th and 9th Floors together with the whole carparking area on 4th Floor Tin Fung Industrial Mansion No. 63 Wong Chuk Hang Road Aberdeen Hong Kong	HK\$36,000,000
<b>Total:</b>		<hr/> <b>HK\$94,900,000</b> <hr/>

## VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
1. Flat 9 on 23rd Floor, Apartment Tower on the Western Side Convention Plaza, No. 1 Harbour Road, Wan Chai, Hong Kong	Apartment Tower on the Western Side of Convention Plaza is a 35-storeyed apartment building overmounting a multi-storeyed common podium of Convention/Exhibition centre, hotel facilities, shopping arcade, restaurant and other ancillary facilities plus 2 levels of basement carport. It was completed in about 1990.	The property was, as at 31 December 2004, subject to a tenancy for a term of two years from 14 November 2004 to 13 November 2006 at a monthly rental of HK\$20,000 inclusive of government rates and management fees.	HK\$5,500,000
578/4,000,000th equal and undivided shares of and in Inland Lot No. 8593	<p>The property comprises a residential unit on 23rd floor and contains a gross floor area of about 843 square feet (or about 78.32 square metres).</p> <p>The saleable area of the subject property is about 618 square feet (or about 57.4 square metres).</p> <p>The property is held under the government lease for a term of 75 years from 10 February 1985.</p>		

*Notes:*

1. The registered owner of the property is Grand Park Investment Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a tripartite legal charge/mortgage in favour of The Citic Ka Wah Bank Limited vide memorial no. 8968187 dated 30 June 2003.



Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
2. Flat 7 on 25th Floor, Apartment Tower on the Western Side Convention Plaza, No. 1 Harbour Road, Wan Chai, Hong Kong	Apartment Tower on the Western Side of Convention Plaza is a 35-storeyed apartment building overmounting a multi-storeyed common podium of Convention/Exhibition centre, hotel facilities, shopping arcade, restaurant and other ancillary facilities plus 2 levels of basement carport.	The property was, as at 31 December 2004, subject to a tenancy for a term of one year from 15 August 2004 to 14 August 2005 at an annual rental of HK\$200,000 inclusive of government rates and management fees.	HK\$5,000,000
529/4,000,000th equal and undivided shares of and in Inland Lot No. 8593	<p>It was completed in about 1990.</p> <p>The property comprises a residential unit on 25th floor and contains a gross floor area of about 772 square feet (or about 71.72 square metres).</p> <p>The saleable area of the subject property is about 565 square feet (or about 52.5 square metres).</p> <p>The property is held under the government lease for a term of 75 years from 10 February 1985.</p>		

*Notes:*

1. The registered owner of the property is Lyre Terrace Management Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a tripartite legal charge/mortgage in favour of The Citic Ka Wah Bank Limited vide memorial no. 8968186 dated 30 June 2003.

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
3. Flat 55 on 15th Floor, Tower 8 of Parkview Rise and Carparking Space No. 283 on Car Park Entrance 3 (Level 4) of the Garage, Hong Kong Parkview, No.88 Tai Tam Reservoir Road, Tai Tam, Hong Kong	<p>Hong Kong Parkview comprises eighteen residential buildings with associated carparking and recreational facilities. Each of the residential buildings is served by three lifts and two staircases and the development was completed in 1988.</p> <p>The property comprises a residential unit on 15th floor of Tower 8 together with a carparking space on Car Park Entrance 3 (Level 4) of the Garage.</p> <p>The residential unit contains a gross floor area of about 2,366 square feet (or about 219.81 square metres). The saleable area of the subject property is about 1,886 square feet (or about 175.2 square metres).</p> <p>The property is held under government lease for a term of 75 years from 3 December 1981 renewable for a further term of 75 years.</p>	<p>The residential unit was as at 31 December 2004 subject to a tenancy for a term of two years from 25 March 2004 to 24 March 2006 at a monthly rental of HK\$55,000 inclusive of government rates and management fees whilst the carparking space was subject to a licence for a term of one year from 25 May 2004 to 24 May 2005 at a monthly licence fee of HK\$2,500 inclusive of government rates and management fees.</p>	HK\$18,500,000

*Notes:*

1. The registered owner of the property is SCG Leasing Corporation Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a mortgage in favour of Nanyang Commercial Bank Limited vide memorial no. 8822612 dated 19 November 2002.

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
4. Unit 2602 on 26th Floor of Block N, Nos. 14-16 Hong On Street, Kornhill, Quarry Bay, Hong Kong	Kornhill is a large-scale residential development comprising 42 high-rise residential blocks with associated commercial, recreational and carparking facilities.	The property is currently occupied by a Director of the Group as staff quarters.	HK\$2,500,000
51/700,000th equal and undivided shares of and in the Remaining Portion of Inland Lot No. 8566	Block N is served by three lifts and two staircases and was completed in 1987.  The property comprises a residential unit on 26th floor of Block N.  The gross floor area of the property is about 582 square feet (or about 54.07 square metres).  The saleable area of the property is about 461 square feet (or about 42.8 square metres) and plus bay window about 26 square feet (or about 2.4 square metres).  The property is held under the government lease for a term of 75 years from 27 April 1984 renewable for a further term of 75 years.		

*Notes:*

1. The registered owner of the property is Linksky Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a tripartite legal charge/mortgage in favour of The Citic Ka Wah Bank Limited vide memorial no. 8968184 dated 30 June 2003.

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
5. Unit 1612 on 16th Floor of Block Q, Nos. 6-8 Hong On Street, Kornhill, Quarry Bay, Hong Kong  67/700,000th equal and undivided shares of and in the Remaining Portion of Inland Lot No. 8566	<p>Kornhill is a large-scale residential development comprising 42 high-rise residential blocks with associated commercial, recreational and carparking facilities.</p> <p>Block Q is served by three lifts and two staircases and was completed in 1987.</p> <p>The property comprises a residential unit on 16th floor of Block Q.</p> <p>The gross floor area of the property is about 756 square feet (or about 70.21 square metres).</p> <p>The saleable area of the property is about 616 square feet (or about 57.2 square metres) and plus bay window about 30 square feet (or about 2.8 square metres).</p> <p>The property is held under the government lease for a term of 75 years from 27 April 1984 renewable for a further term of 75 years.</p>	The property was, as at 31 December 2004, subject to a tenancy for a term of one year from 1 January 2004 to 31 December 2004 at a monthly rental of HK\$11,000 exclusive of government rates and management fees.	HK\$3,100,000

*Notes:*

1. The registered owner of the property is Linksky Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a tripartite legal charge/mortgage in favour of Citic Ka Wah Bank Limited vide memorial no. 8968184 dated 30 June 2003

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
6. Unit 2904 on 29th Floor of Block R, Nos. 2-4 Hong On Street, Kornhill, Quarry Bay, Hong Kong	Kornhill is a large-scale residential development comprising 42 high-rise residential blocks with associated commercial, recreational and carparking facilities.	The property was, as at 31 December 2004, subject to a tenancy from 1 December 2003 to 30 November 2005 at a monthly rental of HK\$7,600 inclusive of government rates and management fees.	HK\$2,600,000
54/700,000th equal and undivided shares of and in the Remaining Portion of Inland Lot No. 8566	Block R is served by three lifts and two staircases and was completed in 1987.  The property comprises a residential unit on 29th floor of Block R.  The gross floor area of the property is about 620 square feet (or about 57.60 square metres).  The saleable area of the property is about 490 square feet (or about 45.5 square metres) and plus bay window about 34 square feet (or about 3.2 square metres).  The property is held under the government lease for a term of 75 years from 27 April 1984 renewable for a further term of 75 years.		

*Notes:*

1. The registered owner of the property is Linksky Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a tripartite legal charge/mortgage in favour of The Citic Ka Wah Bank Limited vide memorial no. 8968184 dated 30 June 2003.

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
7. 16th Floor together with Up Roof and Roof and Carparking Space Nos. 7, 8 and 9 on Ground Floor, Manson Industrial Building, A Kung Ngam Road, A Kung Ngam, Hong Kong  60/1,000th equal and undivided shares of and in Shau Kei Wan Inland Lot No. 739	<p>Manson Industrial Building is a 17-storeyed Industrial building with carparking facilities on ground floor. The building is served by 3 lifts and 4 staircases. The building was completed in 1976.</p> <p>The property comprises an industrial unit on 16th floor together with Up Roof and Roof and three carparking spaces on ground floor.</p> <p>The saleable area of the industrial unit is about 3,210 square feet (or about 298.22 square metres).</p> <p>The property is held under the government lease for a term of 75 years from 7 February 1966 renewable for a further term of 75 years.</p>	<p>The 16th floor was, as at 31 December 2004, subject to a tenancy for a term of two years from 1 August 2004 to 31 July 2006 at a monthly rental of HK\$6,888 inclusive of government rates and management fees.</p> <p>The remaining portions of the property were, as at 31 December 2004 subject to various licenses in majority for a term of two years with the latest expiry date on 31 October 2006. The total monthly licence fees receivable were HK\$104,600 inclusive of management fees and government rates.</p>	HK\$9,000,000

*Notes:*

1. The registered owner of the property is On Hing Investment Company Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a tripartite legal charge/mortgage in favour of Citic Ka Wah Bank Limited vide memorial no. 8968183 dated 30 June 2003.
3. The property is subject to an order No.DH0037/HK/03/C under section 27A of the Buildings Ordinance which is issued by the Building Authority vide memorial no. 8909554 dated 12 March 2003 (Re : the natural, formed or man-made land).

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
8. Unit 2907 on 29th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong  44/33,888th equal and undivided shares of and in Inland Lot No. 8517	<p>Shun Tak Centre West Tower is an office building of 30 storeys and is erected over a multi-storeyed commercial and carport complex. The building is served by four passenger lifts, one service lift and three staircases and was completed in 1986.</p> <p>The property comprises an office unit on 29th floor of the building. The gross floor area of the property is about 2,481 square feet (or about 230.49 square metres) and the saleable area of the property is about 1,875 square feet (or about 174.19 square metres).</p> <p>The property is held under the government lease for a term of 75 years from 31st December, 1980 renewable for a further term of 75 years.</p>	The property was, as at 31 December 2004 subject to a tenancy for a term of two years from 18 June 2004 to 17 June 2006 at a monthly rental of HK\$42,177 exclusive of government rates and management fees.	HK\$12,700,000

*Notes:*

1. The registered owner of the property is Lyre Terrace Management Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The property is subject to a tripartite legal charge/mortgage in favour of The Citic Ka Wah Bank Limited vide memorial no. 8968186 dated 30 June 2003.

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 December 2004
9. Units A and B on 3rd, 6th and 9th Floors together with the whole carparking area on 4th Floor, Tin Fung Industrial Mansion, No. 63 Wong Chuk Hang Road, Aberdeen, Hong Kong	<p>Tin Fung Industrial Mansion is a 15-storeyed Industrial building including a carparking area. The building is served by three cargo lifts, one passenger lift and three staircases and was completed in 1967.</p> <p>The property comprises a total of six industrial units on 3rd, 6th and 9th floors and the whole carparking area on 4th floor of the building. The industrial units contain a total saleable area of about 43,480 square feet (or about 4,039.39 square metres).</p> <p>The property is held under the government lease for a term of 75 years from 8 July 1963 renewable for a further term of 75 years.</p>	<p>The industrial units (except unit A on 9/F) were, as at 31 December 2004, subject to various tenancies and a licence with the latest expiry date on 31 May 2006 at a total monthly rental and licence fee of HK\$120,800 inclusive of management fees and government rates.</p> <p>The carparking area as informed contained 27 carparking spaces. The carparking spaces (except Nos. 3, 15 and 20 on 4/F) were, as at 31 December 2004, subject to various monthly licences at a total monthly licence fees of HK\$73,550 exclusive of government rates and management fees.</p>	HK\$36,000,000

*Notes:*

1. The registered owner of the property is Tin Fung Investment Company Limited, a wholly owned subsidiary of Shougang Concord Grand (Group) Limited.
2. The Carparking Area on the 4th floor has not been allocated any shares under the Deed of Mutual Covenant dated 20 September 1967 in respect of the subject building.
3. The property is subject to a tripartite legal charge/mortgage in favour of The Citic Ka Wah Bank Limited vide memorial no. 8968182 dated 30 June 2003.



**1. FURTHER PROCEDURES FOR ACCEPTANCE****A. The Share Exchange Offer**

- (a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your GDC Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Exchange Offer in respect of your GDC Shares, you must either:
- (i) lodge your GDC share certificate(s) and/or transfer receipts and/ or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorizing it to accept the Share Exchange Offer on your behalf and requesting it to deliver the Pink Form of Acceptance duly completed together with the relevant GDC share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the GDC Shares to be registered in your name by GDC through the Registrar, and send the Pink Form of Acceptance duly completed together with the relevant GDC share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnify or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your GDC Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer (or other registered dealer in securities)/custodian bank to authorise HKSCC Nominees Limited to accept the Share Exchange Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited, in this case, on Monday, 14 February 2005 which is one Business Day before the latest date on which acceptances of the Share Exchange Offer must be received by the Registrar. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities)/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or
  - (iv) if your GDC Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System not later than one Business Day before the latest date on which acceptance of the Share Exchange Offer must be received by the Registrar, which is Monday, 14 February 2005 in this case.
- (b) If the certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your GDC Shares is/are not readily available and/or is/are lost and you wish to accept the Share

Exchange Offer in respect of your GDC Shares, the Pink Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your GDC Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant GDC Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your GDC share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (c) If you have lodged transfer(s) of any of your GDC Shares for registration in your name and have not yet received your GDC share certificate(s), and you wish to accept the Share Exchange Offer in respect of your GDC Shares, you should nevertheless complete the Pink Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to DBS Asia and/or the Offeror or their respective agent(s) to collect from GDC or the Registrar on your behalf the relevant GDC share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Pink Form of Acceptance.
- (d) Acceptance of the Share Exchange Offer will be treated as valid only if the completed Pink Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on Tuesday, 15 February 2005 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
  - (i) accompanied by the relevant GDC share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant GDC Shares; or.
  - (ii) from a registered shareholder of GDC Shares or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to GDC Shares which are not taken into account under this paragraph (d)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the Pink Form of Acceptance is executed by a person other than the registered holder of GDC Shares, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (e) No acknowledgement of receipt of any Pink Form(s) of Acceptance, GDC Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**B. The Option Offer**

- (a) If you accept the Option Offer, you should complete the White Form of Acceptance obtainable from the head office and principal place of business of GDC at Suite 1804-5 Hutchison House, 10 Harcourt Road Central, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed White Form of Acceptance should be forwarded, together with the relevant GDC Option certificate(s) (if any) and/ or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) stating the number of GDC Options for not less than the number of GDC Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of GDC at its head office and principal place of office in Hong Kong at Suite 1804-5 Hutchison House, 10 Harcourt Road, Central, Hong Kong, marked "Option Offer" on the envelope, as soon as possible and in any event so as to reach the company secretary of GDC at the aforesaid address by no later than 4:00 p.m. on Tuesday, 15 February 2005 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.
- (c) No acknowledgement of receipt of any White Form(s) of Acceptance, GDC Option certificate(s) (if any) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

**2. ACCEPTANCE PERIOD AND REVISIONS**

The Offers are made on 13 January 2005, namely the date of posting of this document, and is capable of acceptance on and from this date.

The Offeror reserves the right to extend the Offers in accordance with the relevant provisions of the Takeovers Code. Unless the Offers have previously been extended, all acceptances must be received by 4:00 p.m. on Tuesday, 15 February 2005, being the First Closing Date.

If in the course of the Offers, the Offeror revises its terms, all the GDC Shares and the holders of GDC Options (other than those already owned by the Offeror and parties acting in concert with it), whether or not they have already accepted the Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

**3. ANNOUNCEMENTS**

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on Tuesday, 15 February 2005 which is the First Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. The Offeror must publish a teletext announcement through the Stock Exchange by 7:00 p.m. on the First Closing Date stating whether the Offers have been revised, extended

or has expired. Such announcement must be republished in accordance with the requirements set out below on the next business day.

The announcement must state the following:

- (i) the total number of GDC Shares for which acceptances of the Share Exchange Offer have been received;
- (ii) the total number of GDC Shares and GDC Options held, controlled or directed by the Offeror or parties acting in concert with it before the offer period;
- (iii) the total number of GDC Shares and GDC Options acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it;
- (iv) the total number of outstanding GDC Options for which acceptances of the Option Offer have been received;
- (v) details of any existing holding of voting rights and rights over GDC Shares:–
  - (1) which the Offeror owns or over which it has control or direction;
  - (2) which is owned or controlled or directed by any person acting in concert with the Offeror;
  - (3) in respect of which the Offeror or any person acting in concert with it has received an irrevocable commitment to accept the Offers; and
  - (4) in respect of which the Offeror or any person acting in concert with it holds convertible securities, warrants or options;
- (vi) details of any outstanding derivative in respect of securities of GDC acquired by the Offeror or any person acting in concert with it;
- (vii) details of any arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company and which might be material to the Offers.

The announcement must also specify the percentages of the issued share capital of GDC and voting rights of GDC represented by these numbers of GDC Shares and GDC Options.

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance to the Offers tendered by the holders of GDC Shares and GDC Options, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Offers have not by then become unconditional as to acceptances.

- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” in this Appendix, the Executive may require that holders of GDC Shares and GDC Options who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

## **5. GENERAL**

- (a) All communications, notices, Forms of Acceptance, certificates of SCG and GDC Shares or GDC Options (if any), transfer receipts, other documents of title or indemnity and remittances to be delivered by or sent to or the holders of GDC Shares and GDC Options will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Company, the Offeror, or DBS Asia or any of this respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) Subject to the terms of the Takeovers Code, acceptance(s) of the Offers may, at the discretion of the Offeror, be treated as valid even if not accompanied by the GDC Share certificate(s), GDC Option certificate(s) (if any) and/or other document(s) of title, but, in such cases, the shares certificates of SCG will not be despatched until the GDC Share certificate(s), GDC Option certificate(s) and/or other document(s) of title (and/or a satisfactory indemnity or indemnities in respect thereof) has/have been received by the Registrar. However, such acceptances will not be counted towards fulfilling the acceptance condition unless Rule 30.2 of the Takeovers Code had been fully complied with.
- (c) The provisions set out in the accompanying Forms of Acceptance form part of the terms of the Offers.
- (d) The accidental omission to despatch this Offer Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (e) The Offers and all acceptances is governed by and will be construed in accordance with the laws of Hong Kong.
- (f) Due execution of the Forms of Acceptance will constitute an authority to any Director or such person or persons as the Offeror or DBS Asia may direct to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the GDC Shares and GDC Options in respect of which such person has accepted the Offers.
- (g) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the GDC Shares and GDC Options acquired under the Offers are sold by any such person or persons free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights attaching thereto including the rights to receive all future dividends or other distributions declared,

paid or made on the GDC Shares on or after the date of the Offer Document. The holders of GDC Options will surrender to GDC all of their existing rights in respect of the GDC Options, following which such GDC Options will be cancelled and extinguished.

- (h) Sellers' and Buyers' ad valorem stamp duty for GDC Shares registered on the Hong Kong branch register arising in connection with acceptance of the Share Exchange Offer will be paid by SCG.
- (i) The Offeror has not yet decided whether to exercise any right which may be available to it to acquire compulsorily any GDC Shares or GDC Options not acquired under the Offers after the Offers have closed.
- (j) References to the Offers in the Offer Document and in the Forms of Acceptance shall include any revision and/or extension thereof.
- (k) The making of the Offers to persons with a registered address in jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Holders of GDC Shares and GDC Options who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.
- (l) The English text of this document and of the Forms of Acceptance shall prevail over the Chinese text for the purpose of interpretation.
- (m) The Registrar is situated at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

## 1. RESPONSIBILITY STATEMENT

The directors of the Offeror and the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this document, except in relation to information on the GDC Group, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this offer document have been arrived at after due and careful consideration and there are no other facts not contained in this offer document, the omission of which would make any statement in this offer document, misleading.

The information on the GDC Group in this document has been extracted from or based on public sources namely, the GDC annual report for the year ended 31 December 2003 and the interim report for the six months ended 30 June 2004 and the nine months ended 30 September 2004. Information on prices of GDC Shares has been extracted from public sources. The directors of the Offeror and the Directors jointly and severally take full responsibility for the correct and fair reproduction or presentation of such information and confirm that such extraction is not misleading, but accept no further responsibility in respect of such information.

## 2. SHARE CAPITAL

### (a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

HK\$

#### *Authorised:*

2,000,000,000	shares of HK\$0.01 each	20,000,000
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#### *Issued and fully paid or credited as fully paid:*

939,316,667	shares of HK\$0.01 each	9,393,167
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All of the SCG Shares in issue rank *pari passu* in all respects including all rights as to dividends, voting and interests in capital. There has been no change to the authorized and issued share capital of the Company since 31 December 2003, the date to which the latest published audited consolidated accounts of the SCG Group were made up except the issue of 400,000, 4,140,000 and 76,908,753 SCG Shares on 20 February 2004, 24 February 2004 and 1 March 2004 respectively pursuant to the exercise of share options of the Company under its share option scheme as disclosed on page 86.

**(b) Share options**

Pursuant to a share option scheme adopted by the Company on 7 June 2002, the Directors may invite eligible employees of the SCG Group, including executive and non-executive directors, to take up options to subscribe for new SCG Share. As at the Latest Practicable Date, the following options had been granted under the share option scheme of the Company and remained outstanding:

<b>Name of optionholders</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price HK\$</b>	<b>Number of options</b>
Directors	23 August 2002	23 August 2002 – 6 June 2012	0.73	75
	6 March 2003	6 March 2003 – 5 March 2013	0.76	604
	8 June 2004	8 June 2004 – 7 June 2014	0.82	71,202,000
Employees	6 March 2003	6 March 2003 – 5 March 2013	0.76	1,330,000
	8 June 2004	8 June 2004 – 7 June 2014	0.82	14,584,000
				87,116,679

As at the Latest Practicable Date, the Company had 87,116,679 outstanding options, of which 71,202,679 options were owned by the Offeror and parties acting in concert with it and 15,914,000 options were owned by parties other than the Offeror and parties acting in concert with it. The exercise in full of the 15,914,000 options would result in the issue of an additional 15,914,000 SCG Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any other outstanding options, warrants or other securities convertible or exchangeable into SCG Shares.



The following table shows the movement of the issued share capital and share options of the Company since its last financial year ended 31 December 2003:

	Number of SCG Shares or options outstanding as at 31 December 2003	Movement	Number of SCG Shares or options outstanding as at the Latest Practicable Date
Issued Share Capital	<u>857,867,914</u>	<u>81,448,753 (A)</u>	<u>939,316,667</u>
Share Options		(81,448,753)(A)	
		<u>85,786,000 (B)</u>	
	<u>82,779,432</u>	<u>4,337,247</u>	<u>87,116,679</u>

*Notes:*

(A) exercise of share options after 31 December 2003.

(B) grant of share options after 31 December 2003.

The Company did not re-organize its share capital during the two financial years preceding the commencement of the offer period.

### 3. MARKET PRICES

#### (a) GDC Shares

The table below shows the closing market prices for the GDC Shares as quoted by the Stock Exchange: (i) at the end of each of the six calendar months preceding the date of the Announcement; (ii) on 29 October 2004, being the last day of trading in the GDC Shares immediately preceding the date of the Announcement; (iii) at the end of each of the two calendar months preceding the Latest Practicable Date, and (iv) on the Latest Practicable Date.

Date	GDC Share price HK\$
31 May 2004	0.405
30 June 2004	0.360
30 July 2004	0.340
31 August 2004	0.168
30 September 2004	0.128
29 October 2004	0.115
30 November 2004	0.140
31 December 2004	0.123
Latest Practicable Date	0.115

The highest and lowest closing market prices for the GDC Shares as quoted on the Stock Exchange for the period between 19 May 2004 (being the commencement of the six-month period preceding the date of the Announcement) and the Latest Practicable Date were HK\$0.44 recorded on 21 June 2004 and HK\$0.11 recorded on 27 October 2004 respectively.

**(b) SCG Shares**

The table below shows the closing market prices for the SCG Shares as quoted by the Stock Exchange: (i) at the end of each of the six calendar months preceding the date of the Announcement; (ii) on 15 November 2004, being the last day of trading in the SCG Shares immediately preceding the date of the Announcement; (iii) at the end of each of the two calendar months preceding the Latest Practicable Date, and (iv) on the Latest Practicable Date.

<b>Date</b>	<b>SCG Share price</b> <i>HK\$</i>
31 May 2004	0.580
30 June 2004	0.560
30 July 2004	0.520
31 August 2004	0.530
30 September 2004	0.530
29 October 2004	0.520
15 November 2004	0.560
30 November 2004	0.570
31 December 2004	0.610
Latest Practicable Date	0.580

The highest and lowest closing market prices for the SCG Shares as quoted on the Stock Exchange for the period between 19 May 2004 (being the commencement of the six-month period preceding the date of the Announcement) and the Latest Practicable Date were HK\$0.61 recorded on 24 November 2004, 26 November 2004, 2 December 2004, 29 December 2004, 31 December 2004 and HK\$0.47 recorded on 19 May 2004 respectively.

## 4. DISCLOSURE OF INTERESTS

## (a) Disclosure of interests by the Directors and Chief Executive

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests or short positions in the SCG Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") or required to be disclosed pursuant to the requirements of the Takeovers Code:

Name of Director	Name of corporation in which interests are held	Number of SCG Shares	Number of SCG Shares under options	Nature of interests
Wang Qinghai	Company	8,278,679	–	Personal
Cao Zhong	Company	8,278,679	21,447,000 (Note 1)	Personal
Chen Zheng	Company	–	18,015,000 (Note 1)	Personal
Wang Tian	Company	–	16,299,000 (Note 1)	Personal
Cheng Xiaoyu	Company	8,278,679	15,441,000 (Note 1)	Personal
Leung Shun Sang, Tony	Company	8,278,000	75 (Note 2) 604 (Note 3)	Personal
Choy Hok Man, Constance	Company	400,000	–	Personal

## Notes:

- Under the share option scheme of the Company adopted on 7 June 2002 and the terms and conditions as set out in the circular of the Company dated 10 May 2004, the options to subscribe for the SCG Shares will be exercisable not later than 7 June 2014 at a subscription price of HK\$0.82 per SCG Share, subject to adjustment and the following restrictions on the exercise period of the options and sale of the relevant shares:
  - up to 40% and 70%, the balance of the share options will be exercisable from the 13th, the 25th and the 37th month respectively after the date of offer of grant and;
  - the SCG Shares then in issue may not be sold within 90 days from their relevant allotment dates.

The options were granted on 8 June 2004 to each grantee at a consideration of HK\$1.00.
- Under the share option scheme of the Company adopted on 7 June 2002, the options to subscribe for the SCG Shares are exercisable at any time from 23 August 2002 to 6 June 2012 at a subscription price of HK\$0.73 per SCG Share, subject to adjustment. The options were granted on 23 August 2002 to each grantee at a consideration of HK\$1.00.
- Under the share option scheme of the Company adopted on 7 June 2002, the options to subscribe for the SCG Shares are exercisable at any time from 6 March 2003 to 5 March 2013 at a subscription price of HK\$0.76 per SCG Share, subject to adjustment. The options were granted on 6 March 2003 at a consideration of HK\$1.00.

**(b) Directors' interests in competing businesses**

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

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity	Note
Wang Qinghai	Shougang Corporation	Manufacture, sale and trading of steel products, shipping services and property investment	director	1
Cao Zhong	China Shougang International Trade and Engineering Corporation	Trading of steel products, property investment and shipping services	director	1
Hui Hung Stephen	Wide Sun Industrial Limited	Holding and rental of properties	director	–

*Note:*

- Such businesses may be carried out through its subsidiaries, associates or by way of other forms of investments.

**(c) Substantial Shareholders**

As at the Latest Practicable Date, according to the register kept by the Company under Section 336 of the SFO, the following persons and companies were interested in 5% or more in the SCG Shares or underlying SCG Shares which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name	Notes	Number of SCG Shares held	%
Shougang Holding	1	445,731,315	47.45
Wheeling Holdings	1	430,491,315	45.83
Cheung Kong	2, 3	133,048,717	14.16
Max Same	3	91,491,193	9.74

*Notes:*

1. Wheeling Holdings is a wholly-owned subsidiary of Shougang Holding and its interests are included in the interests held by Shougang Holding.
2. By virtue of their interests in Cheung Kong, the following person and companies are each deemed to be interested in the SCG Shares held by Cheung Kong:  
  
Mr. Li Ka-Shing  
Li Ka-Shing Unity Trustcorp Limited as a trustee of a discretionary trust holding units in the Li Ka-Shing Unity Trust.  
Li Ka-Shing Unity Trustee Company Limited as trustee of the Li-Ka-Shing Unity Trust  
Li Ka-Shing Unity Trustee Corporation Limited as trustee of the Li Ka-Shing Unity Discretionary Trust
3. Max Same is a wholly-owned subsidiary of Cheung Kong and its interest is included in the interests held by Cheung Kong.

Save as disclosed above, so far as was known to the Directors, there was no other person (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the SCG Shares and underlying SCG Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company.

Save that the Offeror is a wholly-owned subsidiary of the Company, as at the Latest Practicable Date, none of the Offeror, the Company and their respective parties acting in concert and their respective directors, owned or controlled any shares, convertible securities, warrants, options or other derivatives of the Offeror, the Company and GDC.

As at the Latest Practicable Date, DBS Asia and its group companies and directors did not have any beneficial interest in any GDC Shares, GDC Options or convertible securities, warrants, options or derivatives in respect of the GDC Shares.

Two shareholders of GDC, namely Upflow Holdings Limited (which is wholly owned by Mr. Raymond Dennis Neoh, a director of GDC) and Mr. Anthony Francis Neoh, a director of GDC, who together own 339,096,746 GDC Shares, representing approximately 42.34% of the existing issued share capital of GDC, have jointly provided an irrevocable undertaking to accept the Share Exchange Offer in respect of the above shareholding and to procure shareholders holding more than 50% of the existing issued share capital of GDC (including their shareholding of 42.34%) to accept the Share Exchange Offer. There is no penalty in the undertaking. The commitment does not include any GDC Options and the commitment will not be binding if a higher offer is made. As at the Latest Practicable Date, Upflow Holdings Limited, Mr. Raymond Dennis Neoh and Mr. Anthony Francis Neoh did not own any securities in the Offeror and the Company.

The Board was informed by GDC that, as at the Latest Practicable Date, the respective interests of Mr. Anthony Francis Neoh and Mr. Raymond Dennis Neoh in GDC Shares under the register kept by GDC were as follows:

*Long positions in GDC Shares*

<b>Name</b>	<b>Number of GDC Shares</b>	<b>Capacity</b>	<b>Approximate percentage of interest (%)</b>
Mr. Anthony Francis Neoh	124,974,230	Beneficial owner ( <i>note 1</i> )	15.61
Mr. Raymond Dennis Neoh	257,633,968	Interest in a controlled corporation/ family interests ( <i>note 2</i> )	32.17

*Notes:*

1. The 124,974,230 GDC Shares were held by Mr. Anthony Francis Neoh directly.
2. 214,122,516 of these GDC Shares were held by Upflow Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Raymond Dennis Neoh. 3,318,450 GDC Shares were held by Madam Lau Fung Sim, the spouse of Mr. Raymond Dennis Neoh. The remaining balance of the 40,193,002 GDC Shares were held by Forward Strategic Investments Limited, a wholly-owned subsidiary of Global Digital Creations Limited, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited.

*Long positions in equity derivatives in, or in respect of, GDC Shares*

<b>Name</b>	<b>Number and description of equity derivatives</b>	<b>Number of GDC Shares</b>	<b>Capacity</b>	<b>Approximate percentage of interest (%)</b>
Mr. Anthony Francis Neoh	32,201,692 options granted under the FS Scheme ( <i>note 3</i> ) ( <i>note 4</i> )	32,201,692	Beneficial owner	4.02

*Notes:*

3. On 20 March 2003, the shareholders of Forward Strategic Investments Limited, adopted a share option scheme ("FS Scheme") dated 20 March 2003, wherein its board is entitled to grant options to grantees such that they can purchase a total of 61,015,197 GDC Shares from Forward Strategic Investments Limited pursuant to the terms of the FS Scheme.
4. Mr. Anthony Francis Neoh has been granted options under the FS Scheme, which when exercised by him, entitle him to subscribe for a total of 32,201,692 GDC Shares.

*Short positions in equity derivatives in, or in respect of, GDC Shares*

Name	Number and description of equity derivatives	Number of GDC Shares	Capacity	Approximate percentage of interest (%)
Mr. Raymond Dennis Neoh	40,193,002 (note 5)	40,193,002	Interest in a controlled corporation (note 5)	5.02

*Note:*

5. Pursuant to the terms of the FS Scheme, the grantees may purchase 61,015,197 GDC Shares according to its terms and conditions. As at the Latest Practicable Date, an aggregate of 20,822,195 GDC Shares had been purchased from Forward Strategic Investments Limited, leaving a balance of 40,193,002 GDC Shares available for purchases by other grantees under the FS Scheme in future. As Forward Strategic Investments Limited is a wholly-owned subsidiary of Global Digital Creations Limited, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited (which is wholly owned by Mr. Raymond Dennis Neoh), Global Digital Creations Limited, Upflow Holdings Limited and Mr. Raymond Dennis Neoh are accordingly deemed to be interested in the short positions taken by Forward Strategic Investments Limited.

The Directors were informed by GDC that during the period beginning six months prior to the commencement of the offer period of the Offers and ending on the Latest Practicable Date, save as the transfer of 3,318,450 options in GDC and 1,500,000 options in GDC granted under the FS Scheme from Mr. Raymond Dennis Neoh to Madam Lau Fung Sim, the spouse of Mr. Raymond Dennis Neoh and a third party not connected with the directors, chief executive and substantial shareholders of GDC, respectively on 20 December 2004 (the options were exercised on the same day), Mr. Anthony Francis Neoh, Mr. Raymond Dennis Neoh and Upflow Holding Limited have not dealt in any GDC shares, GDC Options, SCG Shares, SCG Options, or any shares, convertible securities, warrants, options or derivatives of the Company or GDC.

Save as disclosed above, as at the Latest Practicable Date, no persons who owned or controlled GDC Shares, GDC Options or convertible securities, warranties, options or derivatives in respect of the GDC Shares had irrevocably committed themselves to accept or not to accept the Offers.

During the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date, there had been no holdings of the GDC Shares, GDC Options, SCG Shares, SCG Options, shares or options of the Offeror, or convertible securities, warrants, options or derivatives in respect of the GDC Shares or SCG Shares owned and controlled by any person with whom the Offeror or any person acting in concert with it has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

During the period commencing six months before the date of the Announcement and ending on the Latest Practicable Date, there had been no dealings of the GDC Shares, GDC Options, SCG Shares, SCG Options, shares or options of the Offeror, or convertible securities, warrants, options or derivatives in respect of the GDC Shares or SCG Shares by any person with whom the Offeror or any person acting in concert with it has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code.

As at the Latest Practicable Date, the directors of the Offeror and the Directors did not have any legal or beneficial interest in any shares of the Offeror, GDC Shares, GDC Options or convertible securities, warrants, options or derivatives in respect of the GDC Shares.

**5. DEALINGS**

Save as disclosed in paragraph 4, during the period beginning six months prior to the commencement of the offer period of the Offers and ending as at the Latest Practicable Date, the Offeror, the Company, the directors of the Offeror and the Company and persons acting in concert with any one of them have not dealt in any shares, convertible securities, warrants, options or derivatives of the Company, the Offeror or GDC.

**6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**7. MATERIAL CHANGE**

The Directors are not aware of any material change in the financial or trading position of the SCG Group since 31 December, 2003, the date to which the latest published audited accounts of the Company were made up, save as disclosed in the interim report for the first six months of 2004.

**8. MATERIAL CONTRACTS**

In the two years immediately preceding the Last Trading Day, and up to and including the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business, were entered into by the Company or its subsidiaries which are material:

- (i) the subscription agreement dated 19 February 2003 between the Company and Shougang Holding in respect of the subscription of the 30,000,000 new SCG shares by Shougang Holding.
- (ii) a facility letter with Citic Ka Wah Bank Limited for a facility up to HK\$100,000,000 extended to the Company dated 19 May 2003;
- (iii) a joint venture agreement between Simplex Capital Asia Limited and Shougang Holding dated 14 July 2003 for the provision of financial services;
- (iv) the sale and purchase agreement dated 27 August 2004 between Eldex Investment Company Limited, a wholly-owned subsidiary of the Company, and Sky Rich Enterprises Limited relating to the disposal of certain properties located at Kaiser Estate, Man Yue Street, Man Lok Street and Hok Yuen Street, Hunghom, Kowloon, Hong Kong; and
- (v) the formal sale and purchase agreement entered into between Strenbeeck Limited, a wholly-owned subsidiary of the Company and Mr. Lam Kee Fung or its nominated company in relation to the sale and purchase of the building known as the “Kader Industrial Centre” located at 17 Lok Yip Road, On Lok Tsuen, Fanling, New Territories, Hong Kong.



**9. CONSENT AND QUALIFICATIONS**

<b>Name</b>	<b>Qualification</b>
DBS Asia	A deemed licensed corporation under the SFO permitted to engage in types 1, 4, 6 and 9 of the regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
A A Property Services Limited	Registered Professional Surveyor

As at the date of this document, Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this document for incorporation in this document of its report and opinion made on 13 January 2005 and references to its name in the form and context for incorporation in this document.

As at the date of this document, DBS Asia has given and has not withdrawn its written consent to the issue of this document for incorporation in this document of its letter dated 13 January 2005 and references to its name in the form and context for incorporation in this document.

As at the date of this document, A A Property Services Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its letter or report and reference to its name in the form and context in which they appear.

A A Property Services Limited has no interest in any Shares or shares in any member of the SCG Group nor does it have any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or shares in any member of the SCG Group.

**10. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, no agreements, arrangements or understandings (including any compensation arrangement) exist between the Company, the Offeror or any person acting in concert with any one of them and any of the directors of GDC, recent directors of GDC, and holders or recent holders of GDC Shares or GDC Options which is conditional on or dependent upon the outcome of the Offers or is otherwise connected with the Offer.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its head office and principal place of business is situated at 6/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The registered office of the Offeror is situated at Trident Chambers, P. O. Box 146, Road Town, Tortola, British Virgin Islands and the correspondence address in Hong Kong is situated at 6/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) The company secretary and the qualified accountant of the Company is Mr. Lam Hin Chi, a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants and The Chartered Institute of Management Accountants.
- (e) The registered office of DBS Asia is situated at 16/F., Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

- (f) Any person who, alone or acting together with any other person(s) pursuant to an agreement or understanding (whether formal or informal) to acquire or control securities of GDC, owns or control 5% or more of any class of securities of GDC, including a person who as a result of any transaction owns or controls 5% or more of any class of securities of GDC, is generally required under the provisions of Rule 22 of the Takeovers Code to notify the Stock Exchange and the Executive of every dealing in such securities during the offer period of the Offers. Please consult your financial adviser, legal adviser and/or other professional advisers immediately if you believe this rule may be applicable to you.
- (g) Unless otherwise required by the Listing Rules and/or other applicable rules and regulations regarding the public float requirements, the Offeror and the Company have no intention to transfer the GDC Shares acquired in pursuance to the Offers to any other persons.
- (h) As at the Latest Practicable Date, no benefit had been given to any directors of GDC as compensations in the event that any loss of office or otherwise in connection with the Offers occurs (save as statutory compensation required under the applicable laws);
- (i) Shougang Holding, a wholly-owned subsidiary of Shougang Corporation (a state-owned enterprise in the PRC), is the ultimate beneficial owner and holding company of Wheeling Holdings Limited. The Offeror is a wholly-owned subsidiary of SCG and the directors of the Offeror are:
- Mr. Cao Zhong  
Mr. Chen Zheng
- (j) Wheeling Holdings Limited, a wholly-owned subsidiary of Shougang Holding, is the controlling shareholder of the Company, holding approximately a 45.83% interest in the issued share capital of the Company as at the Latest Practicable Date as recorded under the register kept by the Company under Section 336 of the SFO and its directors are:
- Mr. Cao Zhong  
Mr. Zhang Wenhui  
Mr. Chen Zhouping
- (k) The directors of Shougang Holding are:
- Mr. Wang Qinghai  
Mr. Cao Zhong  
Mr. Zhang Wenhui  
Mr. Chen Zhouping
- (l) The emoluments of the directors of the Offeror will not be affected by the acquisition of GDC or by any other associated transaction.
- (m) The Offeror and parties acting in concert with it are Mr. Cao Zhong, Mr. Chen Zheng, the Directors and the Company.
- (n) There was no arrangement of the kind referred to in the third paragraph of Note 8 of Rule 22 of the Takeovers Code between the Offeror, parties acting in concert with the Offeror or the Company, or any associate of the Offeror or the Company, and any other person.

- (o) Other than its 14.16% interest in the issued share capital of the Company as recorded under the register kept by the Company under Section 336 of the SFO, as at the Latest Practicable Date, Cheung Kong, a substantial shareholder of the Company and its subsidiaries did not have any beneficial interest in any shares, convertible securities, warrants, options or derivatives of the Company, the Offeror or GDC.
- (p) During the period beginning six months prior to the commencement of the offer period of the Offers and ending as at the Latest Practicable Date, Cheung Kong and its subsidiaries have not dealt in any shares, convertible securities, warrants, options or derivatives of the Company, the Offeror or GDC.
- (q) The English text of this circular will prevail over the Chinese text.

## **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company at 6/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong during normal business hours while the Offers remain open for acceptance:

- (a) memorandum and articles of association of the Offeror and the bye-laws of the Company;
- (b) the letter from the Company, the text of which is set out on pages 7 to 10 of this offer document;
- (c) the letter from DBS Asia, the text of which is set out on pages 11 to 24 of this offer document;
- (d) the letter of consent dated 13 January 2005 from each of DBS Asia, A A Property Services Limited and Deloitte Touche Tohmatsu referred to in the section headed “Consent and Qualifications” in this appendix;
- (e) the letter on the unaudited pro forma assets and liabilities statement of the Enlarged Group issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the text of which is set out in Appendix II of the Offer Document;
- (f) the letter of irrevocable undertaking from two shareholders of GDC, namely Upflow Holdings Limited (which is wholly-owned by Mr. Raymond Dennis Neoh, a director of GDC), and Mr. Anthony Francis Neoh, a director of GDC;
- (g) the property valuation report prepared by A A Property Services Limited, the text of which is set out in Appendix III to this circular;
- (h) the annual reports and interim report of the Company for the two years ended 31 December 2002 and 2003 and six months ended 30 June 2004 respectively; and
- (i) the major transaction circular dated 13 January 2005 from Shougang Concord Grand (Group) Limited in relation to the Offers.