

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

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Artfield Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **ARTFIELD GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1229)

### **PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY, GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES AND RE-ELECTION OF DIRECTORS**

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A notice convening an annual general meeting of Artfield Group Limited to be held at Conference Room, Flats G & H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on Thursday, 26 August 2004 is set out on pages 14 to 21 of this circular. A form of proxy for use at the annual general meeting is also enclosed.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

30 July 2004

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## DEFINITIONS

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

“Annual General Meeting”	an annual general meeting of the Company to be held at Conference Room, Flats G & H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on Thursday, 26 August 2004 at 10:30 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 14 to 21 of this circular;
“Associates”	has the same meaning as ascribed in the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company;
“Buyback Mandate”	to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing such resolution;
“Company”	Artfield Group Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“connected persons”	has the same meaning as ascribed in the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Issuance Mandate”	to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution;
“Latest Practicable Date”	26 July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

## DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers; and
“HK\$”	Hong Kong dollars.

## LETTER FROM THE BOARD



# ARTFIELD GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1229)

*Directors:*

LIANG Jin You (*Chairman & Managing Director*)

LI Kwo Yuk (*Deputy Chairman*)

LEUNG Kin Yau

OU Jian Sheng

DENG Ju Neng

LIN Dong Hong

LO Wah Wai#

LO Ming Chi, Charles\*

CHEUNG Doi Shu\*

# *Non-executive director*

\* *Independent non-executive director*

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal Office:*

13th Floor

Universal Industrial Centre

19-21 Shan Mei Street

Fo Tan, Shatin

New Territories

Hong Kong

30 July 2004

*To the shareholders*

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY,  
GENERAL MANDATES TO REPURCHASE SHARES  
AND TO ISSUE NEW SHARES  
AND  
RE-ELECTION OF DIRECTORS**

**1. INTRODUCTION**

The purpose of this circular is to provide you with information relation to the resolutions to be proposed at the Annual General Meeting relating to (i) the amendments to the Bye-laws of the Company; (ii) the general mandates to repurchase the Company's own fully-paid Shares and to issue new Shares; and (iii) the re-election of Directors.

**2. PROPOSED AMENDMENTS TO THE BYE-LAWS**

Amendments to the Listing Rules came into effect on 31 March 2004 which include, among other things, amendments to Appendix 3 of the Listing Rules. Appendix 3 of the Listing Rules sets out the provisions with which a listed company's articles of association (or equivalent document) must comply. As announced by the Stock Exchange on 30 January

## LETTER FROM THE BOARD

2004, all companies listed on the Stock Exchange are required to amend their articles of association (or equivalent document) to ensure compliance with the amended provisions of Appendix 3 to the Listing Rules at the earliest opportunity and in any event no later than the conclusion of their next annual general meeting. Accordingly, a special resolution will be proposed at the Annual General Meeting to approve the necessary amendments to the Company's Bye-laws as in item 4 as set out in the notice of the Annual General Meeting. The proposed amendments also include corresponding modifications and update of certain definitions as set out in the Bye-laws to be in line with the Listing Rules and the SFO.

In short, the proposed amendments are to the effect that:

1. Pursuant to the amended Appendix 3 of the Listing Rules, the minimum seven-day period for lodgment by a member of a notice to propose a person for election as a director and by such person of a notice of his willingness to be elected shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting. Accordingly, Bye-law 88 is proposed to be amended to conform to this requirement.
2. Pursuant to the amended Appendix 3 of the Listing Rules, subject to certain exceptions, a director shall abstain from voting at the board meeting on any matter in which he or any of his Associates has a material interest and such director is not to be counted towards the quorum of the relevant board meeting. To reflect these requirements, Bye-law 103 is proposed to be amended and a new definition of "Associates" is proposed to be inserted under Bye-law 1.
3. Pursuant to the amended Appendix 3 of the Listing Rules, where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted. Accordingly, a new Bye-law 76(2) is proposed to be inserted to conform to this requirement.
4. The Securities and Futures (Clearing Houses) Ordinance has been repealed upon the commencement of SFO on 1 April 2003. The definition of "clearing house" under Bye-law 1 is proposed to be amended to delete the relevant provision of the Securities and Futures (Clearing Houses) Ordinance.
5. In order to increase the flexibility of the Company in appointing auditors, the Directors further propose to amend Bye-law 157 of the Bye-laws to the effect that any casual vacancy in the office of auditor may be filled by the Directors without the need to convene a special general meeting of the Members. The proposed amendment to this Bye-law 157 is not because of the recent changes of the Listing Rules.

## LETTER FROM THE BOARD

### 3. BUYBACK AND ISSUANCE MANDATES

Ordinary resolutions will be proposed at the Annual General Meeting to approve the grant of new general mandates to the Directors:

- (a) to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing such resolution (“Buyback Mandate”);
- (b) to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution (“Issuance Mandate”); and
- (c) to extend the Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Buyback Mandate.

The Buyback Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in resolutions numbered 5 and 6 set out in the notice of the Annual General Meeting.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the grant of the Buyback Mandate. An explanatory statement as required by the Listing Rules in connection with the Buyback Mandate is set out in Appendix I to this circular.

### 4. RE-ELECTION OF DIRECTORS

In accordance with Bye-laws 86(2) and 87 of the Company’s Bye-laws, Mr. DENG Ju Neng, Mr. LIN Dong Hong and Ms. LI Kwo Yuk will retire and will offer for re-election at the Annual General Meeting. Details of the above Directors who are required to be disclosed by the Listing Rules are set out in Appendix III.

### 5. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 14 to 21 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the amendments to the Bye-laws, the granting of the Buyback Mandate and the Issuance Mandate and the extension of the Issuance Mandate by the addition thereto of the number of Shares repurchased pursuant to the Buyback Mandate.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). To be valid, the form of proxy must be completed in accordance with

## LETTER FROM THE BOARD

the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's principal office at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

### 6. RECOMMENDATION

The Directors consider that (i) the proposed amendments to the Bye-laws; (ii) the granting of the Buyback Mandate and granting/extension of the Issuance Mandate and (iii) the re-election of Directors are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

### 7. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I to Appendix III to this circular in relation to the explanatory statement on the Buyback Mandate, procedures by which Shareholders may demand a poll at a general meeting pursuant to the Bye-laws and details of Directors proposed to be re-elected at the Annual General Meeting.

Yours faithfully,  
**LIANG Jin You**  
*Chairman*



This Appendix serves an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Buyback Mandate.

### **1. REASONS FOR SHARES BUYBACK**

The Directors believe that the proposed granting of the Buyback Mandate is in the interests of the Company and the Shareholders.

Repurchases of Shares may, depending on market conditions and funding arrangements at the time, result in an enhancement of the net assets and/or earnings per Share. The Directors are seeking the granting of the Buyback Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 262,478,584 Shares.

Subject to the passing of the ordinary resolution no.5 set out in the notice of the Annual General Meeting and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed under the Buyback Mandate to repurchase a maximum of 26,247,858 Shares, during the period in which the Buyback Mandate remains in force.

### **3. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and Bye-laws, Companies Act 1981 of Bermuda (as amended) and/or other applicable laws.

The Company is empowered by its memorandum of association and Bye-laws to repurchase its Shares. Companies Act 1981 of Bermuda (as amended) provides that the amount of capital paid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of Shares made for such purpose. The amount of premium payable on repurchase may only be paid out of funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company before the shares are repurchased.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March 2004) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed

repurchase period. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### 4. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective Associates, have any present intention to sell any Shares to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the Buyback Mandate in accordance with the Listing Rules and Companies Act 1981 of Bermuda (as amended).

No connected person has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so in the event that the granting of the Buyback Mandate is approved by the Shareholders.

If, on the exercise of the power to repurchase Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Golden Glory Group Limited, whose sole director and ultimate 100% beneficial owner is Mr LIANG Jin You, a Director of the Company, was interested in 119,184,300 Shares representing 45.41% of the Shares issued by the Company. In the event that the Directors exercised in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the interests of Golden Glory Group Limited in the Shares of the Company would be increased to approximately 50.45% of the issued Shares of the Company and such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the Buyback Mandate to such an extent that it would trigger a takeover obligation by the controlling shareholder. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Buyback Mandate.

## 5. MARKET PRICES OF SHARES

The highest and lowest traded prices for Shares on the Stock Exchange during the previous 12 months were as follows:

Month	Shares	
	Highest HK\$	Lowest HK\$
<b>2003</b>		
July	0.58	0.49
August	0.59	0.49
September	0.58	0.49
October	0.68	0.50
November	0.70	0.52
December	0.59	0.50
<b>2004</b>		
January	0.56	0.50
February	0.70	0.50
March	0.78	0.59
April	0.68	0.55
May	0.67	0.50
June	0.67	0.58
the period from 1 July to Latest Practicable Date	0.65	0.50

## 6. SHARE REPURCHASES MADE BY THE COMPANY

No repurchase of Shares has been made by the Company during the previous six months (whether on the Stock Exchange or otherwise).

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Bye-laws.

According to clause 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:–

- (a) the chairman of such meeting; or
- (b) at least three Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Bye-laws and will be proposed to be re-elected at the Annual General Meeting are provided below.

**(1) Mr. Deng Ju Neng, aged 49, an executive Director**

*Experience and Length of Services*

**Mr. DENG Ju Neng (“Mr. Deng”)**, the Managing Director of Ultra Good Electroplating Surface Finishing (Shenzhen) Co., Ltd., a subsidiary of Artfield Group Limited (the “Company”) in the PRC, is responsible for the subsidiary’s day-to-day operations and overall manufacturing activities. He has more than 21 years of experience in trade, corporate management and real estate development. He joined the Group in 1998. He does not hold any directorships in other listed public companies in the last three years nor other major appointments.

*Director’s emoluments*

There is no service contract and specific length of service between the Company and Mr. Deng. Mr. Deng is entitled to receive a monthly salary of HK\$10,000 with a 13th month discretionary bonus (the level of such discretionary bonus to be decided upon by the Board at its absolute discretion having regard to the performance of the Director and the operating results of the Group).

*Relationship*

Mr. Deng does not have any relationships with any other directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in Shares*

As at the Latest Practicable Date, Mr. Deng was not interested or deemed to be interested in any Shares of the Company within the meaning of Part XV of the SFO.

**(2) Mr. Lin Dong Hong, aged 39, an executive Director**

*Experience and Length of Services*

**Ms. LIN Dong Hong (“Mr. Lin”)** has over 10 years’ experience in export trading industry. During the period from 1999 to 2002, he joined Beijing Houde Tian Ran Yaowu Yanjiusuo, a subsidiary of the Tsinghua University, Beijing and was responsible for biologic medical technology research. Since 2003, he has become one of the executive director of both 福建省安溪制藥有限公司 (Anxi Medicine-Make Co., Ltd Fujian) and 北京璽圃環球生物醫藥技術有限公司 (Beijing Xipu Biotechnology

Ltd), and supervised the marketing and daily operations. In 2004, Mr. Lin was appointed as the committee member of the Nine Secession of the General Office, National Committee, Chinese People's Political Consultative of the Anxi County of Fujian province, the PRC. Mr. Lin joined the Group on 10 May 2004. He does not hold any directorships in other listed public companies in the last three years nor other major appointments.

*Director's emoluments*

There is no service contract and specific length of service between the Company and Mr. Lin, but he is entitled to a monthly salary of HK\$30,000.

*Relationship*

Mr. Lin does not have any relationships with any other directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in Shares*

In accordance with the meaning of Part XV of the SFO, as at the Latest Practicable Date, Mr. Lin has corporate interests in 11,193,410 shares of the Company through Castle Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Lin. Mr. Lin is a director and deemed to be interested in shares of Success Start Holdings Limited ("Success"), a company incorporated in the British Virgin Islands with limited liability and defined as the associated corporation of the Company pursuant to SFO since Success is owned as to 49% by the Company and 26% by Mr. Lin.

**(3) Ms. Li Kwo Yuk, aged 42, an executive Director**

*Experience and Length of Services*

**Ms. LI Kwo Yuk ("Ms. Li")**, the Deputy Chairman of the Company, is responsible for overseeing the purchasing department. Ms. Li joined the Group on 1 January 2000 and has more than 18 years of experience in accounting, trading and administration. She does not hold any directorships in other listed public companies in the last three years nor other major appointments.

*Director's emoluments*

There is no service contract and specific length of service between the Company and Ms. Li. Ms. Li is entitled to receive a monthly salary of HK\$20,000 with a 13th month discretionary bonus (the level of such discretionary bonus to be decided upon by the Board at its absolute discretion having regard to the performance of the Director and the operating results of the Group).

*Relationship*

Ms. Li is the wife of Mr. LIANG Jin You, who is the Chairman of the Group. Save as disclosed above, Ms. Li does not have any relationships with any other directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

*Interests in Shares*

At the Latest Practicable Date, Ms. Li was granted 2,836,000 share options that are exercisable from 27 January 2000 to 20 March 2005. Save as disclosed above, Ms. Li does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

# NOTICE OF ANNUAL GENERAL MEETING



## ARTFIELD GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1229)

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Artfield Group Limited (the "Company") will be held at Conference Room, Flats G & H, 12th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on Thursday, 26 August 2004 at 10:30 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 March 2004;
2. To re-elect Directors and to authorise the Board of Directors to fix Directors' remuneration;
3. To appoint Auditors and to authorise the Board of Directors to fix Auditors' remuneration;
4. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a Special Resolution:
  - (a) by adding the following definition in Bye-law 1 immediately before the definition of "Auditor" as follows:

*"Associates"* shall have the meaning ascribed to it by the rules of the Designated Stock Exchange."
  - (b) by deleting the definition of "clearing house" in Bye-law 1, in its entirety and replacing it with the following:

*"clearing house"* shall mean a recognized clearing house within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any amendments thereto or re-enactments thereof for the time being in force or a clearing house recognized by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction."
  - (c) by deleting Bye-law 9 in its entirety and replacing it with the following:

"9. Subject to Sections 42 and 43 of the Act, any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may be ordinary resolution of the Members



## NOTICE OF ANNUAL GENERAL MEETING

determine. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike."

(d) By re-numbering existing Bye-law 76 as Bye-law 76(1).

(e) By inserting the following as new Bye-law 76(2):

"(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted."

(f) By deleting the existing Bye-law 88 in its entirety and replacing therewith the following new Bye-law 88:

"88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the Office or at the head office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting."

(g) By deleting the existing Bye-law 103 in its entirety and replacing therewith the following new Bye-law 103:

"103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his Associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

(i) any contract or arrangement for the giving to such Director or his Associate(s) any security or indemnity in respect of money lent by him or any of his Associates or obligations incurred or undertaken by him or any of his Associates at the request of or for the benefit of the Company or any of its subsidiaries;

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associate(s) has/have himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his Associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iv) any contract or arrangement in which the Director or his Associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his Associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his Associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his Associates are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of his Associates is derived); or
  - (vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, their Associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his Associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme of fund.
- (2) A company shall be deemed to be a company in which a Director and/or his Associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his Associates, (either directly or indirectly) is/are the

## NOTICE OF ANNUAL GENERAL MEETING

holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his Associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his Associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director and/or his Associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director and/or his Associate(s) is/are interested only as unit holder.

- (3) Where a company in which a Director and/or his Associate(s) hold(s) five (5) per cent. or more of its issued share capital is materially interested in a transaction, then that Director and/or his Associate(s) shall also be deemed materially interested in such transaction.
  - (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his Associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his Associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman and/or his Associate(s) as known to such chairman has not been fairly disclosed to the Board.”
- (h) By deleting the existing Bye-law 157 in its entirety and replacing therewith the following new Bye-law 157:
- “157. If the office of auditor becomes vacant by the resignation or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors may fill any casual vacancy in the office of auditor.”

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5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its own shares of the Company on the Stock Exchange or on any other stock exchange on which the Shares of the Company may be listed and is recognised by the securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution:–

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

- (i) the conclusion of the next annual general meeting of the Company;  
or
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable law to be held; and
  - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this resolution.”;
6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

**“THAT**

- (a) subject to paragraph (c) of this resolution, pursuant to the Listing Rules on the Stock Exchange, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of

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the Company to allot, issue and deal with additional share(s) of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements, options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

- (b) the approval in paragraph (a) of this resolution shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements, options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and to be issued by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted by the Company and/or its subsidiaries for the grant or issue of shares or rights to acquire shares in the capital of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-laws of the Company, shall not exceed 20% of the aggregate nominal value of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:–

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

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this resolution; and

“Rights Issue” means an offer of shares or issue of options to subscribe for shares open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the

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directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the law of, or the requirements of any recognized regulatory body or any stock exchange, in any territory applicable to the Company).”; and

7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** the general mandate granted to the Directors of the Company pursuant to resolution no.6 above and for the time being in force to exercise the powers of the Company to allot shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the total nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares since the granting of such general mandate referred to in the above resolution no.6, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution.”

By order of the Board  
**LEE Wai Lung**  
*Company Secretary*

Hong Kong, 30 July 2004

*Notes:*

- (a) The Register of Members of the Company will be closed from Thursday, 19 August 2004 to Thursday, 26 August 2004 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 18 August 2004.
- (b) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy or proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company’s principal office in Hong Kong, together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

As at the date of this notice, the executive directors of the Company are Mr. LIANG Jin You, Ms. LI Kwo Yuk, Mr. LEUNG Kin Yau, Mr. OU Jian Sheng, Mr. DENG Ju Neng and Mr. LIN Dong Hong. The non-executive director is Mr. LO Wah Wai and the independent non-executive directors are Mr. LO Ming Chi, Charles and Mr. CHEUNG Doi Shu.