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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)

ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND GENERAL MANDATES TO REPURCHASE SHARES AND WARRANTS AND TO ISSUE NEW SHARES

A notice convening an annual general meeting of Artfield Group Limited to be held at Conference Room, 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on Thursday, 28 August 2003 is set out on pages 20 to 24 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.

4 August 2003

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RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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, 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on Thursday, 28 August 2003 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 20 to 24 of this circular;
“associates”	has the same meaning as ascribed in the Listing Rules;
“Board”	the board of Directors;
“Buyback Mandate”	to purchase (i) 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; and (ii) up to a maximum of 10% of all the warrants in issue conferring the rights to subscribe up to HK\$59,730,645 in aggregate in cash for Shares at the initial subscription price of HK\$1.23 per Share (subject to adjustment) 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;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“connected persons”	has the same meaning as ascribed in the Listing Rules;
“Court”	has the same meaning as ascribed in the Companies Ordinance;
“Director(s)”	director(s) of the Company;
“Eligible Employee(s)”	employee(s) (whether full time or part time employee(s), including any executive director but not any non-executive director) of the Company, its Subsidiaries or any Invested Entity;
“Eligible Grantees”	persons who are eligible to accept the offer of the grant of an Option in accordance with the Existing Share Option Scheme;
“Existing Share Option Scheme”	the existing share option scheme of the Company which was adopted by the Company on 21 March 1995;

DEFINITIONS

“General Mandate Resolutions”	the ordinary resolutions to be proposed and passed at the Annual General Meeting for approving the granting of the Buyback Mandate and the Issuance Mandate to the Directors;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Invested Entity”	any entity in which the Group holds any equity interest;
“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”	30 July 2003, 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;
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the Annual General Meeting, a summary of the principal terms of which is set out in the Appendix I;
“Option(s)”	option(s) granted to the Eligible Grantees under the Existing Share Option Scheme or to the Participants under the New Share Option Scheme, as the context requires;
“Ordinary Resolution”	the ordinary resolution to be proposed and passed at the Annual General Meeting for the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme as set out in item 4 of the notice for the Annual General Meeting;
“Participant(s)”	any person belonging to any of the following classes of persons: <ul style="list-style-type: none">(a) any Eligible Employee;(b) any non-executive director (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity;(c) any supplier of goods or services to any member of the Group or any Invested Entity;(d) any customer of the Group or any Invested Entity;

DEFINITIONS

- (e) any technical, financial and legal professional advisers engaged by the Group or any Invested Entity; and
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

The basis of eligibility of any of the above classes of Participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and the Invested Entity.

“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;
“Subsidiary”	a subsidiary for the time being of the Company (within the meaning of Section 2 of the Companies Ordinance), whether incorporated in Hong Kong or elsewhere;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“Warrant(s)”	warrant(s) issued by the Company conferring the rights to subscribe up to HK\$59,730,645 in aggregate in cash for shares at the initial subscription price of HK\$1.23 per Share (subject to adjustment) at any time from 20 February 2004 to 1 March 2004 (both days inclusive); and
“HK\$”	Hong Kong dollars.

LETTER FROM THE BOARD



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

LIANG Jin You (*Chairman & Managing Director*)

LI Kwo Yuk (*Deputy Chairman*)

LEUNG Kin Yau

OU Jian Sheng

DENG Ju Neng

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

4 August 2003

To the shareholders and, for information only, the warrant holders

Dear Sir or Madam,

**ADOPTION OF NEW SHARE OPTION SCHEME
AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME
AND
GENERAL MANDATES TO REPURCHASE SHARES AND WARRANTS
AND TO ISSUE NEW SHARES**

1. INTRODUCTION

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Listing Rules, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and for reasons set out in this letter, the Board considers that it is in the interest of the Company to terminate the Existing Share Option Scheme and to adopt the New Share Option Scheme.

The purpose of this circular is to provide you with information in respect of the Ordinary Resolution to be proposed at the Annual General Meeting for the approval of the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme and in respect of the General Mandate Resolutions to be proposed at the Annual General Meeting for the approval of the granting of the Buyback Mandate and the Issuance Mandate to the Directors.

LETTER FROM THE BOARD

2. THE NEW SHARE OPTION SCHEME

At the Annual General Meeting, the Ordinary Resolution will be proposed for the Company to approve the adoption of the New Share Option Scheme pursuant to which the Participants may be granted Options to subscribe for Shares upon and subject to the terms and conditions of the rules of the New Share Option Scheme.

A summary of the principal terms of the rules of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the Annual General Meeting is set out in the Appendix I to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at the principal place of business of the Company at 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong during normal business hours from the date hereof up to and including 28 August 2003.

On 21 March 1995, the Company adopted the Existing Share Option Scheme for the Eligible Grantees pursuant to which Options to subscribe for an aggregate of up to 10% of the issued share capital of the Company from time to time can be granted. As at the Latest Practicable Date, the issued share capital of the Company is 240,539,500 Shares. During the period from 2 October 2002 to 29 May 2003, the Company had repurchased a total of 2,268,000 Shares and the issued share capital of the Company was reduced from 242,807,500 Shares to 240,539,500 Shares. Prior to 2 October 2002, the Company had granted Options to subscribe for a total of 39,400,000 Shares under the Existing Share Option Scheme to the Eligible Grantees. On and after 2 October 2002, the Company had not granted any Options under the Existing Share Option Scheme. As at the Latest Practicable Date, Options to subscribe for 12,156,000 Shares have been exercised, Options to subscribe for 16,336,000 Shares were lapsed and Options to subscribe for 10,908,000 Shares remained outstanding. Under the Existing Share Option Scheme, the Company can grant Options to subscribe for up to 22,838,350 Shares to the Eligible Grantees, representing 10% of the issued share capital of the Company without taking into account any Shares issued and allotted pursuant to the exercise of Options granted under the Existing Share Option Scheme. As at the Latest Practicable Date, the Directors cannot grant further Options under the Existing Share Option Scheme. There is no other share option scheme of the Company besides the Existing Share Option Scheme.

The New Share Option Scheme is conditional upon:

- (i) the passing of the Ordinary Resolution at the Annual General Meeting approving the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in any new Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme not exceeding 10% of the total number of Shares in issue as at the date of approval of the New Share Option Scheme.

The Existing Share Option Scheme will be terminated on the New Share Option Scheme coming into effect upon the fulfillment of the conditions set out above. Upon termination of the Existing Share Option Scheme, no further options can be granted thereunder but in all other respects, the provisions of the Existing Share Option Scheme shall remain in force and any Options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the issued share capital of the Company was 240,539,500 Shares. Assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares that may be issued pursuant to the New Share Option Scheme on the date of its adoption and any other share option schemes will be 24,053,950 Shares representing 10% of the Company's issued capital as at the date of passing of the Ordinary Resolution.

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are crucial for the calculation of the value of such Option cannot be determined. The variables which are critical for the determination of the value of such Options include, the subscription price for the Shares upon the exercise of the subscription rights attaching to the Options, whether or not Options will be granted under the New Share Option Scheme and the timing of the granting of such Options, the period during which the subscription rights may be exercised, the discretion of the Board to impose any performance target that has to be achieved before the subscription right attaching to the Options can be exercised and any other conditions that the Board imposed on the Options and whether or not such Options if granted will be exercised by the Option holders. The subscription price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options under the New Share Option Scheme. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility the Share price may be subject to during the ten year life span of the New Share Option Scheme. In the premises, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

3. APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for granting the listing of, and permission to deal in, the Shares not exceeding 10% of the issued share capital as at the date of approval, which may fall to be issued pursuant to the exercise of any Options that may be granted under the New Share Option Scheme.

4. REASONS FOR ADOPTING THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to provide incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

The New Share Option Scheme permits the Company to grant Options to a wider category of Participants, and not just the Eligible Grantees as under the Existing Share Option Scheme. Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an Option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Board to provide incentive to a Participant to remain as a Participant during the minimum period and thereby enable the Group or the relevant Invested Entity to continue to benefit from the services of such Participant during such period. This discretion, coupled with the power of the Board to impose any performance target as it considers appropriate

LETTER FROM THE BOARD

before any Option can be exercised, enable the Group to provide incentives to the Participants to use their best endeavours in assisting the growth and development of the Group. Although the New Share Option Scheme does not provide for the granting of Options with right to subscribe for Shares at a discount to the trading price of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Board in granting Options to Participants, other than the Eligible Grantees and to impose minimum period for which the Options have to be held and performance targets that have to be achieved before the Options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group as a whole, than the Existing Share Option Scheme.

Pursuant to Rule 17.02(1)(a) of the Listing Rules, an announcement on the outcome of the Annual General Meeting for the adoption of the New Share Option Scheme will be published by the Company in the newspapers on the business day following the Annual General Meeting.

5. 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 (i) 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; and (ii) up to a maximum of 10% of all the warrants in issue conferring the rights to subscribe up to HK\$59,730,645 in aggregate in cash for Shares at the initial subscription price of HK\$1.23 per Share (subject to adjustment) 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 II to this circular.

6. ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is set out on pages 20 to 24 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the adoption of the New Share Option Scheme, 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.

LETTER FROM THE BOARD

A form of proxy for use at the Annual General Meeting is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with 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 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.

7. RECOMMENDATION

The Directors consider that the proposed adoption of the New Share Option Scheme, granting of the Buyback Mandate and granting/extension of the Issuance Mandate are in the interests of the Company and 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.

8. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I and Appendix II to this circular.

Yours faithfully,
LIANG Jin You
Chairman

This Appendix summarise the principal terms of the New Share Option Scheme but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as effecting the interpretation of the rules of the New Share Option Scheme.

(a) Purpose of the scheme

The purpose of the New Share Option Scheme is to provide incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

(b) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up Options to subscribe for Shares:

- (aa) any Eligible Employee;
- (bb) any non-executive director (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of the Group or any Invested Entity;
- (ee) any technical, financial, and legal professional advisers engaged by the Group or any Invested Entity; and
- (ff) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the New Share Option Scheme.

The basis of eligibility of any of the above classes of Participants to the grant of any Options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group and the Invested Entity.

(c) Maximum number of Shares

- (aa) The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30 per cent of the issued share capital of the Company from time to time.

- (bb) The total number of Shares which may be issued upon exercise of all Options (excluding, for this purpose, Options which have lapsed in accordance with the terms of the New Share Option Scheme and any other share option schemes of the Company) to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10 per cent of the Shares in issue as at the date of the passing of the Ordinary Resolution (the “General Scheme Limit”).
- (cc) Subject to (aa) above and without prejudice to (dd) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company under the limit as “refreshed” must not exceed 10 per cent of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit as “refreshed”, Options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option schemes of the Company) previously granted under the New Share Option Scheme and any other share option schemes of the Company will not be counted.
- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may issue a circular to the Shareholders and seek separate Shareholders’ approval in general meeting to grant Options beyond the General Scheme Limit or, if applicable, the limit referred to in (cc) above to Participants specifically identified by the Company before such approval is sought.

(d) Maximum entitlement of each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding Options) to each Participant in any 12-month period must not exceed 1 per cent of the issued share capital of the Company for the time being (the “Individual Limit”). Any further grant of Options to a Participant in excess of the Individual Limit (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular containing such information as required by the Listing Rules to the Shareholders and the Shareholders’ approval in general meeting of the Company with such Participant and his associates abstaining from voting.

(e) Grant of Options to connected persons

- (aa) Any grant of Options under the New Share Option Scheme to a Director, chief executive (other than a proposed director or a proposed chief executive of the Company) or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (bb) Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1 per cent of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000;

such further grant of Options must be approved by the Shareholders. The Company must send a circular containing such information as required by the Listing Rules to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll. Any change in the terms of the Options granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates must be approved by the Shareholders in general meeting.

(f) Time of acceptance and exercise of an Option

An offer of grant of an Option may be accepted by a Participant within 28 days from the date of the offer of grant of the Option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an Option.

An Option shall be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the day on which the offer for the grant of Options is made but shall end in any event not later than 10 years from the date the Board makes an offer of the grant of an Option subject to the provisions for early termination thereof. Directors have discretion to impose a minimum period for which an Option has to be held before the exercise of the subscription rights attaching thereto on case by case basis.

Unless the Directors otherwise determined and stated in the offer of the grant of Options to a Participant, there is no minimum period for which an Option granted under the New Share Option Scheme must be held before it can be exercised.

(g) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of Options to a Participant, a Participant is not required to achieve any performance targets before any Options granted under the New Share Option Scheme can be exercised. Directors have discretion to impose the performance targets restriction on case by case basis.

(h) Subscription price for Shares

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. Without prejudice to the generality of the foregoing, the Directors may grant Options in respect of which the subscription price is fixed at different prices for different periods during the Option period provided that the subscription price for Shares for each of the different periods shall not be less than the subscription price determined in the manner set out herein.

(i) Ranking of Shares

- (aa) Shares allotted upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company and the Companies Act 1981 of Bermuda (as amended) and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of the Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an Option shall not carry voting rights until the completion of the registration of the grantee as the holder thereof.
- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(j) Restrictions on the time of grant of Options

No offer for grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Directors (as such date is first notified to the Stock Exchange in accordance with the terms of the Company’s listing agreement) for the approval of the Company’s interim or annual results, and (ii) the last date on which the Company must publish its interim or annual results announcement under its listing agreement with the Stock Exchange, and ending on the date of the announcement of the results, no Option may be granted.

The Directors may not grant any Option to a Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(k) Period of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the New Share Option Scheme becomes unconditional.

(l) Rights on ceasing employment

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death or serious misconduct or other grounds referred to in sub-paragraph (n) below before exercising his Option in full, the Option (to the extent which has become exercisable and not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death

If the grantee of an Option ceases to be a Participant by reason of death before exercising the Option in full (provided that none of the events which would be a ground for termination of his or her employment under sub-paragraph (n) below arises prior to his or her death), the legal personal representative of this grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Option (to the extent which has become exercisable and not already exercised).

(n) Rights on dismissal

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of misconduct or has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Eligible Employee's service contract with the Company or the relevant Subsidiary or the relevant Invested Entity, his or her Option will lapse automatically on the date the grantee ceases to be an Eligible Employee.

(o) Rights on breach of contract

If the Directors at their absolute discretion determine that the grantee of any Option (other than an Eligible Employee) or his or her associate has committed any breach of any contract entered into between the grantee or his or her associate on the one part and the Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, the Directors shall determine that the outstanding Options granted to the grantee shall lapse. In such event, his or her Options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(p) Rights on a general offer

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use

all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his or her Option at any time before the close of such offer (or any revised offer). Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time no later than two business days prior to the date on which such resolution is to be passed, exercise his or her Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the New Share Option Scheme and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the Shares in issue on the date prior to the date of the passing of the resolution to wind-up the Company. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date of the commencement of the winding-up of the Company.

(r) Rights on compromise or arrangement between the Company and its creditors

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court be entitled to exercise his or her Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her Option so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date the proposed compromise or arrangement becomes effective.

(s) Adjustments of the subscription price or other terms

In the event of a capitalisation issue, rights issue, consolidation or sub-division of shares or reduction of capital of the Company whilst an Option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable and at the same time

satisfy with the requirements of the Listing Rules will be made to the number of Shares and/or the subscription price for Shares subject to Option already granted; and/or the maximum number of Shares subject to the New Share Option Scheme provided (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustments; (ii) no adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such adjustment will be required in circumstances where there is an issue of Shares or other securities of the Group as consideration in a transaction. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, the Company's auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(t) Cancellation of Options

Any cancellation of Options granted but not exercised must be approved by the Board and the Shareholders in general meeting, with the relevant grantees and their associates abstaining from voting.

Where the Company cancels Options and issues new ones to the same grantee, the issue of such new options may only be made under the New Share Option Scheme and any other share option schemes of the Company with available unissued options (excluding the cancelled Options) within the limit approved by Shareholders as mentioned in note (1) to Rule 17.03 (3) of the Listing Rules.

(u) Termination of the New Share Option Scheme

The Company may by resolution in general meeting at any time terminate the New Share Option Scheme and in such event no further Options shall be offered but in all other respects the provisions of the New Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

(v) Rights are personal to the grantee

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

(w) Lapse of Option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (f);
- (bb) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r); and

- (cc) the date on which a breach of the provision of restriction on transfer and assignment of an Option referred to in paragraph (v) is committed.
- (x) **Others**
- (aa) The terms and conditions of the New Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the Options except with the prior approval of the Shareholders in general meeting.
 - (bb) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
 - (cc) The amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
 - (dd) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

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 AND WARRANTS BUYBACK

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

Repurchases 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 and/or Warrants 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 AND WARRANTS

As at the Latest Practicable Date, there were in issue an aggregate of 240,539,500 Shares and the Company has 48,561,500 Warrants outstanding at such date with total subscription rights of HK\$59,730,645, equivalent to the aggregate subscription price for a total of 48,561,500 Shares on the basis of the subscription price of HK\$1.23 per Share (subject to adjustment).

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 or Warrants 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 24,053,950 Shares and Warrants carrying rights to subscribe up to a maximum of HK\$5,973,064 (representing not more than 10% of the total amount of subscription rights attaching to Warrants outstanding as at the date of the passing of the Repurchase Resolution) in aggregate for Shares, equivalent to the aggregate subscription price for a total of 4,856,150 Shares on the basis of the initial subscription price of HK\$1.23 per Share, during the period in which the Buyback Mandate remains in force.

3. FUNDING OF REPURCHASES

In repurchasing Shares and Warrants, 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), the relevant instrument creating the Warrants and/or other applicable laws.

The Company is empowered by its memorandum of association and Bye-laws and relevant instrument creating the Warrants to repurchase its Shares and Warrants. Companies Act 1981 of Bermuda (as amended) provides that the amount of capital paid in connection with securities 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 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 2003) 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 or Warrants 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 or Warrants 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 or Warrants 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 49.55% 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 55.05% of the issued Shares of the Company and such increase may give rise to an obligation to make a mandatory offer under Rules 26 and 32 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 AND WARRANTS

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

Month	Shares		Warrants	
	Highest HK\$	Lowest HK\$	Highest HK\$	Lowest HK\$
2002				
July	0.75	0.60	1.20	1.20
August	0.73	0.52	1.16	0.70
September (Note)	0.74	0.54	–	–
October (Note)	0.63	0.52	–	–
November (Note)	0.67	0.52	–	–
December (Note)	0.62	0.53	–	–
2003				
January (Note)	0.60	0.50	–	–
February (Note)	0.63	0.55	–	–
March (Note)	0.63	0.50	–	–
April (Note)	0.60	0.49	–	–
May	0.57	0.50	0.01	0.01
June (Note)	0.60	0.52	–	–

Note: There is no highest and lowest warrant prices provided since there is no trading of warrants on market during the month.

6. SHARE AND/OR WARRANT REPURCHASES MADE BY THE COMPANY

Purchases of 1,306,000 Shares have been made by the Company on the Stock Exchange in the six months prior to the Latest Practicable Date.

Details of the shares purchased are as follows:

Date of repurchase	Number of Shares	Price per Share	
		Highest HK\$	Lowest HK\$
14 February 2003	110,000	0.60	0.57
17 February 2003 (Note)	100,000	0.60	–
18 February 2003 (Note)	338,000	0.60	–
24 February 2003	152,000	0.62	0.60
26 February 2003	100,000	0.63	0.62
29 May 2003	506,000	0.57	0.56
	1,306,000		

During the six months prior to the Latest Practicable Date, no Warrants have been repurchased by the Company on the Stock Exchange.

Note: There is no lowest price provided since the Company repurchased the shares at single price on that date.

NOTICE OF ANNUAL GENERAL MEETING



ARTFIELD GROUP LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Members of Artfield Group Limited (the “Company”) will be held at Conference Room, 13th Floor, Universal Industrial Centre, 19-21 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong on Thursday, 28 August 2003 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 2003;
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 an ordinary resolution:

“THAT

- (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the shares to be issued pursuant to the exercise of any options granted under the share option scheme of the Company (the “New Share Option Scheme”), a copy of which marked “A” is produced to the meeting and for the purposes of identification signed by the Chairman thereof, the New Share Option Scheme be and is hereby approved and adopted and the Directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:
 - (i) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for shares of the Company;
 - (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
 - (iii) to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme provided always that

NOTICE OF ANNUAL GENERAL MEETING

the total number of shares subject to the New Share Option Scheme, when aggregated with any shares subject to any other share option schemes, shall not exceed 10% of the relevant class of the issued share capital of the Company as at the date of passing this resolution, but the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme and the maximum number of shares which may be issued upon exercise of all outstanding options granted under the New Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 30% of the relevant class of the issued share capital of the Company from time to time;

- (iv) to make applications at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and
 - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/ or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme;
- (b) the existing share option scheme for the employees and executive Directors of the Company and its subsidiaries which was adopted by the Company by a written resolution of the shareholders of the Company on 21 March 1995 be and is hereby terminated with immediate effect.”;
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 securities of the Company on the Stock Exchange or on any other stock exchange on which the securities 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 securities 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 or 10% of the aggregate outstanding value of warrants of the Company at the date of passing this resolution respectively, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(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 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 (including warrants) 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 (including warrants) 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 upon the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time; or (iii) 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 (iv) 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

NOTICE OF ANNUAL GENERAL MEETING

(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 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
CHAN Tak Wing
Company Secretary

Hong Kong, 4 August 2003

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (a) The Register of Members of the Company will be closed from Friday, 22 August 2003 to Thursday, 28 August 2003 (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 4:30 p.m. on Thursday, 21 August 2003.
- (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.