
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Upbest Group Limited (the “Company”), you should at once hand this circular and the accompanying 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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 335)

PROPOSALS RELATING TO GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES, AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS AND NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY

The notice convening an Annual General Meeting to be held on August 30, 2004, at which, among others, the above proposals will be considered, is set out on pages 10 to 19 of this circular.

Whether or not you propose to attend the Annual General Meeting, you are requested to complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon as soon as possible.

July 26, 2004

LETTER FROM THE MANAGEMENT



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 335)

Directors:

Mr. Tsang Cheuk Lau (*Chairman*)
Mr. Wong Ching Hung, Thomas
Mr. Cheng Kai Ming, Charles
Mr. Li Kwok Cheung, George
Mr. Choy Ye King
Mr. Wong Wai Kwong, David[#]
Mr. Pang Cheung Hing, Alex[#]

[#] *Independent Non-executive Directors*

Registered office:

Ugland House
South Church Street
P.O. Box 309
Grand Cayman
Cayman Islands
British West Indies

Principal place of business:

2nd Floor
Wah Kit Commercial Centre
302 Des Voeux Road Central
Hong Kong

July 26, 2004

To the shareholders of the Company

Dear Sir or Madam,

**PROPOSALS RELATING TO
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
AMENDMENT TO THE ARTICLES OF ASSOCIATIONS
AND
NOTICE OF ANNUAL GENERAL MEETING
OF THE COMPANY**

INTRODUCTION

The purpose of this circular is to seek your approval of proposals to grant general mandates to issue and repurchase shares and amendment to the Articles of Associations of the Company, as well as to provide you with information in connection with such proposals. Your approval will be sought at the annual general meeting of the Company to be held on August 30, 2004 (the “Annual General Meeting”).

LETTER FROM THE MANAGEMENT

GENERAL MANDATE FOR REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

At the annual general meeting held on August 20, 2003, a general mandate was given to the board of directors of the Company (the “Board”) to exercise the powers of the Company to repurchase shares of HK\$0.01 each of the Company (the “Shares”) up to a maximum of 10 per cent. of the issued share capital of the Company on that date. Such mandate will lapse at the conclusion of the Annual General Meeting.

Your attention is drawn to an ordinary resolution set out in the notice convening the Annual General Meeting dated August 30, 2004 contained in pages 10 to 19 of this circular. Such ordinary resolution proposes to give a general mandate to the Board to exercise the powers of the Company to repurchase at any time until the conclusion of the next annual general meeting of the Company following the passing of the relevant resolution or such earlier period as stated therein up to a maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing that ordinary resolution (the “Repurchase Mandate”).

An explanatory statement, as required under the relevant rules set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) regulating the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange, to provide the requisite information for your consideration of the Repurchase Mandate is set out in the Explanatory Statement hereto.

GENERAL MANDATE TO ISSUE NEW SECURITIES OF THE COMPANY

It will be proposed at the Annual General Meeting the ordinary resolutions as set out in the notice convening the Annual General Meeting dated August 30, 2004 for granting to the Board a general mandate to allot, issue and deal with new Shares and/or other securities of the Company not exceeding 20 per cent. of the issued share capital of the Company as at the date of passing that ordinary resolution (the “New Issue Mandate”) and extending the New Issue Mandate by adding to it the aggregate nominal amount of the Shares repurchased by the Company under the Repurchase Mandate.

As at July 22, 2004 (the latest practicable date prior to the printing of this circular), there were 1,120,000,000 Shares in issue and subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the New Issue Mandate could accordingly result in up to 224,000,000 Shares being issued by the Company during the course of the period prior to the next annual general meeting to be held in 2005.

ALTERATIONS TO THE ARTICLES

As announced by the Stock Exchange in its press release dated January 30, 2004, the Stock Exchange has revised the Listing Rules based on the results of the Consultation Conclusions on Proposed Amendments to the Listing Rules relating to Corporate Governance Issues issued in January 2003, such revisions of the Listing Rules took effect on March 31, 2004 and include revisions to Appendix 3 to the Listing Rules, which sets out the requirements that the articles of association or, as the case may be, the bye-laws of listed issuers or listing applicants shall comply with.

LETTER FROM THE MANAGEMENT

To ensure compliance with the revised Appendix 3 to the Listing Rules, listed issuers must amend their articles of association or, as the case may be, the bye-laws at the earliest opportunity and, in any event, no later than the conclusion of their next annual general meeting after 31 March 2004.

To align the Articles with the requirements of the revised Appendix 3 to the Listing Rules, the Board wish to propose a special resolution at the Annual General Meeting to amend the Articles. In general, the proposed alterations to the Articles are to be made to conform with the following in relation to corporate governance:

- (a) 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 is not to be counted in the quorum of the relevant board meeting; and
- (b) where any shareholder of the Company is, under the revised Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any vote cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

A full text of the proposed alterations to the Articles is contained in resolution numbered 6 in the notice of the Annual General Meeting set out on pages 10 to 19 of this circular.

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting is set out on pages 10 to 19 of this circular. At the Annual General Meeting, ordinary and special resolutions will be proposed to approve, inter alia, the New Issue Mandate, the Repurchase Mandate and the amendment to the Articles of Associate respectively.

Pursuant to Articles 80 of the Articles of Associations of the Company, at any general meeting a resolution put to the vote at the meeting shall be determined in the first instance by a show of hands of the members present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative and entitled to vote unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands) is duly demanded: (a) by the Chairman; or (b) by at least five members present in person or by proxy of (in the case of a member being a corporation) by its duly authorised representative for the time being entitled to vote at the meeting; or (c) by any member or members present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative 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) by 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.

Unless a poll is duly required or demanded in accordance with the foregoing provisions, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by any particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

LETTER FROM THE MANAGEMENT

PROXY

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Whether or not they intend to attend the meeting, shareholders are requested to complete and return the form of proxy to the principal place of business of the Company at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Annual General Meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Annual General Meeting should shareholders so desire.

RECOMMENDATION

The Board consider that the proposal mentioned above, including the proposals for the grant of the New Issue Mandate, the Repurchase Mandate and the amendment to the Articles of Associations of the Company, are in the best interests of the Company as well as its shareholders. Accordingly, the Board recommend that all shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting.

GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

RESPONSIBILITY STATEMENT

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

Yours faithfully
For and on behalf of the Board
Tsang Cheuk Lau
Chairman

The Appendix serves as an explanatory statement, as required by the Listing Rules, to provide information to you with regard to the Repurchase Mandate.

1. THE LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange or on another stock exchange on which the securities of the companies may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(a) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the constitutive documents of the company and the laws of the jurisdiction in which the company is incorporated.

(b) Maximum number of shares to be repurchased

The shares which are proposed to be repurchased by a company must be fully paid up. A maximum of 10 per cent. of the issued share capital as at the date of passing the relevant resolution may be repurchased on the Stock Exchange.

2. SHARE CAPITAL

As at July 22, 2004 (the latest practicable date prior to the printing of this circular), there were 1,120,000,000 Shares in issue and subject to the passing of the necessary ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the Repurchase Mandate could accordingly result in up to 112,000,000 Shares being repurchased by the Company during the course of the period prior to the next annual general meeting to be held in 2005.

3. REASONS FOR REPURCHASES

The Board believes that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Board to repurchase the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or net assets per Share and/or its earnings per Share and will only be made when the Board believe that such repurchases will benefit the Company and its shareholders.

4. FUNDING OF REPURCHASES

Repurchases of the Shares will be funded entirely from the Company's available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for the purchase in accordance with the Memorandum and Articles of Associations of the Company and the applicable laws of the Cayman Islands.

There might be a material adverse effect on the working capital requirements or gearing levels of the Company (as compared with the position disclosed in the audited accounts contained in the 2004 Annual Report) in the event that the Repurchase Mandate is exercised in full at any time. However, the Board do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company at the time of the relevant purchases unless the Board determine that such repurchases are, taking account of all relevant factors, in the best interests of the Company.

5. GENERAL

The Board have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchase pursuant to the Repurchase Mandate and in accordance with the Listing Rules and any applicable laws of the Cayman Islands.

None of the directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if the same is approved by the shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders.

If a shareholder's proportionate interest in the voting rights of the Company increases as a result of the Board exercising the powers of the Company to repurchase its Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, 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 and 32 of the Takeovers Code. As at July 22, 2004 (the latest practicable date prior to the printing of this circular), CCAA Group Limited ("CCAA") was interested in 840,000,000 Shares, representing 75 per cent. of the issued share capital of the Company. In the event that the Repurchase Mandate is exercised in full, CCAA's interest would be increased to approximately 83.33% per cent, of the issued share capital of the Company. The Board have no intention to repurchase Shares to such an extent as would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage. The Board is not aware of any consequences which may arise under the Takeovers Code as a result of any repurchase made under the Repurchase Mandate.

6. THE SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months were as follows:

	The Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
July 2003	0.560	0.480
August 2003	0.530	0.495
September 2003	0.520	0.495
October 2003	0.510	0.480
November 2003	0.520	0.480
December 2003	0.510	0.495
January 2004	0.500	0.485
February 2004	0.590	0.480
March 2004	0.570	0.520
April 2004	0.610	0.550
May 2004	0.570	0.550
June 2004	0.570	0.560
July 2004 (Up to the Latest Practicable Date)	0.580	0.560

7. REPURCHASES OF SHARES MADE BY THE COMPANY

No repurchases of Shares have been made by the Company (whether on the Stock Exchange or otherwise) in the six months preceding July 22, 2004, the latest practicable date prior to the printing of this circular.

APPENDIX II DETAILS OF DIRECTOR PROPOSED FOR RE-ELECTION

The biographical details of the Directors eligible for re-election at the Annual General Meeting are set out below:

Executive Directors

Mr. Tsang Cheuk Lau (“Mr. Tsang”), aged 65, is the Chairman of the Company. Mr. Tsang has joined the Group since July 28, 2000 and is responsible for the formulation of corporate strategies and business development of the Group. Mr. Tsang has over 40 years of banking experience. Prior to joining the Group, he was the head of the corporate banking division and the deputy general manager of Wing Hang Bank Limited.

Mr. Wong Ching Hung, Thomas (“Mr. Wong”), aged 53, is an executive Director of the Group. He joined the Group since February 4, 2002 and is responsible for the business development of the Group. Mr. Wong received his master’s degree in Accounting Science from the University of Illinois, USA and master’s degree in Commerce from the University of New South Wales, Australia. He is a fellow member of Hong Kong Society of Accountants and CPA Australia as well as a member of the Institute of Chartered Accountants in Australia. He is the founding CEO and executive director of the Hong Kong Financial Service Institute. Prior to the appointment, Mr. Wong was the founding chief executive of the Hong Kong Securities Institute and the director of Education and Training of the Hong Kong Society of Accountants. Academically, he was the head of the Department of Accounting and Law at the Hong Kong Baptist University and a professor of Accounting at Griffith University in Australia. Furthermore, Mr. Wong serves on a number of advisory and validation committee of tertiary institutions and several committees of the Hong Kong SAR government and the Community Chest. He is also the Director of China Program Development and the Adjunct Associate Professor of Accounting of the Hong Kong University of Science of Technology.

Independent Non-Executive Directors

Mr. Wong Wai Kwong, David (“Mr. David Wong”), aged 46, is an independent non-executive Director. Mr. Wong has over 22 years’ experience in finance, accounting, corporate and taxation affairs. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. He is currently an independent non-executive director of (1) Cross-Harbour (Holdings) Ltd. (Stock code: 032), (2) UBA Investments Limited (Stock code: 768), (3) Upbest Group Limited (Stock code: 335), (4) Y. T. Realty Group Ltd. (Stock code: 075) and (5) Yugang International Ltd. (Stock code: 613); a non-executive director of (1) EganaGoldpfeil (Holdings) Ltd. (Stock code: 048), (2) Egana Jewellery & Pearls Ltd. (Stock code: 926) and (3) Tonic Industries Holdings Ltd. (Stock code: 978) and an executive director of Incutech Investments Limited (Stock code: 356). He is also a director of International Taxation Advisory Services Limited. Mr. David Wong was the independent non-executive director of Dickson Group Holdings Limited since December 10, 1991 and had resigned with effect from May 2, 2003.

There are no service agreement contracted with Mr. Tsang, Mr. Wong and Mr. David Wong. All of Mr. Tsang, Mr. Wong and Mr. David Wong did have no fixed term of service with the Company but will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association of the Company.

APPENDIX II DETAILS OF DIRECTOR PROPOSED FOR RE-ELECTION

The director's fee of Mr. Tsang, Mr. Wong and Mr. David Wong is to be determined by the Board of Directors as authorised by the Shareholders at the Annual General Meeting, which are determined based on the market rate and their anticipated time, effort and expertise to be exercised on the Group's affairs. For the year ended March 31, 2004, both Mr. Tsang and Mr. Wong were not entitled for any director's emoluments or fee and only Mr. David Wong is entitled to a director's fee of HK\$50,000.

As at the date of this circular, all of Mr. Tsang, Mr. Wong and Mr. David Wong are not connected with the directors, chief executives or substantial shareholders of the Company and have no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There are no matter which need to be brought to the attention of the shareholders of the Company upon their re-election. Save as disclosure above, none of Mr. Tsang, Mr. Wong and Mr. David Wong do hold any directorship in other Hong Kong listed companies within the past 3 years preceding the date of this circular.

As at the date of this circular, the Board consists of Mr. Tsang Cheuk Lau, Mr. Wong Ching Hung, Thomas, Mr. Cheng Kai Ming, Charles, Mr. Li Kwok Cheung, George and Mr. Choy Ye King as executive directors; and Mr. Wong Wai Kwong, David and Mr. Pang Cheung Hing, Alex as independent non-executive directors.

NOTICE OF ANNUAL GENERAL MEETING



UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 335)

NOTICE IS HEREBY GIVEN that the annual general meeting of Upbest Group Limited (the “Company”) will be held at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong on August 30, 2004 at 9:30 a.m. for the following purposes:

- (1) To receive and consider the financial statements and the reports of the directors and auditors for the year ended March 31, 2004;
- (2) To declare a final dividend;
- (3) To re-elect directors and to authorise the directors to fix their remuneration;
- (4) To re-appoint auditors for the ensuing year and to authorise the directors to fix their remuneration;
- (5) To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

(A) **“THAT:**

- (a) subject to paragraph (c) of this resolution and without prejudice to resolution 5(B) set out in the notice of this meeting, the exercise by the Board during the Relevant Period (as defined in paragraph (d) of this resolution) of all powers of the Company to issue, allot and deal in the Shares and to issue, allot or grant securities convertible into Shares or options, warrants or similar rights to subscribe for any shares in the Company or such convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Board during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as defined in paragraph (d) of this resolution);
 - (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Articles of Association of the Company; or
 - (iii) an issue of Shares under the share option scheme of the Company or any similar arrangements for the time being adopted by the Company for the grant or issue to employees or directors of the Company and/or any of its subsidiaries of Shares or right to acquire Shares; or
 - (iv) the exercise of the rights of subscription or conversion under the terms of any securities or notes for the time being in force which are convertible into any shares in the Company;

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly;

- (d) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Board to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory).”

NOTICE OF ANNUAL GENERAL MEETING

(B) **“THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the Board during the Relevant Period (as defined in resolution 5(A)(d) set out in the notice of this meeting) of all the powers of the Company to repurchase the Shares on the Stock Exchange or on any other exchange on which the Shares may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange (the “Recognised Stock Exchange”) subject to and in accordance with all applicable laws, and in accordance with the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on the Stock Exchange or the rules of any other Recognised Stock Exchange, be and is hereby generally and unconditionally approved; and
- (b) the aggregate nominal amount of the Shares to be repurchased or agreed conditionally or unconditionally 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 amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly.”

(C) **“THAT** conditional upon the passing of resolutions 5(A) and 5(B) set out in the notice of this meeting, the aggregate nominal amount of Shares which shall have been repurchased by the Company pursuant to and in accordance with resolution 5(B) set out in the notice of this meeting shall be added to the aggregate nominal amount of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Board pursuant to and in accordance with resolution 5(A) set out in the notice of this meeting, provided that such additional amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution.”

- (6) To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as special resolution:

“THAT the articles of association of the Company be amended as follows:

- (A) By adding the following new definitions and references, within appropriate alphabetic order, to Articles 2:

“associate” shall have the same meaning ascribed to it under the Listing Rules

“electronic” shall mean those applications, usage, utilization whatsoever of or relating to technology having electrical, digital, magnetic, wireless, optical electromagnetic or similar capabilities or characteristics

NOTICE OF ANNUAL GENERAL MEETING

- (B) By deleting the existing definitions in Articles 2 and replacing by the following new definitions:

“Recognised Clearing House” shall mean a recognised clearing house as referred to in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorised share depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction

“subsidiary” and “holding company” in these Articles shall have the meaning attributed to such terms in the Company Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time, but interpreting the term “subsidiary” in accordance with the definition of “subsidiary” under Rule 1.01 of the Listing Rules

- (C) By deleting the existing Article 80 in its entirety and replacing by the following new Article 80:

80. At any general meeting a resolution put to the vote at the meeting shall be determined in the first instance by a show of hands of the members present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative and entitled to vote unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands) is duly demanded:

- (a) by the Chairman; or
- (b) by at least five members present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative 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) by 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.

Unless a poll is duly required or demanded in accordance with the foregoing provisions, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by any particular majority, or lost, and an entry to that effect in the book containing the minutes of the

NOTICE OF ANNUAL GENERAL MEETING

proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

- (D) By deleting the existing Article 81 in its entirety and replacing by the following new Article 81:

81. If a poll is duly required in demanded in accordance with foregoing provisions, it shall (subject as provided in Article 82) be taken in such manner (including the use of ballot or voting papers or tickets) and at once of at such time and place, not being later than thirty days after the date of the meeting or adjourned meeting at which the poll was demanded, as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn but only with the consent of the Chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

- (E) By deleting the existing Article 81(b) in its entirety and replacing by the following new Article 81(b):

81(b) The requirement or demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been required or demanded.

- (F) By inserting at the end of existing Article 81 the following new Article 81(c):

“Where any member is under the Listing Rules, required to abstain from voting for or against any particular or restricted to voting for or 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.”

- (G) By deleting the existing Article 82 in its entirety and replacing by the following new Article 82:

82. Any poll duly required or demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.

- (H) By deleting the existing Article 83 in its entirety and replacing by the following new Article 83:

83. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is required or demanded, shall be entitled to a second or casting votes.

NOTICE OF ANNUAL GENERAL MEETING

- (I) By deleting the existing Article 107(c) in its entirety and replacing by the following new Article 107(c):

107(c) Save as otherwise provided by the Articles, a Director shall not be entitled to 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 associate(s) has material interest but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving of any security or indemnity either:–
 - (aa) to the Director or his associate(s) in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (bb) 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 himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or for any 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;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested, directly or indirectly, whether as an officer or executive or shareholder, or in which the Director or his associate(s) is/are beneficially interested in the shares of that company, provided that he and any of his associates, are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (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;

NOTICE OF ANNUAL GENERAL MEETING

- (v) any proposal or arrangement concerning the adoption, modification or operation of an employees' share scheme under which the Director or his associate(s) may benefit other than any proposal in relation to the grant of rights under the scheme to him/them or the modification of any rights previously granted to him/them other than in circumstances where such rights are proposed to be amended in similar manner to rights held by other employees and without any special privilege or advantage being accorded; or
- (vi) any proposal of arrangement concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to the Directors or his associates(s) and employees of the Company or any of its subsidiaries and does not provide in respect of any Director of the Company or any of its subsidiaries or his associate(s), as such any privileges or advantages not generally accorded to the class of persons to which such scheme or fund relates.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or his associates(s) (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to such other Director or his associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the Director 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 be counted in the quorum and 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 or any of his associate(s) as known to such chairman has not been fairly disclosed to the Board.

- (J) By deleting the existing Article 107(e) in its entirety and replacing by the following new Article 107(e):

107(e) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or his associates(s) (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to such other Director or his associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the

NOTICE OF ANNUAL GENERAL MEETING

Director 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 be counted in the quorum and 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 or any of his associate(s) as known to such chairman has not been fairly disclosed to the Board.

- (K) By deleting the existing Article 120 in its entirety and replacing by the following new Article 120:

120. No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of director at any general meeting, unless during the period commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, a notice in writing signed by a member (not being the person to be proposed) duly qualified to be present and vote at the meeting for which such notice is given of his intention to propose that person for election as a Director and notice in writing signed by that person to be proposed of his willingness to be elected shall have been delivered to the Company's principal place of business in Hong Kong not less than seven days before the date of the general meeting.

- (L) By inserting at the end of existing Article 167 the following paragraph:

“Without limiting the generality of the foregoing but subject to the applicable laws and regulations and these Articles and any rules prescribed by the Designated Stock Exchange from time to time, a notice or document may be served or delivered by the Company to any shareholder by electronic means to such address as may from time to time be authorised by the shareholder concerned or by publishing it on a computer network and notifying the shareholder concerned, in such manner as he may from time to time authorise, that it has been so published.”

- (M) By inserting the following new Article 167A:

167A Any such notice or document may be served or delivered by the Company by reference to the register as it stands at any time not more than fifteen days before the date of service or delivery. No change in the register after that time shall invalidate that service or delivery. Where any notice or document is served or delivered to any person in respect of a share in accordance with these Articles, no person deriving any title or interest in that share shall be entitled to any further service or delivery of that notice or document.

NOTICE OF ANNUAL GENERAL MEETING

(N) By inserting at the end of existing Article 167B(1) and (2):

167B(1) Any notice or document required to be sent to or served upon the Company, or upon any officer of the Company, may be sent or served by leaving the same or sending it through the post in a prepaid envelop or wrapper addressed to the Company or to such officer at the Company's head office or registered office.

167B(2) The Directors may from time to time specify the form and manner in which a notice may be given to the Company by electronic means, including one or more addresses for the receipt of an electronic communication, and may prescribe such procedures as they deem fit for verifying the authenticity or integrity of any such electronic communication. Any notice may be given to the Company by electronic means only if it is given in accordance with the requirements specified by the Directors.

(O) By deleting the existing Article 169 in its entirety and replacing by the following new Article 169:

169. Any notice or other document, if sent by mail, postage prepaid, shall be deemed to have been served or delivered on the day following that on which the letter, envelope, or wrapper containing the same is put into the post. In proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice or document was properly addressed and put into the post as prepaid mail. Any notice or document not sent by post but deposited by the Company at a registered address shall be deemed to have been served or delivered on the day that it was so deposited. Any notice or document, if sent by electronic means (including through any relevant system), shall be deemed to have been given on the day following that on which the electronic communication was sent by or on behalf of the Company. Any notice or document served or delivered by the Company by any other means authorised in writing by the shareholder concerned shall be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose. Any notice or other document published by way of advertisement or on a computer network shall be deemed to have been served or delivered on the day it was so published.

NOTICE OF ANNUAL GENERAL MEETING

Subject to any special provisions contained in these Articles or in any other laws, all notices required to be given by advertisement shall be advertised in at least one daily Chinese language and one daily English language newspaper circulating in Hong Kong or by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided.

Except where otherwise expressly stated, any notice to be given to or by any person pursuant to these Articles shall be in writing or, to the extent permitted by any applicable rules prescribed by the Designated Stock Exchange from time to time and subject to this Articles, contained in an electronic communication. A notice calling a meeting of the Directors need not be in writing.

By Order of the Board
Li Kwok Cheung, George
Executive Director and Company Secretary

Hong Kong, July 26, 2004

Notes:

1. Any member entitled to attend and vote may appoint one or more proxies to attend the meeting instead of him and to vote on a poll. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority shall be deposited at the principal place of business of the Company at 2nd Floor, Wah Kit Commercial Centre, 302 Des Voeux Road Central, Hong Kong not less than 48 hours before the time for holding the meeting (or adjourned meeting, as the case may be).
3. The register of members of the Company will be closed from August 16, 2004 to August 30, 2004, both days inclusive, for the purpose of establishing entitlements of the shareholders of the Company to attend the Company's annual general meeting. During such period, no transfer of Shares will be registered. In order to qualify for the proposed final dividend and voting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on August 13, 2004, Friday.