

IMPORTANT

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

If you have sold all your shares in Arts Optical International Holdings Limited, you should hand this document and the accompanying form of proxy at once to the purchaser or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

雅視光學集團有限公司*

(Stock Code: 1120)

(Incorporated in Bermuda with limited liability)

NOTICE OF ANNUAL GENERAL MEETING PROPOSALS FOR RE-ELECTION OF THE RETIRING DIRECTOR, GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES AND AMENDMENTS TO THE BYE-LAWS

The notice convening the Annual General Meeting of Arts Optical International Holdings Limited to be held in Hong Kong on 27th May, 2004 at 3:00 p.m. at which the above proposals will be considered is set out on pages 11 to 24. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed on it as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting.

* For identification purpose only

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DEFINITIONS

In this document the following expressions shall have the following meanings unless the context otherwise requires:—

“Annual General Meeting”	the Annual General Meeting of the Company to be held on 27th May, 2004 at 3:00 p.m., notice of which is set out on pages 11 to 24 of this document
“associates”	shall have the meaning ascribed to it under the Listing Rules
“Bye-laws”	the bye-laws of the Company
“Company”	Arts Optical International Holdings Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Latest Practicable Date”	22nd April, 2004, being the latest practicable date prior to the printing of this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ordinance”	Companies Ordinance (Cap.32 of the Laws of Hong Kong)
“SFO”	Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM CHAIRMAN



ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

雅視光學集團有限公司*

(Stock Code: 1120)

(Incorporated in Bermuda with limited liability)

Directors:

Mr. NG Hoi Ying, Michael (*Chairman*)

Ms. HUI Pui Woon

Mr. NG Kim Ying

Mr. LEE Wai Chung

Mr. Francis George MARTIN[#]

Mr. KWONG Kam Kwan Alex[#]

([#] independent non-executive directors)

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 308, 3rd Floor

Sunbeam Centre

27 Shing Yip Street

Kwun Tong

Kowloon

Hong Kong

29th April, 2004

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

The purpose of this document is to give you notice of the Annual General Meeting convened for the purpose of considering, and if thought fit, passing resolutions to approve, inter alia, the re-election of the retiring Director, the general mandates granted to Directors to issue Shares and repurchase Shares and the amendments to the Bye-laws.

2. RE-ELECTION OF RETIRING DIRECTOR

At the annual general meeting of the Company held on 28th May, 2003, Mr. Lee Wai Chung was re-elected as a Director. On the same day, Ms. Hui Pui Woon was appointed as a Director.

According to Bye-law 87(1) of the Bye-laws, at each annual general meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the chairman of the board of Directors and/or the managing Director shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. Bye-law 87(2) of the Bye-laws further provides that the Director(s)

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LETTER FROM CHAIRMAN

to retire by rotation shall be those who have been longest in office since their last re-election or appointment, and as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Mr. Francis George Martin and Mr. Kwong Kam Kwan Alex are the Directors who have been longest in office since their last re-election or appointment. Pursuant to Bye-law 87(2) of the Bye-laws, lots have been drawn and Mr. Francis George Martin shall retire at the conclusion of the Annual General Meeting. Mr. Francis George Martin is eligible for re-election. The details and brief biography of Mr. Francis George Martin are set out below:

Francis George Martin, aged 63, is an independent non-executive Director. He has been the President of the American Chamber of Commerce in Hong Kong since 1990. He was formerly the President and Chief Executive of Security Pacific Asian Bank for 14 years and has over 36 years of experience in the financial services industry. Mr. Martin was awarded the “Silver Bauhinia Star” by the Government of the Hong Kong Special Administrative Region in 2002. He joined the Group in 1996 and has not entered into any service contract with the Group since then. The term of office for Mr. Martin is the period up to his retirement by rotation in accordance with the Company’s Bye-laws. Mr. Martin does not have any interests in the Shares within the meaning of Part XV of the SFO nor is he related to any director, senior management or substantial or controlling shareholder of the Company. The emoluments paid by the Group to Mr. Martin for the year ended 31st December, 2003 amounted to HK\$144,000, and was determined by the remuneration committee benchmarked against comparable companies in Hong Kong.

3. GENERAL MANDATES

At the annual general meeting of the Company held on 28th May, 2003, ordinary resolutions were passed to give general mandates to the Directors to issue and repurchase Shares. Under the terms of the Ordinance and the Listing Rules, these general mandates lapse at the conclusion of the Annual General Meeting.

Resolutions set out as Resolutions 6 and 7 in the notice of the Annual General Meeting will be proposed at the Annual General Meeting to grant to Directors general mandates:

- (i) to repurchase Shares the aggregate amount of which do not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the Annual General Meeting; and
- (ii) to allot, issue and deal with Shares not exceeding:
 - (a) in the case of an allotment and issue of Shares for cash (other than an allotment and issue of Shares pursuant to a rights issue), 5% of the aggregate nominal amount of the share capital in issue as at the Annual General Meeting; and
 - (b) in the case of an allotment and issue of Shares other than for cash, 20% of the aggregate nominal amount of the share capital in issue as at the Annual General Meeting (less Shares (if any) issued pursuant to the general mandate granted pursuant to sub-paragraph (a) above),

LETTER FROM CHAIRMAN

provided that, in any event, no Shares shall be allotted and issued pursuant to this general mandate if the relevant price represents a discount of 5% or more to the Benchmarked Price of the Shares.

For the avoidance of doubt, the total number of Shares to be issued pursuant to the general mandate granted to the Directors under Resolution no. 7 shall not exceed 20% of the aggregate nominal amount of the share capital in issue as at the Annual General Meeting.

For the purposes of these resolutions, the “**Benchmarked Price**” shall be a price which is the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of signing of the agreement to which the transaction relates; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet in the five trading days immediately prior to the earlier of:
 - (a) the date of signing of the agreement to which the transaction relates; or
 - (b) the date on which the relevant transaction is announced; or
 - (c) the date on which the price of the Shares to be issued pursuant to the transaction is fixed.

With reference to these resolutions, the Directors wish to state that they have no immediate plans to repurchase any Shares or to issue any new Shares pursuant to the relevant mandates.

The explanatory statement required by the Listing Rules to be sent to Shareholders in connection with the proposed repurchase resolution is set out in the appendix to this document. This contains all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolution.

4. AMENDMENTS TO THE BYE-LAWS

The Stock Exchange has recently amended, among other things, Appendix 3 to the Listing Rules, which requires the Bye-laws to conform with the following:

- (i) the minimum seven-day period for lodgment by shareholders of the notice to nominate a director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;
- (ii) directors shall abstain from voting at the board meeting on any matter in which any of his associates has a material interest and are not to be counted towards the quorum of the relevant board meeting; and

LETTER FROM CHAIRMAN

- (iii) where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

To ensure compliance with the recent amended provisions of the Listing Rules and to update the Bye-laws generally in accordance with the laws and regulations applicable to the Company, a special resolution will be proposed at the Annual General Meeting to amend the Bye-laws.

5. ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting proposed to be held at Conference Room – Cherry, Hotel Inter-Continental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong on 27th May, 2004 at 3:00 p.m. is set out on pages 11 to 24. At the Annual General Meeting:

- (i) Resolution no. 4 will be proposed as an ordinary resolution to re-elect Mr. Francis George Martin as a Director and to authorise the remuneration committee to fix the Directors' remuneration.
- (ii) Resolution no. 6 will be proposed as an ordinary resolution to give a general mandate to the Directors for the repurchase of Shares.
- (iii) Resolution no. 7 will be proposed as an ordinary resolution to give a general mandate to the Directors to allot, issue and deal with Shares.
- (iv) Resolution no. 8 will be proposed as a special resolution to approve the amendments to the Bye-laws.

A form of proxy for use at the Annual General Meeting is enclosed. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed on it and return the same to the Company's share registrars in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event so as to be received not less than 48 hours before the time appointed for holding the meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the Annual General Meeting if you so wish.

6. CORPORATE GOVERNANCE

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

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

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- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder 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.

The Group places a high priority on corporate governance. The board of Directors wishes to enhance the policy of one-share-one-vote and therefore the Chairman of the meeting will demand that all resolutions shall be decided by way of poll at the forthcoming Annual General Meeting.

The Company will publish an announcement of the results of the proposed resolutions on the next business day following the Annual General Meeting.

7. RECOMMENDATIONS

The Directors believe that the re-election of the retiring Director, the general mandates to repurchase Shares and to issue new Shares and the amendments to the Bye-laws are in the interests of the Company and Shareholders and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
Ng Hoi Ying, Michael
Chairman

This is the explanatory statement, as required by the relevant rules set out in the Listing Rules to be sent to the Shareholders in connection with the proposed general mandate for the repurchase of Shares.

SHARE REPURCHASE PROPOSAL

The resolution set out as Resolution no. 6 in the notice convening the Annual General Meeting which will be proposed as an ordinary resolution at the Annual General Meeting relates to the granting of a general mandate to the Directors to repurchase on the Stock Exchange Shares representing up to 10% of the Shares in issue at the date of such resolution. As at the Latest Practicable Date, the issued share capital of the Company comprised 376,870,000 Shares. On the basis that no further Shares are issued and no Shares to be repurchased by the Company prior to the date of such resolution the Directors would be authorised to repurchase up to a maximum of 37,687,000 Shares.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Company to repurchase 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 earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders.

FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-laws and the laws of Bermuda. The laws of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the paid-up share capital, or the profits that would otherwise be available for dividends or the proceeds of a fresh issue of shares made for that purpose. The premium payable on a repurchase may only be paid out of either the profits that would otherwise be available for dividends or out of the share premium or contributed surplus accounts of the Company. It is envisaged that any such repurchase of Shares would be appropriately financed by the Company's distributable profits.

In the event that the proposed Share repurchases were to be carried out in full at any time during the proposed repurchase period, there could be a material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited consolidated accounts contained in the annual report for the year ended 31st December, 2003 which is despatched to the Shareholders together with this document. However, the Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which in the opinion of the Directors is from time to time appropriate for the Company.

GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, the exercise of the power of the Company to make repurchases pursuant to the general mandate will be in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have a present intention, in the event that the general mandate is granted by the Shareholders, to sell Shares to the Company.

No connected person (as defined in the Listing Rules) has notified the Company that it has a present intention to sell Shares held by it to the Company, or has undertaken not to do so, in the event that the general mandate is granted by the Shareholders.

At the Latest Practicable Date, the following parties were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

1. Shares in the Company (Long Position)

Name	Personal interests	Number of shares held			Total	Percentage of issued share capital	Percentage if Share repurchases were carried out in full
		Family interests	Other interests	Corporate interests		share capital	
Ng Hoi Ying, Michael	1,326,000	36,682,000 (Note a)	151,000,000 (Note b)	–	189,008,000	50.15%	55.72%
Hui Pui Woon	36,682,000	152,326,000 (Note c)	–	–	189,008,000	50.15%	55.72%
Templeton Asset Management Ltd.	–	–	–	29,270,000 (Note d)	29,270,000	7.77%	8.63%
Templeton International, Inc.	–	–	–	29,270,000 (Note d)	29,270,000	7.77%	8.63%
Templeton Worldwide, Inc.	–	–	–	29,270,000 (Note d)	29,270,000	7.77%	8.63%
Franklin Resources, Inc.	–	–	–	29,270,000 (Note d)	29,270,000	7.77%	8.63%
David Michael Webb	1,570,000	–	–	18,078,000	19,648,000	5.21%	5.79%
Ng Kim Ying	300,000	–	18,500,000 (Note e)	–	18,800,000	4.99%	5.54%

Notes:

- (a) The shares are owned by Ms. Hui Pui Woon, the wife of Mr. Ng Hoi Ying, Michael.

- (b) These shares are held by Ratagan International Company Limited (“Ratagan”). The entire issued share capital of Ratagan is held by Newcourt Trustees Limited as trustee of The Arts 1996 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Hoi Ying, Michael and his family members.
- (c) 1,326,000 shares and 151,000,000 shares are respectively held by Mr. Ng Hoi Ying, Michael, the husband of Ms. Hui Pui Woon, and Ratagan.
- (d) Templeton Asset Management Ltd. is wholly owned by Templeton International, Inc. which is wholly owned by Templeton Worldwide, Inc.. Templeton Worldwide, Inc. is wholly owned by Franklin Resources, Inc.. Hence, Templeton International, Inc., Templeton Worldwide, Inc. and Franklin Resources, Inc. are deemed to be interested in the same parcel of 29,270,000 shares held by Templeton Asset Management Ltd. under Part XV of the SFO.
- (e) These shares are held by Universal Honour Developments Limited (“Universal Honour”). The entire issued share capital of Universal Honour is held by Newcourt Trustees Limited as trustee for The Optical 2000 Trust, a discretionary trust, the beneficiaries of which include Mr. Ng Kim Ying and his family members.

2. Underlying Shares in the Company (Share Options)

Name	Number of share options outstanding	Percentage of issued share capital	Percentage of issued share capital if Share repurchases were carried out in full
Ng Hoi Ying, Michael	1,530,000	0.41%	0.45%
	(Note)		
Ng Kim Ying	450,000	0.12%	0.13%
	(Note)		

Note: All share options outstanding at the Latest Practicable Date were granted on 7th July, 2000 under the share option scheme adopted pursuant to an ordinary resolution of the shareholders of the Company passed on 24th October, 1996 and exercisable pursuant to a vesting scale between 7th July, 2000 and 23rd October, 2006 at an exercise price of HK\$0.88 per share. The consideration paid for the options granted was HK\$1.

If as a result of a Share repurchase a Shareholder’s proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). As a result, a Shareholder, or a group of Shareholders acting in concert (depending on the level of increase of Shareholders’ interests) 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. The Directors are not aware of any shareholders, or group of shareholders acting in concert, who may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the powers to repurchase Shares pursuant to the repurchase mandate.

SECURITIES PURCHASES MADE BY THE COMPANY

No purchase has been made by the Company of its Shares on the Stock Exchange in the six months prior to the Latest Practicable Date.

MARKET PRICES

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

Month	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2003	2.150	1.900
May 2003	2.275	1.940
June 2003	2.275	2.000
July 2003	2.400	2.000
August 2003	2.350	2.200
September 2003	2.650	2.275
October 2003	2.500	2.325
November 2003	2.600	2.375
December 2003	2.675	2.425
January 2004	2.600	2.475
February 2004	2.900	2.450
March 2004	2.850	2.725
April 2004 (up to Latest Practicable Date)	2.800	2.600

NOTICE OF ANNUAL GENERAL MEETING



ARTS OPTICAL INTERNATIONAL HOLDINGS LIMITED

雅視光學集團有限公司*

(Stock Code: 1120)

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Arts Optical International Holdings Limited (the “**Company**”) will be held at Conference Room – Cherry, Hotel Inter-Continental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong on 27th May, 2004 at 3:00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2003.
2. To declare a final dividend for the year ended 31st December, 2003.
3. To declare a second special dividend for the year ended 31st December, 2003.
4. To re-elect Mr. Francis George Martin as a Director and to authorise the Remuneration Committee to fix the Directors’ remuneration.
5. To re-appoint Deloitte Touche Tohmatsu as Auditors and to authorise the Board of Directors to fix their remuneration.

AS SPECIAL BUSINESS

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (b) below of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares to be repurchased by the Company pursuant to the approval in paragraph (a) above of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this resolution and the said approval shall be limited accordingly; and

* For identification purpose only

NOTICE OF ANNUAL GENERAL MEETING

- (c) for the purpose 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;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of Bermuda or the Bye-laws of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

7. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT:**

- (a) subject to paragraph (c) below of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options which would or might require the allotment of such shares, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above of this resolution shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements or options which would or might require the allotment of such shares after the end of the Relevant Period (as hereinafter defined);
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares as scrip dividends pursuant to the Bye-laws of the Company from time to time; (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to subscribe for shares in the Company, shall not exceed:
 - (A) in the case of an allotment and issue of shares for cash, 5% of the aggregate nominal amount of the share capital in issue at the date of this resolution; and

NOTICE OF ANNUAL GENERAL MEETING

- (B) in the case of an allotment and issue of shares other than for cash, 20% of the aggregate nominal amount of the share capital in issue at the date of this resolution (less shares (if any) issued pursuant to the general mandate granted pursuant to sub-paragraph (A) of this resolution),

provided that, in any event, no shares shall be allotted and issued by the Directors pursuant to the approval granted under this resolution if the relevant price represents a discount of 5% or more to the Benchmarked Price (as hereinafter defined) of the shares, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution,

“Benchmarked Price” shall be a price which is the higher of:

- (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited on the date of signing of the agreement to which the transaction relates; and
- (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited in the five trading days immediately prior to the earlier of:
 - (A) the date of signing of the agreement to which the transaction relates; or
 - (B) the date on which the relevant transaction is announced; or
 - (C) the date on which the price of the shares of the Company to be issued pursuant to the transaction is fixed.

“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;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the laws of Bermuda or the Bye-laws of the Company to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

NOTICE OF ANNUAL GENERAL MEETING

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to the holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any applicable stock exchange).”

8. To consider and, if thought fit, pass the following resolution as a special resolution:

“**THAT** the Bye-laws of the Company be and are hereby amended as follows:

1. by deleting the existing definition of “clearing house” in bye-law 1 and inserting the following new definitions in bye-law 1:

“associate” the meaning attributed to it in the rules of the Designated Stock Exchange.

“clearing house” a clearing house 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” the meaning attributed to it in the rules of the Designated Stock Exchange.

2. by substituting the existing bye-law 2(e) with the following new bye-law 2(e):

“(e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Member’s election comply with all applicable Statutes, rules and regulations;”

3. by replacing the full stop “.” appearing at the end of bye-law 2(j) with a semi-colon “;”, by inserting the word “and” immediately after the semi-colon and by inserting the following new bye-law 2(k):

“(k) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.”

NOTICE OF ANNUAL GENERAL MEETING

4. by substituting the existing bye-law 6 with the following new bye-law 6:
 - “6. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Act, any share premium account or other undistributable reserve.”
5. by substituting the existing bye-law 9 with the following new bye-law 9:
 - “9. Subject to Sections 42 and 43 of the Act, these Bye-laws, and to any special rights conferred on the holders of any shares or attaching to any class of shares, any preference shares may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.”
6. by substituting the existing bye-law 10(a) with the following new bye-law 10(a):
 - “(a) the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a Member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person (or in the case of a Member being a corporation, its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum;”
7. by substituting in bye-law 12(1), the words “Subject to the Act, and these Bye-laws” with the following words:

“Subject to the Act, these Bye-laws, any direction that may be given by the Company in general meeting”
8. by substituting the existing bye-law 43(1)(a) with the following new bye-law 43(1)(a):
 - “(a) the name and address of each Member, the number and class of shares held by him and, in respect of any shares that are not fully paid, the amount paid or agreed to be considered as paid on such shares;”

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9. by inserting, in bye-law 44, after the words “any other newspapers in accordance with the requirements of any Designated Stock Exchange”, the following words:

“or by any means in such manner as may be accepted by the Designated Stock Exchange”.

10. by inserting the words “a form prescribed by the Designated Stock Exchange or in” after the words “or common form or in” in bye-law 46.

11. by inserting, in bye-law 51, after the words “in accordance with the requirements of any Designated Stock Exchange”, the following words:

“or by any means in such manner as may be accepted by the Designated Stock Exchange”.

12. by substituting the existing bye-law 66 with the following new bye-law 66:

“66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in these Bye-laws, where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) 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 representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or

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- (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.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.”

- 13. by re-numbering the existing bye-law 76 as bye-law 76(1) and by inserting the following new bye-law 76(2):

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

- 14. by substituting the existing bye-law 78 with the following new bye-law 78:

“78. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.”

- 15. by substituting the existing bye-law 84(2) with the following new bye-law 84(2):

“(2) Where a Member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.”

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16. by substituting the existing bye-law 86(1) with the following new bye-law 86 (1):

“Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2). There shall be no maximum number of Directors unless otherwise determined from time to time by the Members in general meeting. The Directors shall be elected or appointed in the first place at the statutory meeting of Members and thereafter at the annual general meeting in accordance with Bye-law 87 or at any special general meeting and shall hold office until the next appointment of Directors or until their successors are elected or appointed. Any general meeting may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.”

17. by substituting, in the bye-law 86(4), the words “special resolution” for the words “ordinary resolution” appearing on the second line.

18. by substituting the existing bye-law 88 with the following new bye-law 88:

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

19. by deleting, in bye-law 89(1), the words “whereupon the Board resolves to accept such resignation”.

20. by substituting the existing bye-law 103 with the following new bye-law 103:

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

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

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

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the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

21. by substituting the existing bye-law 122 with the following new bye-law 122:

“122. A resolution in writing signed by all the Directors except such as are temporarily unable to act through ill-health or disability, and all the alternate Directors, if appropriate, whose appointors are temporarily unable to act as aforesaid shall be as valid and effectual as if a resolution had been passed at a meeting of the Board duly convened and held provided that such number is sufficient to constitute a quorum and that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Bye-laws and further provided that no Director is aware of or has received any objection to the resolution from any Director. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors or alternate Directors and for this purpose a facsimile signature of a Director or an alternate Director shall be treated as valid.”

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22. by substituting the existing bye-law 133(1)(c) with the following new bye-law 133(1)(c):
- “(c) of all resolutions and proceedings of each general meeting of the Members and meetings of the Board.”
23. by re-numbering the existing bye-law 136 as bye-law 136(1) and by inserting the following new bye-law 136(2):
- “(2) Notwithstanding any provision contained in these Bye-laws, the Directors may, if permitted by applicable law, authorise the destruction of documents set out in sub-paragraphs (a) to (e) of paragraph (1) of this Bye-law and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Bye-law shall apply only to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.”
24. by inserting, in bye-law 153, after the words “Subject to Section 88 of the Act”, the following words:
- “and Bye-law 153A”
25. by inserting the following new bye-law 153A:
- “153A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company’s annual accounts and the directors’ report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.”
26. by inserting the following new bye-law 153B:
- “153B. The requirement to send to a person referred to in Bye-law 153 the documents referred to in that provision or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock

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Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents."

27. by substituting the existing bye-law 154(2) with the following new bye-law 154(2):

"(2) Subject to Section 89 of the Act, a person, other than an incumbent Auditor, shall not be capable of being appointed Auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of Auditor has been given not less than twenty-one (21) days before the annual general meeting and furthermore, the Company shall send a copy of any such notice to the incumbent Auditor."

28. by substituting the last sentence of bye-law 159 with the following new sentence:

"If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction."

29. by substituting the existing bye-law 160 with the following new bye-law 160:

"160. Any Notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the member a notice stating

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that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.”

30. by renumbering the existing bye-law 161(b) as a new bye-law 161(c) and by inserting the following new bye-law 161(b):

“(b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company’s website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;”

31. by substituting for the full stop “.” appearing at the end of the new bye-law 161(c) with a semi-colon “;” and inserting the word “and” after the semi-colon “;”.

32. by inserting the following new bye-law 161(d):

“(d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.”

33. by inserting, in bye-law 163, after the words “a cable or telex or facsimile”, the following words:

“or electronic”

34. by substituting the existing bye-law 168 with the following new bye-law 168:

“No Member shall be entitled to require discovery of or any information in respect of any detail of the Company’s trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interests of the members of the Company to communicate to the public.”

By order of the Board
Lee Wai Chung
Company Secretary

Hong Kong, 29th April, 2004

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Notes:

- (1) At the Annual General Meeting, the Chairman of the meeting will exercise his power under Bye-law 66 of the Company's Bye-laws to put all of the above resolutions to the vote by way of poll.
- (2) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- (3) To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting, or any adjournment thereof.
- (4) The register of members of the Company will be closed from 24th May, 2004 to 27th May, 2004 (both days inclusive), during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend and second special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 21st May, 2004 in Hong Kong.
- (5) An explanatory statement containing further details regarding resolution no. 6 above will be sent to Shareholders together with the annual report of the Company for the year ended 31st December, 2003.