
IMPORTANT

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

If you have sold or transferred all your shares in Fortune Telecom Holdings Limited, 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.



FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 110)

**PROPOSAL FOR
GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,
AMENDMENTS TO THE BYE-LAWS OF THE COMPANY,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

This circular is dispatched together with the Annual Report which comprises of the directors' report, the auditors' report by Messrs. Deloitte Touche Tohmatsu and the financial statements of the Fortune Telecom Holdings Limited (the "Company") for the year ended 31 March 2004.

A notice convening the annual general meeting of the Company to be held at Room 1505-7, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong on Monday, 30 August 2004 at 12:00 noon is set out on pages 12 to 18 of this circular. If you are not able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Abacus Share Registrars 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 not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof, should you so wish.

21 July 2004

* For identification purposes only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
Introduction	3
I. General Mandate to Issue and Repurchase Shares	4
II. Amendments to the Bye-Laws	4
III. Re-election of Directors	5
IV. Annual General Meeting	5
Recommendation	6
APPENDIX I – EXPLANATORY STATEMENT FOR REPURCHASE MANDATE	7
APPENDIX II – EXPLANATORY STATEMENT FOR THE PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY	10
APPENDIX III – BIOGRAPHY OF DIRECTORS PROPOSED TO BE RE-ELECTED AT THE ANNUAL GENERAL MEETING	11
NOTICE OF ANNUAL GENERAL MEETING	12

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Room 1505-7, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong on 30 August 2004 at 12:00 noon, notice of which is set out on pages 12 to 18 of this circular;
“Board”	the board of Directors of the Company;
“Bye-Laws”	the bye-laws of the Company adopted on 14 January 2004 (effective from 26 January 2004);
“Business Day”	a day on which the Stock Exchange is open for the trading of securities;
“Code”	The Hong Kong Code on Takeovers and Mergers;
“Company”	Fortune Telecom Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Directors”	the directors of the Company including independent non-executive directors;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	8 July 2004 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China (for the purpose of this circular, does not include Hong Kong);
“Registrar”	the branch registrar of the Company in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong;

DEFINITIONS

“Repurchase Mandate”	the general mandate to be granted to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company;
“Repurchase Resolution”	the proposed ordinary resolution as referred to in resolution no. 6 of the notice of the Annual General Meeting;
“Share Buyback Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase of shares by companies with share listing on the Stock Exchange;
“Share Option Scheme”	the existing share option scheme of the Company adopted on 14 January 2004 and effective on 26 January 2004;
“Shareholders”	registered holders of Shares;
“Shares”	ordinary shares of HK\$0.10 each (or of such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules.



FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Lau Siu Ying, Steve (*Chairman and C.E.O.*)

Luo Xi Zhi

Tin Ding Hong, William

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-Executive Directors:

Fung Oi Ip, Alfonso

Lo Wing Yat, Kelvin

Chang Wing Seng, Victor[#]

Liu Kwok Fai, Alvan[#]

Principal Office in Hong Kong:

Room 1505-7, Tower A,

Regent Centre,

63 Wo Yi Hop Road,

Kwai Chung,

New Territories,

Hong Kong

Independent Non-Executive Director

21 July 2004

To the Shareholders

Dear Sir or Madam,

**PROPOSAL FOR
GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,
AMENDMENTS TO THE BYE-LAWS OF THE COMPANY,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information reasonably necessary to enable you to make a decision on whether to vote for or against the ordinary resolutions and special resolution to be proposed at the Annual General Meeting of the Company for the purpose of considering and if thought fit, passing resolutions to approve the renewal of the general mandate granted to the Directors to issue and repurchase the Shares, the proposed amendments to the Bye-Laws and the re-election of directors who retire by rotation. The Board has confirmed that having made all reasonable enquiries, no shareholder of the Company is required to abstain from voting on any of the above mentioned proposed resolutions at the forthcoming Annual General Meeting of the Company.

* For identification purposes only

LETTER FROM THE BOARD

I. GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

At the last annual general meeting of the Company held on 26 August 2003, ordinary resolutions were passed to renew the general mandates granted to the Directors (i) to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company in issue on 26 August 2003 and the nominal amount (up to a maximum of 10% of the aggregate nominal amount of the Company's then issued share capital) of any Shares repurchased by the Company; and (ii) to repurchase Shares up to 10% of the aggregate nominal amount of the issued share capital of the Company in issue on 26 August 2003. These general mandates will lapse at the conclusion of the forthcoming Annual General Meeting. Ordinary resolutions set out as resolutions number 5 to 7 in the notice of Annual General Meeting on pages 12 to 15 will be proposed to renew these mandates.

An explanatory statement as required by the Listing Rules to provide the Shareholders with all the information reasonably necessary for them to make an informed decision on the proposed resolution for granting of the Repurchase Mandate is set out in Appendix I to this circular.

II. AMENDMENTS TO THE BYE-LAWS

The Stock Exchange had on 30 January 2004 announced amendments to Appendix 3 of the Listing Rules to require articles of association or equivalent document of a listed issuer to conform with various provisions, inter alia, (i) a restriction on the voting power of a director on resolutions in relation to contracts or arrangements or proposals in which directors or his/her associate(s) has a material interest; (ii) a restriction on the voting power of a shareholder on resolutions which he/she is required to abstain from voting or restricted to voting only for or only against such resolutions under the Listing Rules; and (iii) a provision which states that the period for lodgement of notice for nomination of a director and notice of willingness to be elected from the proposed director will commence no earlier than the day after the dispatch of the notice of the shareholders' meeting appointed for the election of the director and end no later than seven days prior to the date of such meeting. The Stock Exchange has also announced amendments to the definition of "associates" in the Listing Rules. All of these amendments to the Listing Rules came into effect on 31 March 2004. In order to bring the Bye-Laws in line with the changes brought about by the amendments to the Listing Rules, the Directors propose a special resolution at the forthcoming Annual General Meeting to seek the Shareholders' approval of the amendments to the Bye-Laws.

An explanatory statement summarizing the more significant changes to be effected by the proposed amendments to the Bye-Laws is set out in Appendix II to this circular.

The full text of the proposed amendments to the Bye-Laws is set out in the proposed special resolution contained in resolution number 8 of the notice of the Annual General Meeting on pages 15 to 18 of this circular.

LETTER FROM THE BOARD

III. RE-ELECTION OF DIRECTORS

According to Bye-Law 87, one-third of the Directors (or, if the number of directors 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 or the managing director of the Company 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. The Directors to retire in every year shall be those who have been longest in office since their last election. A retiring Director shall be eligible for re-election. Mr. Luo Xi Zhi and Mr. Tin Ding Hong, William who have been longest and second longest in office since their last election in year 2002 and year 2003 respectively, shall retire at the Annual General Meeting.

Being eligible, Mr. Luo Xi Zhi and Mr. Tin Ding Hong, William will offer themselves for re-election at the Annual General Meeting. Ordinary resolutions will be proposed to re-elect each of them as executive Director at the Annual General Meeting. Biographical details in respect of Mr. Luo Xi Zhi and Mr. Tin Ding Hong, William are set out in Appendix III to this circular.

IV. ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting to be held at Room 1505-7, Tower A, Regent Centre, 63 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong on 30 August 2004 at 12:00 noon is set out on pages 12 to 18 of this circular.

The Register of Members of the Company will be closed from Wednesday, 25 August 2004 to Monday, 30 August 2004, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 24 August 2004.

According to the existing Bye-Laws 66 and 68, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) the Chairman;
- (ii) at least three members present in person or by proxy or representative for the time being entitled to vote at the meeting;
- (iii) any member or members present in person or proxy or representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (iv) a member or members present in person or by proxy or representative 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 sum paid up on all the shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the book of proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

If a poll is duly demanded it shall (subject as provided in Bye-Law 69) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. No notice need be given of a poll not taken immediately. The demand for poll may be withdrawn with the consent of the chairman at any time before the close of the meeting or the taking of the poll, whichever is the earlier.

RECOMMENDATION

The Directors consider that the granting of the general mandate to issue and repurchase Shares, the amendments to the Bye-Laws of the Company and the re-election of directors are in the interests of the Company and recommend Shareholders to vote in favour of the resolutions to approve the same at the Annual General Meeting.

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

Yours faithfully,
By Order of the Board of
FORTUNE TELECOM HOLDINGS LIMITED
Lau Siu Ying, Steve
Chairman and Chief Executive Officer

The following serves as an explanatory statement in compliance with the Listing Rules to give all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolution to approve the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company was HK\$30,210,000 comprising 302,100,000 Shares.

Subject to the passing of the relevant ordinary resolution to approve the Repurchase Mandate (as set out in resolution number 6 of the notice of the Annual General Meeting 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 would result in the repurchase by the Company of a maximum of 30,210,000 Shares during the period ending on the earliest of the date of the next annual general meeting following the Annual General Meeting, the date by which the next annual general meeting following the Annual General Meeting of the Company is required by the Bye-Laws of the Company or any applicable laws of Bermuda to be held or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

2. REASONS FOR REPURCHASES

The Directors have no present intention to repurchase any Shares but consider that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value and/or earnings per share of the Company and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and Bye-Laws and all applicable laws of Bermuda. Repurchases pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities. Any purchases will be made out of funds of the Company permitted to be utilised in this connection including profits otherwise for distribution.

There might be material adverse impact on the working capital and gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Company's annual report for the year ended 31 March 2004, being the date of its last published audited accounts), in the event that the Repurchase Mandate were to be exercised in full at any time. However, the Directors do not intend to exercise the Repurchase Mandate to such extent as would in the circumstances have a material adverse impact on the working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. MARKET PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the twelve months preceding the Latest Practicable Date and up to the Latest Practicable Date were as follows:

	Highest HK\$ (Per Share)	Lowest HK\$ (Per Share)
Year 2003		
July	0.75	0.70
August	0.79	0.55
September	0.60	0.41
October	0.60	0.49
November	1.50	0.58
December	1.20	0.90
Year 2004		
January	1.49	1.08
February	1.33	1.12
March	1.24	1.10
April	1.15	0.93
May	0.97	0.76
June	1.00	0.74
July (up to the Latest Practicable Date)	0.98	0.76

5. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSON

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their respective associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate in the event that such mandate is approved by Shareholders.

No connected person, as defined in the Listing Rules, has notified the Company that he/she has a present intention to sell any Shares to the Company, nor has he/she undertaken not to do so in the event that the Repurchase Mandate is approved by Shareholders.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, all applicable laws of Bermuda and in accordance with the Memorandum of Association and Bye-Laws of the Company.

7. EFFECT OF TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Rule 32 of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). As a result, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Future 2000 Limited, was interested in 211,500,013 Shares, representing approximately 70.01% of the Shares issued by the Company. Assuming that there will be no change to the issued share capital of the Company since Latest Practicable Date up to the date of repurchase, in the event that the Directors exercised in full the power to repurchase Shares of the Company, if so approved, in accordance with the terms of ordinary resolution No. 6 to be proposed at the Annual General Meeting, the total interests of Future 2000 Limited in the Shares of the Company would be increased to approximately 77.79% of the issued Shares of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Code. The Directors are not aware of any consequence, which will arise under the Code as a result of any repurchases to be made under the Repurchases Mandate. Moreover, the Directors will not make any share repurchase on the Stock Exchange if the result of the repurchase would result in less than 25% of the issued share capital of the Company in the public hands.

8. SHARES REPURCHASES MADE BY THE COMPANY

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

1. BYE-LAW 1

To add new definition of “associate” in order to be in line with the Listing Rules.

2. BYE-LAW 76

Inserting new Bye-law 76(2) to reflect the restriction on voting by shareholders whom the Company has knowledge as required by Appendix 3 of the Listing Rules.

3. BYE-LAW 84

To allow the removal of a Director by ordinary resolution in any general meeting instead of special resolution.

4. BYE-LAW 88

The purpose of the amendment is to provide expressly that the minimum length of the period during which notice of nomination of a director and notice of willingness to be elected from the proposed director may be given will be at least 7 days and that the period for lodgment of such notices will commence on the day after the dispatch of the notice of the relevant general meeting and end no later than 7 days prior to the date of that meeting.

5. BYE-LAW 103

The existing Bye-law 103 is deleted and replaced by new Bye-law 103 in order to be consistent with the provisions of the amended Appendix 3 of the Listing Rules so that subject to certain exceptions, a Director shall abstain from voting at the board meeting on any contract or arrangement or proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum of the relevant board meeting.

The biography of the Directors who will retire from office by rotation at the Annual General Meeting and being eligible, will offer themselves for re-election at the Annual General Meeting, are set out below:

Mr. Luo Xi Zhi

Mr. Luo, aged 46, joined the Group in October 1995. Mr. Luo is currently the executive Director of the Company and the director and financial controller of the Group's two subsidiaries in the PRC. Mr. Luo holds a certificate in Accounting from The Finance Academy of Jiangxi Province. Mr. Luo has approximately 20 years of financial and accounting experience in the PRC. Mr. Luo has neither relationship with any Director, senior management or substantial or controlling shareholder of the Company, nor interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Luo does not hold any other directorship in listed public companies in the last three years. Mr. Luo receives a salary of Renminbi 54,000 per annum under a service contract with the Company expiring on 12 September 2005. Under the service contract, he is also entitled to a year end bonus at the sole discretion of the board of director based on the performance of the Company and his performance and such bonus if any shall not be more than 10% of the audited consolidated net profit of the Group for the relevant year.

Mr. Tin Ding Hong, William

Mr. Tin, aged 41, joined the Group in July 2001 and is currently the executive Director, the company secretary and the qualified accountant of the Company. Mr. Tin is also the chief financial officer of the Group. Mr. Tin was graduated from the Hong Kong Polytechnic University and holds a bachelor degree of Arts in Accountancy. Mr. Tin is a fellow member of the Hong Kong Society of Accountants, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Certified General Accountants Association of Canada. Mr. Tin is also a director of the Certified General Accountants Association of Hong Kong Limited. Mr. Tin has approximately 20 years of extensive experience in accounting, finance and taxation in both Hong Kong and overseas. Mr. Tin has neither relationship with any Director, senior management or substantial or controlling shareholder of the Company, nor interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Tin does not hold any other directorship in listed public companies in the last three years. Mr. Tin receives a salary of HK\$728,000 per annum under a service contract with the Company expiring on 7 February 2006. Under the service contract, he is also entitled to a year end bonus at the sole discretion of the board of director based on the performance of the Company and his performance and such bonus if any shall not be more than 10% of the audited consolidated net profit of the Group for the relevant year.

The basis of the remuneration of Mr. Luo and Mr. Tin is set by reference to the market salary range for the respective position and responsibility. Save for the above disclosure, there is no other matters need to be brought to the attention of the shareholders.



FORTUNE TELECOM HOLDINGS LIMITED

長遠電信網絡集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 110)

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “Meeting”) of the members of Fortune Telecom Holdings Limited (“Company”) will be held at Room 1505-7, Tower A, Regent Centre, 63 Wo Yip Hop Road, Kwai Chung, New Territories, Hong Kong on Monday, 30 August 2004 at 12:00 noon for the following purposes:

1. To consider and approve the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31 March 2004;
2. To consider and declare a final dividend for the year ended 31 March 2004;
3. To re-elect the following persons as executive Directors:
 - (i) Mr. Luo Xi Zhi and
 - (ii) Mr. Tin Ding Hong, William

and to authorize the board of directors to fix Directors’ remuneration;

4. To re-appoint Messrs. Deloitte Touche Tohmatsu as the Company’s auditors and authorize the Directors to fix their remuneration;
5. As special business, to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

“THAT:

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

* For identification purposes only

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorization given to the Directors of the Company and shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (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 Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Right Issue (as hereinafter defined); or (ii) the grant or exercise of any option under the share option scheme(s) of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or Participants of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the capital of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company in force from time to time, shall not exceed the aggregate of 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution and the authority pursuant in paragraph (a) of this Resolution shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of 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 Memorandum of Association and Bye-laws of the Company, or any other applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.

“Right Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion 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 jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).”

NOTICE OF ANNUAL GENERAL MEETING

6. As special business, to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

“THAT:

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the Directors and shall authorize the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its Shares at a price determined by the Directors;
- (c) the aggregate nominal amount of shares of the Company which may 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 issued share capital of the Company as at the date of the passing of this Resolution and the authority granted pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (d) for the purpose of this Resolution, “Relevant Period” means the period from the date of 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 Memorandum of Association and Bye-laws of the Company, or any other applicable laws of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.”

NOTICE OF ANNUAL GENERAL MEETING

7. As special business, to consider and, if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution:

“**THAT** conditional upon Resolutions Nos. 5 and 6 set out in the notice convening this meeting being duly passed, the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with shares pursuant to Resolution No. 5 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 6 set out in the notice convening this meeting, provided that such an amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution.”

8. As special business, to consider and, if thought fit, pass the following resolution as a special resolution with or without modifications:

“ **THAT** the Bye-Laws of the Company be and are hereby amended in the following manner:

Bye-law 1

By inserting the following new definition of “associate” immediate after the definition of “Act” in bye-law 1:

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

Bye-law 76

1. By re-numbering existing bye-law 76 as bye-law 76(1);
2. By inserting the following as new bye-law 76(2):

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

Bye-law 86(4)

By deleting the word “special” and replacing therewith the word “ordinary” in bye-law 86(4).

NOTICE OF ANNUAL GENERAL MEETING

Bye-law 88

By deleting the words “not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting” in the last sentence of bye-law 88 and replacing therewith the following proviso:

“provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notice(s) are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on 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.”

Bye-law 103

By deleting the existing bye-law 103 in its entirety and replacing therewith the following new bye-law 103:

103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate 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;
 - (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 by virtue only of his/their interest in shares or debentures or other securities of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (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 or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, 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 interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director 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.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or 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

NOTICE OF ANNUAL GENERAL MEETING

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.”

9. To consider and transact any other business, if any.

By Order of the Board

Lau Siu Ying, Steve

Chairman and Chief Executive Officer

Hong Kong, 21 July 2004

Notes:

1. Messrs. Luo Xi Zhi and Tin Ding Hong, William are executive directors of the Company to be eligible for re-election. Shareholders should refer to the particulars of Messrs. Luo Xi Zhi and Tin Ding Hong, William stated in appendix III to the circular of the Company despatched on 21 July 2004.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him at the Meeting. A proxy need not be a member of the Company but must be present in person to represent the member.
3. The form of proxy must be lodged at the Company's branch registrar in Hong Kong, Abacus Share Registrars 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 the Meeting. Completion and return of the proxy will not preclude any member from attending and voting in person.
4. The Register of Members of the Company will be closed from 25 August 2004 to 30 August 2004 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with Abacus Share Registrars Limited at the address mentioned above for registration not later than 4:30 p.m. on 24 August 2004.