
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 securities in Kenfair International (Holdings) Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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KENFAIR INTERNATIONAL (HOLDINGS) LIMITED

建發國際（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 223)

Executive Directors:

Ip Ki Cheung (*Chairman*)
Cheung Shui Kwai (*Managing Director*)
Chan Siu Chung

Independent non-executive Directors:

Wong Tat Tong
Chan Wing Yau, George
Lai Yang Chau, Eugene

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

*Principal place of business
in Hong Kong:*

Suite 2803, Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

24 June 2004

To the shareholders and for information only, the warrant holders

Dear Sir/Madam,

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

INTRODUCTION

The purpose of this circular is to provide you with information regarding a special resolution to be proposed at an extraordinary general meeting (the “EGM”) of the Company to be held on 17 July 2004 (Saturday) relating to the proposed amendments to the articles of association (the “Articles”) of the Company. The notice of the EGM is set out on pages 4 to 7 of this circular.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

On 30 January 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) announced certain amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) relating to corporate governance issues, initial listing criteria and continuing listing obligations. These amendments became effective on 31 March 2004. Among the amendments are amendments to Appendix 3 to the Listing Rules which set out the requirements with which the constitutional documents of all companies listed on the Stock Exchange must comply. All companies listed on the Stock Exchange are required to amend their constitutional documents to ensure compliance with the amended provisions of Appendix 3 to the Listing Rules at the earliest opportunity and in any event no later than the conclusion of their next annual general meeting.

Accordingly, the board of directors (the “Directors”) of the Company proposes to make amendments to the Articles, a brief description of which is as follows:

- (i) Article 2 To amend the definitions of “associate” and “clearing house”.
- (ii) Article 76 To reflect the restriction on voting by shareholders whom the Company has knowledge are restricted from voting, as required by the new requirements in Appendix 3 to the Listing Rules.
- (iii) Article 88 To be consistent with the new requirements in Appendix 3 to the Listing Rules which stipulate a minimum seven-day period for lodgment by a shareholder of the notice to nominate a director. This minimum period should commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and no later than seven days prior to the date of such meeting.
- (iv) Article 103 To be consistent with the new requirements in Appendix 3 to the Listing Rules which require the interests held by a Director’s associate to be taken into account when considering the interests of that Director. Subject to certain exceptions, a Director is not allowed to vote on any resolution of the board of Directors approving any contract or arrangement or any other proposal in which he or any his associate has a material interest nor shall he be counted in the quorum present at the meeting.

In addition, the board of Directors also proposes to amend the existing Articles 155(1) and 158 to allow the Directors to fill any casual vacancy in the office of the auditors of the Company.

A special resolution will be proposed at the EGM to alter the Articles. The full text of the proposed amendments to the Articles is set out in the notice of the EGM.

EGM

The notice of the EGM is set out on pages 4 to 7 of this circular. A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of that power of attorney or authority at the Hong Kong branch share registrar of the Company in Hong Kong, Tengis Limited, at G/F, 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 adjourned meeting thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be).

Pursuant to the Article 66 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded (a) by the chairman of the meeting; or (b) by at least three shareholders (the “Shareholders”) of the Company 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 (c) by any 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 any 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 the shares conferring that right.

RECOMMENDATION

The Directors consider that the amendments to the Articles are in the best interests of the Company and the Shareholders and accordingly recommend that all Shareholders should vote in favour of the special resolution to be proposed at the EGM.

GENERAL INFORMATION

The English text of this circular shall prevail over the Chinese text.

Yours faithfully,
For and on behalf of
Kenfair International (Holdings) Limited
Ip Ki Cheung
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



KENFAIR INTERNATIONAL (HOLDINGS) LIMITED

建發國際（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 223)

NOTICE is hereby given that the Extraordinary General Meeting of Kenfair International (Holdings) Limited (the “Company”) will be held at 2803, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on 17 July 2004 (Saturday) at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

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

- (1) By inserting the following new definition of “associate” in Article 2:

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

- (2) By substituting the existing definition of “clearing house” with the following new definition in Article 2:

““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.”

- (3) By re-numbering existing Article 76 as Article 76(1);

- (4) By inserting the following as new Article 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.”

- (5) By deleting the existing Article 88 in its entirety and replacing therewith the following new Article 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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (6) By deleting the existing Article 103 in its entirety and replacing therewith the following new Article 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;
- (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;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the

NOTICE OF EXTRAORDINARY GENERAL MEETING

Director and his associate(s) are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of 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 generally accorded to the class of persons 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 or his associate(s) is/are 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 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.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (7) By deleting the existing Article 155(1) in its entirety and replacing therewith the following new Article 155(1):

“155. (1) The Company shall at each annual general meeting appoint one or more firms of auditors to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Directors, but if an appointment is not made, the Auditors in office shall continue in office until a successor is appointed. A Director, officer or employee of the Company or of any of its subsidiaries or a partner, officer or employee of any such Director, officer or employee shall not be appointed Auditors of the Company.”

- (8) By deleting the existing Article 158 in its entirety and replacing therewith the following new Article 158:

“158. The Directors may fill any casual vacancy in the office of Auditors, but while any such vacancy continues the surviving or continuing Auditor or Auditors (if any) may act. The remuneration of the Auditors shall be fixed by or on the authority of the Company in the annual general meeting except that in any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors and the remuneration of any Auditors appointed to fill any casual vacancy may be fixed by the Directors.”

By order of the board of Directors
Kenfair International (Holdings) Limited
Ip Ki Cheung
Chairman

Hong Kong, 24 June 2004

Executive Directors:

Ip Ki Cheung (*Chairman*)
Cheung Shui Kwai (*Managing Director*)
Chan Siu Chung

Independent Non-executive Directors:

Wong Tat Tong
Chan Wing Yau, George
Lai Yang Chau, Eugene

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Principal place of business

in Hong Kong
Suite 2803, Tower 6
The Gateway, Harbour City
9 Canton Road
Tsim Sha Tsui
Kowloon
Hong Kong

Notes:

1. In order to qualify for attending and voting at the Extraordinary General Meeting on 17 July 2004 (Saturday), the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited to the Company's Hong Kong share registrar, Tengis Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting (as the case may be).
2. Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holder of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under its seal, or under the hand of an officer or attorney duly authorised.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.