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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shang Hua Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer 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 and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**SHANG HUA HOLDINGS LIMITED****上華控股有限公司***

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

PROPOSED CAPITAL REORGANISATION**AND****AMENDMENTS TO THE BYE-LAWS**

A notice convening a special general meeting of Shang Hua Holdings Limited to be held at Room 701, 7th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 23 July 2004 at 3:00 p.m. is set out on pages 11 to 15 of this circular. If you do not intend to attend the meeting, you are requested to complete the accompanying form of proxy for use at the special general meeting in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tengis Limited, of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and, in any event, not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

* *For identification purpose only*

30 June 2004

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DEFINITIONS

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

“Board”	the board of Directors
“Bye-laws”	the existing bye-laws of the Company
“Capital Reduction”	the proposed reduction of the issued share capital of the Company as referred to in sub-paragraph (a)(i) under the paragraph headed “Capital Reorganisation” in the section headed “Letter from the Board” in this circular
“Capital Reorganisation”	the proposed capital reorganisation of the Company as referred to in the paragraph headed “Capital Reorganisation” in the section headed “Letter from the Board” in this circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Shang Hua Holdings Limited, a company incorporated in Bermuda with limited liability with its shares listed on the main board of the Stock Exchange
“Consolidated Share(s)”	new ordinary share(s) of HK\$0.10 each in the issued and unissued share capital of the Company comprising the authorised share capital of the Company following the Capital Reorganisation
“Directors”	the directors of the Company
“Effective Date”	the date upon which the Capital Reorganisation becomes unconditional and effective when all the conditions to which it is subject as set out on page 7 of this circular are satisfied
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	28 June 2004, the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proposals”	the proposals involving (i) the Capital Reorganisation; and (ii) the amendments to the Bye-laws
“Registrar”	Tengis Limited of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, being the branch share registrar of the Company in Hong Kong
“SGM”	the special general meeting of the Company to be held at Room 701, 7th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 23 July 2004 at 3:00 p.m. to consider and, if thought fit, approve the Proposals
“SGM Notice”	the notice convening the SGM as set out on pages 11 to 15 of this circular
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of all the issued shares of HK\$0.005 each in the capital of the Company as referred to in sub-paragraph (b) under the paragraph headed “Capital Reorganisation” in the section headed “Letter from the Board” in this circular
“Share Premium Cancellation”	the proposed cancellation of the share premium in the share premium account of the Company as referred to in sub-paragraph (c) under the paragraph headed “Capital Reorganisation” in the section headed “Letter from the Board” in this circular
“Shareholder(s)”	holder(s) of Share(s) or Consolidated Share(s), as the context may require
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

2004

Latest time for lodging proxy form for the SGM	3:00 p.m. on Wednesday, 21 July
SGM	3:00 p.m. on Friday, 23 July
Effective Date	Monday, 26 July
Dealings in Consolidated Shares commence	9:30 a.m. on Monday, 26 July
Original counter for trading in Shares in the form of existing share certificates in board lots of 2,000 Shares temporarily closes	9:30 a.m. on Monday, 26 July
Temporary counter for trading in Consolidated Shares in board lots of 100 Consolidated Shares in the form of existing share certificates opens	9:30 a.m. on Monday, 26 July
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares.	Monday, 26 July
Matching service for the sale and purchase of odd lots of Consolidated Shares commences	9:30 a.m. on Monday, 26 July
Original counter for trading in Consolidated Shares in board lots of 2,000 Consolidated Shares in the form of new share certificates re-opens	9:30 a.m. on Monday, 9 August
Parallel trading in Consolidated Shares in the form of existing share certificates and new share certificates commences.	9:30 a.m. on Monday, 9 August
Temporary counter for trading in Consolidated Shares in board lots of 100 Consolidated Shares in the form of existing share certificates closes	4:00 p.m. on Monday, 30 August
Parallel trading in Consolidated Shares in the form of existing share certificates and new share certificates ends.	4:00 p.m. on Monday, 30 August
Matching service for the sale and purchase of odd lots of Consolidated Shares ends	4:00 p.m. on Monday, 30 August

EXPECTED TIMETABLE

Last day of free exchange of existing share certificates

for new share certificates for Consolidated Shares. Thursday, 2 September

Note: All references in this circular to times and dates are references to Hong Kong times and dates.

LETTER FROM THE BOARD



SHANG HUA HOLDINGS LIMITED

上華控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

Executive Directors:

Ms. Zhou Liping (*Chairman*)

Mr. Huang Flynn Xuxian

Ms. Guan Mei

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Independent non-executive Directors:

Mr. Shea Chun Lok, Quadrant

Mr. Chan Yiu Kwong

Mr. Ngai Chi Yung

Principal office:

Room 701, 7th Floor

Sino Industrial Plaza

9 Kai Cheung Road

Kowloon Bay, Kowloon

Hong Kong

30 June 2004

To the Shareholders

Dear Sir or Madam,

PROPOSED CAPITAL REORGANISATION

AND

AMENDMENTS TO THE BYE-LAWS

INTRODUCTION

The Directors announced on 16 June 2004 that a capital reorganisation involving a capital reduction, a share consolidation and a share premium cancellation would be proposed to the Shareholders at the SGM. The Directors also propose to take this opportunity to seek the approval of the Shareholders to amend the Bye-laws so as to keep in line with the recent amendments to the Listing Rules.

The purpose of this circular is to give you further information regarding the proposed Capital Reorganisation and the amendments to the Bye-laws and to give you notice of the SGM to be convened for the purpose of approving the necessary resolutions to implement and adopt the Proposals.

* For identification purpose only

LETTER FROM THE BOARD

CAPITAL REORGANISATION

The Directors propose that the Capital Reorganisation be effected in the following manner:

- (a) (i) the nominal value of all issued Shares of HK\$0.10 each will be reduced by HK\$0.095 each by cancelling an equivalent amount of paid-up capital per Share so that the nominal value of each such Share will be reduced from HK\$0.10 to HK\$0.005. Accordingly, based upon 1,110,472,663 Shares in issue as at the Latest Practicable Date, the issued share capital of the Company of HK\$111,047,266.30 will be reduced by HK\$105,494,902.985 to HK\$5,552,363.315; and
- (ii) the credit arising from such reduction will be credited to the contributed surplus account of the Company;
- (b) every 20 issued shares of HK\$0.005 each in the capital of the Company will be consolidated into one Consolidated Share of HK\$0.10. On such basis and after the Capital Reduction, there will be 55,523,633 Consolidated Shares in issue following the Share Consolidation; and
- (c) the share premium as at 31 December 2003 in the share premium account of the Company will be cancelled and the credit arising therefrom will be credited to the contributed surplus account of the Company. Based on the unaudited management accounts of the Company as at 31 December 2003, the share premium account of the Company amounted to approximately HK\$38 million.

Part of the credit transferred to the contributed surplus account of the Company mentioned in subparagraphs (a)(ii) and (c) above will be used to set off against the accumulated deficit of the Company. According to the audited accounts of the Company as at 30 June 2003, the accumulated deficit of the Company amounted to approximately HK\$149 million.

EFFECT OF THE CAPITAL REORGANISATION

Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will remain HK\$150,000,000 divided into 1,500,000,000 Consolidated Shares of HK\$0.10 each, of which 55,523,633 Consolidated Shares of HK\$0.10 each will be in issue. Other than the expenses incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests of the Shareholders (save and except any fractional entitlements resulting from the Share Consolidation) and the Consolidated Shares will rank *pari passu* in all respects with each other. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Company and its subsidiaries. Fractions of Consolidated Shares arising from the Share Consolidation will be aggregated and sold for the benefit of the Company.

LETTER FROM THE BOARD

REASONS FOR THE CAPITAL REORGANISATION

The audited accounts of the Company as at 30 June 2003 showed that the Company had an accumulated deficit of approximately HK\$149 million. The Directors believe that the Company may not be able to generate sufficient profits in the immediate future to eliminate this deficit. The Capital Reorganisation will allow the Company to reduce the accumulated deficit. As the paid-up capital of the Company is no longer represented by assets which have been lost, the Directors consider it appropriate to effect the Capital Reorganisation.

CONDITIONS OF THE CAPITAL REORGANISATION

The Capital Reorganisation is conditional on:

- (a) the passing by the Shareholders at the SGM by way of special resolutions approving the Capital Reorganisation;
- (b) the publication of a notice of the Capital Reduction and the Share Premium Cancellation in Bermuda in accordance with the Companies Act;
- (c) the Directors confirming on the date on which the Capital Reduction and the Share Premium Cancellation take effect, that there are no reasonable grounds for believing that the Company is, or after the Capital Reduction and the Share Premium Cancellation would be, unable to pay its liabilities as they fall due; and
- (d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

ARRANGEMENT FOR ODD LOT TRADING

Currently, the Shares are traded in board lot of 2,000 Shares each. Upon the Capital Reorganisation becoming effective, the Consolidated Shares will be traded in board lot of 2,000 Consolidated Shares each. In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares, the Company has agreed to procure an agent to arrange a “matching service” for the Shareholders who wish to buy and sell their holding of odd lots. Shareholders should note that the aforesaid “matching service” is on a best effort basis and there is no guarantee of a successful execution of such transaction. Holders of odd lots of Consolidated Shares who wish to take advantage of this facility should contact Miss Connie Suen of Stockwell Securities Limited of 2-3/F, Dragon House, 7-7B Cameron Road, Tsimshatsui, Kowloon, Hong Kong (telephone number: 2366 3826) from Monday, 26 July 2004 to Monday, 30 August 2004.

FREE EXCHANGE OF SHARE CERTIFICATES

Subject to fulfillment of the conditions set out above and the Capital Reorganisation taking effect, it is expected that, as from 26 July 2004, new share certificates will be issued in board lots of 2,000 Consolidated Shares. Existing share certificates can be submitted to the Registrar for exchange for new share certificates for the Consolidated Shares, free of charge, between 9:00 a.m. and 4:00 p.m. from 26

LETTER FROM THE BOARD

July 2004 to 2 September 2004 (both dates inclusive). Thereafter, the grey blue share certificates for the Shares will remain effective as documents of title, on the basis of 20 Shares for one Consolidated Share, and may be exchanged for new orange share certificates for the Consolidated Shares at any time on payment of a prescribed fee. It is expected that the share certificates for the Consolidated Shares will be available for collection within a period of 10 business days after the submission of the existing share certificates to the Registrar for exchange.

TRADING ARRANGEMENTS FOR CONSOLIDATED SHARES

Subject to the Capital Reorganisation becoming effective, dealings in the Consolidated Shares are expected to commence on Monday, 26 July 2004 and it is proposed that arrangements for trading in the Consolidated Shares will be as follows:

- (a) from Monday, 26 July 2004, the original counter for trading in Shares in board lots of 2,000 Shares will be closed. A temporary counter for trading in Consolidated Shares in board lots of 100 Consolidated Shares, representing 2,000 Shares, in the form of existing share certificates for the Shares will be established and every 20 Shares will be deemed to represent one Consolidated Share. Existing share certificates for Shares (in grey blue colour) can only be traded at the temporary counter;
- (b) with effect from Monday, 9 August 2004, the original counter will be re-opened for trading in Consolidated Shares in board lots of 2,000 Consolidated Shares. Only new share certificates for Consolidated Shares (in orange colour) can be traded at this counter;
- (c) during the period from Monday, 9 August 2004 to Monday, 30 August 2004 (both dates inclusive), parallel trading will be permitted at the above two counters; and
- (d) the temporary counter for trading in existing share certificates in board lots of 100 Consolidated Shares will be withdrawn after the close of trading on Monday, 30 August 2004 and thereafter trading will only be done in Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of new share certificates in orange colour). Existing share certificates for Shares (in grey blue colour) will only be valid for delivery and settlement in respect of dealings for the period up to and including Monday, 30 August 2004 and thereafter will not be acceptable for delivery and settlement purposes. However, valid certificates for Shares (in grey blue colour) will continue to be good evidence of legal title to the Consolidated Shares on the basis of 20 Shares for one Consolidated Share and may be exchanged for new share certificates for Consolidated Shares (in orange colour) at the Registrar at any time on payment of a prescribed fee.

LETTER FROM THE BOARD

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue following the implementation of the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Consolidated Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

AMENDMENTS TO THE BYE-LAWS

The Stock Exchange has recently revised the Listing Rules based on the results of the Consultation Conclusions on Proposed Amendments to the Listing Rules relating to Corporate Governance Issues. The Directors intend to take this opportunity to seek the approval of the Shareholders to amend the Bye-laws so as to keep in line with the amendments to the Listing Rules. Amendments will mainly be made in the following areas:

- (a) where a Director or his associate has a material interest in any contract, transaction, arrangement or other matters that requires the approval of the Board, the relevant Director shall not vote for the relevant matter at the meeting of the Board and shall not be counted as part of the quorum;
- (b) the period for lodgment of notice of nomination of Directors by Shareholders shall commence no earlier than the day after the despatch of the notice of general meeting appointed for such election and end no later than seven (7) days prior to the date of such meeting; and
- (c) where any Shareholder is required to abstain from voting on any particular resolution or subject to voting restrictions under the Listing Rules, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restrictions shall not be counted.

The full text of the amendment provisions is contained in resolution numbered 3 set out in the SGM Notice.

SGM

A notice convening the SGM to be held at Room 701, 7th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 23 July 2004 at 3:00 p.m. is set out on pages 11 to 15 of this circular.

A form of proxy for use at the SGM is enclosed. If you do not intend to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as

LETTER FROM THE BOARD

soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof to the Registrar. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

PROCEDURE BY WHICH A POLL MAY BE DEMANDED

Under the Bye-laws, resolutions put to the vote of the SGM 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:

- (a) the chairman; or
- (b) at least three Shareholders present in person or by proxy or representative for the time being entitled to vote at the meeting; or
- (c) any Shareholder or Shareholders present in person or by proxy or representative and holding between them not less than one-tenth of the total voting rights of all the Shareholders having the right to attend and vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by proxy or representative and holding Shares in the Company conferring a right to attend and 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.

In addition, under the Listing Rules, if the chairman of the meeting and/or the Directors individually or collectively hold(s) proxies in respect of Shares holding 5% or more of the total voting rights of the Company at a particular meeting, and if the votes casted on a show of hands are in the opposite manner to that instructed in those proxies, then the chairman shall demand a poll. However, if it is apparent from the total proxies held that a vote taken on a poll will not reverse the vote taken on a show of hands, then the chairman shall not be required to demand a poll.

RECOMMENDATION

The Directors are of the opinion that the terms of the Capital Reorganisation and the amendments to the Bye-laws are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions set out in the SGM Notice.

By order of the Board
Shang Hua Holdings Limited
Zhou Liping
Chairman

NOTICE OF SPECIAL GENERAL MEETING



SHANG HUA HOLDINGS LIMITED

上華控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 371)

NOTICE IS HEREBY GIVEN that a special general meeting of Shang Hua Holdings Limited (the “Company”) will be held at 3:00 p.m. on Friday, 23 July 2004 at Room 701, 7th Floor, Sino Industrial Plaza, 9 Kai Cheung Road, Kowloon Bay, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions of the Company:

SPECIAL RESOLUTION NO.1

“**THAT** with effect from the business day immediately following the date on which this resolution is duly passed (the “Effective Date”) and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of HK\$0.10 each in the Company arising from the Capital Reduction (as hereinafter defined) and the Share Consolidation (as hereinafter defined):

- (a) the nominal value of all issued share capital of the Company of HK\$0.10 each be reduced by cancelling paid-up capital to the extent of HK\$0.095 on each share on the Effective Date so that the nominal value of each issued share of the Company shall become HK\$0.005 (the “Capital Reduction”);
- (b) the amount of the paid-up share capital of the Company reduced as referred to in paragraph (a) of this resolution be transferred to the contributed surplus account of the Company and that the directors of the Company be authorised to apply such amount to set off against the accumulated deficit of the Company in the sum of HK\$149,356,676.15 as at 30 June 2003 at their discretion;
- (c) every 20 issued shares of HK\$0.005 each in the capital of the Company resulting immediately upon the Capital Reduction be consolidated into 1 consolidated share (the “Consolidated Share”) of HK\$0.10 (the “Share Consolidation”);
- (d) all of the Consolidated Shares resulting from the Share Consolidation shall rank *pari passu* in all respects with each other; and
- (e) the directors of the Company be authorised generally to do all things appropriate to effect and implement any of the foregoing.”

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

SPECIAL RESOLUTION NO.2

“**THAT** with effect from the Effective Date (as defined in special resolution numbered 1 set out in the notice convening this meeting at which this resolution is proposed):

- (a) the total amount of HK\$37,940,227.51 standing to the credit of the share premium account of the Company as at 31 December 2003 be cancelled;
- (b) the amount of the share premium cancelled as referred to in paragraph (a) of this resolution be transferred to the contributed surplus account of the Company and that the directors of the Company be authorised to apply such amount to set off against the accumulated deficit of the Company in the sum of HK\$149,356,676.15 as at 30 June 2003 at their discretion; and
- (c) the directors of the Company be authorised generally to do all things appropriate to effect and implement any of the foregoing.”

SPECIAL RESOLUTION NO.3

“**THAT** the bye-laws of the Company be amended in the following manner:

- 1. by inserting the following new definition of “associate” after the definition of “Act” in existing Bye-law 1:

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

- 2. by inserting the following new definition of “clearing house” after the definition of “the Company” or “this Company” in existing Bye-law 1:

““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 Bye-law 78 as Bye-law 78(A);

- 4. by inserting the following new Bye-law 78(B) in existing Bye-law 78:

“(B) Where the Company has knowledge that any member of the Company 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.”;

NOTICE OF SPECIAL GENERAL MEETING

5. by deleting the existing Bye-law 89 in its entirety and replacing therewith the following new Bye-law 89:

“89. 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 in writing signed by a member of the Company (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 a notice in writing signed by the person to be proposed of his willingness to be elected shall have been lodged at the office or at the principal office provided that the minimum length of the period, during which such notice(s) are given, shall be at least 7 days and that the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.”;

6. by deleting the existing Bye-law 112(E) in its entirety and replacing therewith the following new Bye-law 112(E):

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

- (i) the giving of any security or indemnity either:
 - (a) to the Director or his associate(s) in respect of money lent or obligations undertaken by him or any of his associate(s) for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries which the Director or his associate(s) has himself/themselves guaranteed or secured in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any contract or arrangement concerning an offer of the 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;

NOTICE OF SPECIAL GENERAL MEETING

- (iii) 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 shareholder or in which the Director and his associate(s) are not in aggregate beneficially interested in five 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 associate(s) is derived);
 - (iv) the benefit of employees of the Company or any of its subsidiaries including:
 - (a) any proposal concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit; and
 - (b) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not give the Director or his associate(s) any privilege or advantage not accorded generally to the class of persons to whom such scheme or fund relates; and
 - (v) 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.”
7. by re-numbering existing Bye-law 112(F) as Bye-law 112(H); and
8. by inserting the following new Bye-law 112(F) and Bye-law 112(G):
- “(F) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five 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 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 associate(s) 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 his associate(s) 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.

NOTICE OF SPECIAL GENERAL MEETING

- (G) Where a company in which a Director and/or his associate(s) holds five 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.””

By order of the board of directors of
Shang Hua Holdings Limited
Zhou Liping
Chairman

Hong Kong, 30 June 2004

Principal office:

Room 701, 7th Floor
Sino Industrial Plaza
9 Kai Cheung Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. In the case of a recognised clearing house, it may authorise such person(s) as it thinks fit to act as its representative(s) at the meeting and vote in its stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the branch share registrar of the Company in Hong Kong, Tengis Limited, of G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.