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

If you have sold or transferred all your shares in Alco 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, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 328)

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

A notice convening the 2004 annual general meeting of Alco Holdings Limited (the "Meeting") to be held at Aberdeen Room, JW Marriott Hotel, Level 3, Pacific Place, 88 Queensway, Hong Kong on Thursday, 2nd September 2004 at 11:00 a.m. is appended to this circular.

If you do not propose to attend the Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal office of the Company at 11th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong as soon as possible and in any event not less 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 shall not preclude you from attending and voting in person at the Meeting or at any adjourned meeting should you so wish.

26th July 2004

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held on Thursday, 2nd September 2004 and any adjournment thereof
“Board”	the board of Directors
“Bye-laws”	the Bye-laws of the Company
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Alco Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“General Mandates”	the Share Issue Mandate and the Share Repurchase Mandate (as defined in the Letter from the Chairman), approvals of which are to be sought at the AGM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	21st July 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	share(s) of par value HK\$0.10 each in the capital of the Company
“Share Buy Back Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their own securities on the Stock Exchange
“Shareholder(s)”	registered holder(s) of Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

LETTER FROM THE CHAIRMAN



ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 328)

Executive Directors:

Mr LEUNG Kai Ching, Kimen (*Chairman*)

Mr LEUNG Wai Sing, Wilson (*Vice-Chairman*)

Mr KUOK Kun Man, Andrew

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent Non-executive Directors:

Mr WONG Po Yan, G.B.M., J.P.

The Hon LI Wah Ming, Fred, J.P.

Mr LAU Wang Yip, Derrick

Principal place of business

and head office:

11th Floor

Zung Fu Industrial Building

1067 King's Road

Quarry Bay

Hong Kong

26th July 2004

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

The purpose of this circular is to provide you with information on the resolutions relating to (i) re-election of Directors; (ii) the grant of the General Mandates to issue and repurchase Shares at the AGM; and (iii) the proposed amendments to the Bye-laws.

RE-ELECTION OF DIRECTORS

The Board currently consists of six Directors, namely Mr Leung Kai Ching, Kimen, Mr Leung Wai Sing, Wilson, Mr Kuok Kun Man, Andrew, Mr Wong Po Yan, Mr Li Wah Ming, Fred and Mr Lau Wang Yip, Derrick.

LETTER FROM THE CHAIRMAN

Pursuant to Bye-law 87(1) of the existing Bye-laws, at each annual general meeting all the Directors for the time being shall retire from office. The retiring Directors shall be eligible for re-election. A brief biographical details, as at the Latest Practicable Date, of the retiring Directors are set out in Appendix I of this circular.

GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution will be proposed to grant to the Directors a general and unconditional mandate to exercise all the powers of the Company to allot and issue and deal with new Shares up to an amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the relevant resolution (the “Share Issue Mandate”) provided that, in any event, any Shares to be allotted and issued pursuant to this general mandate shall not be allotted and issued at a discount of 5% or more to the Benchmarked Price of the Shares.

For the purpose of this resolution, the “Benchmarked Price” shall be a price which is the higher of:

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

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution will also be proposed to grant to the Directors a general mandate to exercise the powers of the Company to repurchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the resolution (the “Share Repurchase Mandate”). An explanatory statement as required under the Share Buy Back Rules, giving certain information regarding the Share Repurchase Mandate, is set out in the Appendix II to this circular.

LETTER FROM THE CHAIRMAN

AMENDMENTS TO THE BYE-LAWS

New Listing Rules Requirements

With a view to conforming with the new requirements promulgated by the recent changes in the Listing Rules on corporate governance issues which came into effect on 31st March, 2004, the Directors have resolved to propose to Shareholders for approval, certain amendments to the Company's Bye-laws. The proposed amendments to the Bye-laws are briefly described below:

- (1) If a Director or any of his associate (as defined in the Listing Rules) has a material interest in any contract, arrangement or proposal which requires approval of the Board, the Director concerned shall not vote on the relevant board resolution approving such proposed transaction and shall not be counted in the quorum of the meeting of the Board to be held for considering the proposed transaction, except under certain circumstances permitted under the Listing Rules;
- (2) The minimum period for lodgment of a notice to nominate a person as a Director shall commence from the day after the despatch of the notice of the general meeting appointed for the election of Director(s) and end no later than 7 days prior to the date of such meeting; and
- (3) Where any Shareholder is, under the Listing Rules, required to abstain from voting on or restricted to vote only for or only against any particular resolution, any votes cast by or on behalf of that Shareholder in contravention thereto shall not be counted.

Retirement of Directors

Moreover, the Board proposes to amend the Bye-laws so that, instead of requiring all Directors for the time being to retire from office at each annual general meeting, one-third of the Directors for the time being (other than the chairman of the Board) would need to retire from office by rotation at each annual general meeting in the manner set out in the proposed new Bye-law 87. The Board considers that this proposed amendment to the Bye-laws will provide for better coherence in the management of the Company and increase its operational efficiency.

A special resolution, as contained in the notice of the 2004 AGM appended to this circular, setting out details of the above proposed amendments to the Company's Bye-laws will be put forth to Shareholders for their approval at the 2004 AGM.

RECOMMENDATION

The Directors consider that the re-election of Directors, the grant of the General Mandates to issue and repurchase Shares at the AGM as well as the proposed special resolution for the amendments to the Bye-laws are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend Shareholders to vote in favour of the resolutions to be proposed at the AGM for the approval of the above matters.

LETTER FROM THE CHAIRMAN

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I, II and III to this circular.

Yours faithfully
On behalf of the Board
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 26th July 2004

Details of the Directors proposed to be re-elected at the forthcoming AGM are set out as follows:

EXECUTIVE DIRECTORS

Mr LEUNG Kai Ching, Kimen, aged 71, is the founder and Chairman of the Company. He has more than 37 years of experience and is one of the pioneers in the electronics industry in Hong Kong. He has in-depth knowledge in the electronics field and is responsible for formulating the Group's overall strategy and development.

Mr Leung is the father of Mr Leung Wai Sing, Wilson, another Executive Director of the Group. Save as disclosed, Mr Leung does not have any relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company.

Mr Leung has personal interest in 17,200,000 Shares, corporate interest in 35,356,000 Shares and family interest in 170,018,000 Shares as well as personal interest in 1,000,000 bonus warrants, corporate interest in 3,535,600 bonus warrants and family interest in 17,001,800 bonus warrants within the meaning of Part XV of the Securities and Futures Ordinance.

Mr Leung has entered into a service contract with the Company for a fixed term of three years commencing on 1st April, 2004 and shall continue thereafter unless terminated by either party giving to the other not less than six months' written notice. He is entitled to an annual remuneration, discretionary bonus and other benefits from time to time to be reviewed and determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Mr LEUNG Wai Sing, Wilson, aged 44, joined the Group in 1985. He oversees product design and development. He holds a master of science degree in electrical engineering from Queen's University, Canada.

Mr Leung is the son of Mr Leung Kai Ching, Kimen. Save as disclosed, Mr Leung does not have any relationship with any other Directors, senior management, substantial or controlling Shareholders of the Company.

Mr Leung has personal interest in 43,640,000 Shares and family interest in 170,018,000 Shares as well as personal interest in 1,000,000 bonus warrants and family interest in 17,001,800 bonus warrants within the meaning of Part XV of the Securities and Futures Ordinance.

Mr Leung has entered into a service contract with the Company for a fixed term of three years commencing on 1st April 2004 and shall continue thereafter unless terminated by either party giving to the other not less than six months' written notice. He is entitled to an annual remuneration, discretionary bonus and other benefits from time to time to be reviewed and determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Mr KUOK Kun Man, Andrew, aged 50, joined the Group in 1990 and is the Company Secretary and Finance Director of the Group. He holds a master degree in business administration and has more than 27 years of experience in finance and accounting with multinational organisations.

Mr Kuok does not have any relationship with other Directors, senior management, substantial or controlling Shareholders of the Company.

Mr Kuok has personal interest in 200,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr Kuok has entered into a service contract with the Company for a fixed term of three years commencing on 1st April, 2004 and shall continue thereafter unless terminated by either party giving to the other not less than six months' written notice. He is entitled to an annual remuneration, discretionary bonus and other benefits from time to time to be reviewed and determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr WONG Po Yan, G.B.M., J.P., aged 81, joined the Group in 1992 and is the chairman of United Oversea Enterprises Limited, the vice-chairman of The Committee for the Basic Law of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress, the chairman of the Nuclear Safety Consultative Committee for Guangdong Daya Bay and Ling Ao Nuclear Power Stations, the chairman of the Advisory Board of One Country Two Systems Research Institute Limited, the honorary president of The Chinese Manufacturers' Association of Hong Kong and the chairman of the Board of Asia Television Limited.

Mr Wong does not have any relationship with other Directors, senior management, substantial or controlling Shareholders of the Company.

Mr Wong does not have any interest in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract between the Company and Mr Wong. A director's fee is determined by the Board with reference to the remuneration benchmark in the market.

The Hon LI Wah Ming, Fred, J.P., aged 49, joined the Group in 1992 and is a member of the Legislative Council. He holds a bachelor degree in arts from the University of Waterloo, Canada and a master degree in social work from the University of Toronto, Canada.

Mr Li does not have any relationship with other Directors, senior management, substantial or controlling Shareholders of the Company.

Mr Li does not have any interest in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract between the Company and Mr Li. A director's fee is determined by the Board with reference to the remuneration benchmark in the market.

Mr LAU Wang Yip, Derrick, aged 43, joined the Group in 2000 and is the chief executive officer of a financial institution. Holding a master degree of management science in accounting, he has extensive experience in corporate finance.

Mr Lau does not have any relationship with other Directors, senior management, substantial or controlling Shareholders of the Company.

Mr Lau does not have any interest in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract between the Company and Mr Lau. A director's fee is determined by the Board with reference to the remuneration benchmark in the market.

This Appendix serves as an explanatory statement, as required by the Share Buy Back Rules, to provide Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Share Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 532,969,488 fully paid-up Shares. Subject to the passing of the resolution at the AGM granting the Share Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the AGM, the Company would be allowed to repurchase a maximum of 53,296,949 Shares representing 10% of the Shares in issue as at the date of the AGM.

The Share Repurchase Mandate may continue in force until the earliest of: (i) the conclusion of the next annual general meeting of the Company for the year of 2005; (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and (iii) the revocation or variation of the Share Repurchase Mandate by ordinary resolution of the Shareholders at general meeting.

2. REASONS FOR REPURCHASES

The Directors consider that the Share 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 of the Company and/or its earnings per share 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, the laws of Bermuda and any other applicable laws. The laws of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of the funds of the Company otherwise available for dividend, or distribution or out of the proceeds of a fresh issue of Shares made for the purposes of the repurchase and the premium, if any, payable on the repurchase, may only be provided for out of the funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company before the Shares are repurchased. It is envisaged that the Company would derive the funds from such sources.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited consolidated accounts contained in the annual report for the year ended 31st March 2004 in the event that the proposed repurchases of Shares were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months and in the current month up to the Latest Practicable Date were as follows:–

Month	Highest traded price HK\$	Lowest traded price HK\$
2003		
July	2.815	1.430
August	2.815	2.475
September	3.025	2.750
October	3.100	2.575
November	3.000	2.750
December	3.000	2.375
2004		
January	2.550	2.400
February	2.675	2.400
March	2.525	2.275
April	2.425	2.225
May	2.300	1.890
June	2.225	1.980
July (before the Latest Practicable Date)	2.475	2.200

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda and as permitted by the regulations set out in the memorandum of association and Bye-laws of the Company.

6. DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company under the Share Repurchase Mandate if such is approved by the Shareholders.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Share Repurchase Mandate is approved by the Shareholders.

7. EFFECT OF TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Share 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 Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of such increase, could obtain or consolidate control of the Company and may 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. Kimen Leung UT Limited is a company incorporated in the British Virgin Islands as the trustee of The Kimen Leung Unit Trust which is beneficially owned by The Kimen Leung Family Trust. Mr Leung Wai Sing, Wilson and other family members of Mr Leung Kai Ching, Kimen are the beneficiaries of The Kimen Leung Family Trust which is a discretionary trust. As at the Latest Practicable Date, Kimen Leung UT Limited held 170,018,000 Shares, approximately 31.9% of the issued share capital of the Company. In the event that the Directors shall exercise in full the power to repurchase Shares of the Company in accordance with the Share Repurchase Mandate and if there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of the AGM, the interest of Kimen Leung UT Limited would be increased to approximately 35.44% of the issued share capital of the Company. As a result, Kimen Leung UT Limited would be obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. However, the Directors do not have the intention to exercise the power to repurchase Shares of the Company to such extent which would make the substantial Shareholder or any Shareholder or group of Shareholders obliged to make a mandatory offer under Rule 26 of the Takeovers Code in this respect.

In the event that the Share Repurchase Mandate is exercised in full, the number of Shares held by the public would not fall below 25% of the issued share capital of the Company.

8. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

Pursuant to the Bye-laws of the Company, the procedures of voting by poll on the resolutions to be put forth for Shareholders' approval at the 2004 AGM of the Company are as follows:

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

- (a) by the chairman of such meeting; or
- (b) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (d) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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

NOTICE OF ANNUAL GENERAL MEETING



ALCO HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 328)

NOTICE IS HEREBY GIVEN that the annual general meeting of Alco Holdings Limited will be held at Aberdeen Room, JW Marriott Hotel, Level 3, Pacific Place, 88 Queensway, Hong Kong on Thursday, 2nd September 2004, at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31st March 2004;
2. To declare final and special dividends for the year ended 31st March 2004;
3. To re-elect Directors and to authorise the Board to fix their remuneration;
4. To appoint Auditors and to authorise the Board to fix their remuneration;

ORDINARY RESOLUTIONS

5. As special business, to consider and, if thought fit, pass the following resolution as an 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 the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company (“Shares”) and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power during or 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) and issued by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as hereinafter defined); or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) an issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company as at the date of this resolution carrying a right to subscribe for or purchase Shares; or
- (iii) an issue of Shares upon the exercise of the subscription rights under the share option scheme of the Company,

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution, provided that any Shares to be allotted and issued pursuant to this general mandate shall not be allotted and issued at a discount of 5% or more to the Benchmarked Price (as hereinafter defined) of the Shares, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the Shareholders of the Company at general meeting.

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

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

- (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of signing of the agreement to which the transaction relates; and

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the earlier of:
 - (a) the date of signing of the agreement to which the transaction relates;
 - (b) the date on which the relevant transaction is announced; and
 - (c) the date on which the price of the Shares to be issued pursuant to the transaction is fixed."
- 6. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"THAT:

- (a) the Directors be and are hereby granted an unconditional general mandate to repurchase on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), or any other stock exchange on which the shares of HK\$0.10 each in the capital of the Company ("Shares") may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, securities in the Company and that the exercise by the Directors of all powers of the Company to repurchase the Shares during the Relevant Period (as hereinafter defined), subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution; and
- (c) for the purpose of this resolution:

"Relevant Period" means the period from the date of the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company at general meeting."

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTION

7. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

“**THAT** the existing Bye-laws of the Company be amended as follows:

- (A) By inserting the following new definition after the definition of “Act” in Bye-law 1:

““associate(s)” shall have the meaning attributed to it in the rules of the Designated Stock Exchange.”

- (B) By substituting the existing definition of “Clearing House” in Bye-law 1 with the following new definition:

““Clearing House” means 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”

- (C) By re-numbering the existing Bye-law 9 as Bye-law 9(A).

- (D) By inserting the following as new Bye-law 9(B):

“(B) Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company at general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all shareholders alike.”

- (E) By inserting in the eleventh line of Bye-law 66 immediately after the word “unless” the words “a poll is required under the rules of the Designated Stock Exchange or”.

- (F) By deleting in the first line of Bye-law 67 the words “Unless a poll is duly demanded and the demand is not withdrawn,” and substituting therefor the following words “Unless a poll is duly required or demanded and, in the latter case, not withdrawn,”.

- (G) By deleting the existing Bye-law 68 in its entirety and replacing therewith the following new Article 68:

“68. If a poll is duly required or demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was required or demanded. There shall be no requirement for the chairman to disclose the voting figures on a poll.”

NOTICE OF ANNUAL GENERAL MEETING

(H) By re-numbering the existing Bye-law 76 as Bye-law 76(A).

(I) By inserting the following as new Bye-law 76(B):

“(B) 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 or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”

(J) By deleting the existing Bye-law 87(1) and replacing therewith the following new Bye-law 87(1):

“87.(1) At each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to one third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board shall not, whilst holding such office, be subject to such retirement by rotation. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.”

(K) By deleting the existing Bye-law 88 in its entirety and replacing therewith the following new Bye-law 88:

“88. No person, other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice in writing signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice in writing 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) in writing are given, shall be at least seven (7) days and that the period for lodgment of such notice(s) in writing 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.”

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- (L) 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 shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates, is to his knowledge, materially interested, and if he does so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving by the Company 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 by the Company 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 Director or 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

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- (vi) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or
 - (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to Directors, his associates, and employees of the Company or any of its subsidiaries and does not provide in respect of any Directors, 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 associate(s), (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For 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 and/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.
- (3) Where a company in which a Director and/or his associate(s) hold(s) five (5) per cent. or more of its issued share capital is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not being counted in the quorum, 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

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Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

By Order of the Board
LEUNG Kai Ching, Kimen
Chairman

Hong Kong, 19th July 2004

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. Proxy forms must be lodged at the principal office of the Company at 11th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
2. The Transfer Books and Register of Members of the Company will be closed from Thursday 26th August 2004 to Thursday 2nd September 2004, both days inclusive, during which period no transfer of shares will be effected. In order to rank for the proposed final and special dividends, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday 25th August 2004.