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WAFER SYSTEMS LIMITED

威發系統有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8198)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Wafer Systems Limited (the “Company”) will be held at Units 901-7, 9th Floor, Prosperity Millennia Plaza, 663 King’s Road, North Point, Hong Kong on Friday, 27 April 2007 at 3:30 p.m. for the following purposes: -

1. To consider and approve the audited consolidated financial statements and the reports of the directors and the auditors for the year ended 31 December 2006;
2. To re-elect a director, Mr. Chan Sek Keung, Ringo, retiring by rotation and to authorise the board of directors to fix his remuneration (if any); *(note 5)*
3. To re-elect a director, Mr. Pang Hing Chung, Alfred, retiring by rotation and to authorise the board of directors to fix his remuneration (if any); *(note 6)*
4. To re-appoint the auditors and to authorise the board of directors to fix their remuneration; and
5. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

* *For identification purpose only*

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant, whether conditionally or unconditionally, offers, agreements and options (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into the shares in the Company) which would or might require the exercise of such powers, 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 (including warrants, bonds, debentures, notes and any securities which carry rights to subscribe for or are convertible into the shares in the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) 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 (ii) the grant or exercise of any option under any share option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to employee, director, advisor or business consultant of the Company and/or any of its subsidiaries of shares in the Company or rights to acquire shares in the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in the Company in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which carry rights to subscribe for or are convertible into shares in the Company, shall not exceed **20 per cent.** of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution,

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and

- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their 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, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

(2) **“THAT:**

- (a) subject to paragraph (b) 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 repurchase shares in the capital of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares in the Company may be listed and recognised by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, subject to and in accordance with the rules and regulations of the Securities and Future Commission, The Stock Exchange of Hong Kong Limited, the Companies Law of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares in the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed **10 per cent.** of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;
- (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 earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any other applicable law of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

(3) “**THAT** conditional upon resolution no. 5(1) and 5(2) of the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares in the Company pursuant to the said resolution no. (1) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company pursuant to the said resolution no. (2), provided that the amount of shares so repurchased by the Company shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company on the date of this resolution.”

By order of the Board
Chan Sek Keung, Ringo
Chairman and Chief Executive Officer

Hong Kong, 27 March 2007

Notes:-

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is holder of two or more shares may appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-7, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 48 hours before the time appointed for the meeting (or any adjournment thereof).
3. With regard to ordinary resolution no. 5(2) of this notice, an explanatory statement containing information regarding the repurchase by the Company of its own shares will be sent to shareholders of the Company together with the 2006 Annual Report of the Company.
4. Article 66 of the Company’s articles of association sets out the procedures by which shareholders of the Company may demand a poll.

A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

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

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

5. The biographical details on Mr. Chan Sek Keung, Ringo are as contained on page 9 of the Annual Report.

Mr. CHAN Sek Keung, Ringo, aged 47, is the Chairman and Chief Executive Officer of the Company and also the Compliance Officer and one of the two Authorised Representatives of the Company in respect of the Company's listing on GEM. Mr. Chan is also a director of all the subsidiaries of the Group.

Mr. Chan first joined the Company in November 1998 and has been on the board ever since. He retires by rotation under Article 87 of the Articles of Association of the Company and, being eligible, offers himself for re-election. Apart from being a director of the Company, Mr. Chan has not been a director of any public listed company for the past three years.

Mr. Chan has over 20 years working experience in the data and networking communication field. He holds a Bachelor's degree in Electrical Engineering from the University of Hong Kong and is a Fellow Member of the Hong Kong Institute of Directors.

Mr. Chan has been appointed as an executive director of the Company for a term of three years commencing 1 January 2006, subject to the retirement by rotation as required by the Articles of Association of the Company. His remuneration package has been determined by his duties, responsibilities and experience, include, mainly and amongst others; (1) an annual salary of HK\$900,000 for the first year which is subject to a maximum increase of 10% in the following two years as determined by the Board or the Remuneration Committee; (2) an annual management bonus of 5% on the audited net profits of the Company when such net profit exceeds HK\$5 million; and (3) Company paid accommodation and related facilities to the maximum of HK\$35,000 per month.

The Directors has not recommended any increase to Mr. Chan's salary for the year 2007.

Mr. Chan's interests in the shares of the Company, within the meaning of Part XV of the Securities and Futures Ordinance as at 31 December 2006 include 64,652,000 shares beneficially own by him, 3,000,000 share options granted to him on 30 April 2002 at the exercise price of HK\$0.55 per share and 1,200,000 shares options granted to him on 20 February 2003 at the exercise price of HK\$0.138 per share. The above options granted to Mr. Chan will expire, if not exercised, on the respective dates 10 years from the date of grant.

Save as those disclosed above, there are no other matters need to be brought to the attention of the shareholders of the Company.

Save as those disclosed above, there are no other information to be disclosed pursuant to the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

6. The biographical details on Mr. Pang Hing Chung, Alfred are as contained on page 9 of the Annual Report.

Mr. PANG Hing Chung, Alfred, aged 45, is an independent non-executive director of the Company. Mr. Pang first joined the Company in March 1999. He retires by rotation under Article 87 of the Articles of Association of the Company and, being eligible, offers himself for re-election.

Mr. Pang is a Managing Director and Vice Chairman of the investment banking division of BOC International. Mr. Pang holds an MBA degree from the Stanford Graduate School of Business and also a Bachelor of Arts degree in Economics from Cornell University.

Mr. Pang's appointment as an independent non-executive director with the Company for the two years ending 31 March 2008 carries an annual fee of HK\$120,000. The said fee is determined by reference to his duties, responsibilities and experience. Mr. Pang has served on the Audit Committee since its inception.

Mr. Pang's interests in the shares of the Company, within the meaning of Part XV of the Securities and Futures Ordinance, include 750,000 share options granted to him on 30 April 2002 at the exercise price of HK\$0.55 per share and 750,000 shares options granted to him on 20 February 2003 at the exercise price of HK\$0.138 per share. The above options granted to Mr. Pang will expire, if not exercised, on the respective dates 10 years from the date of grant.

For the past three years, Mr. Pang has not held any directorship position in any other listed public company.

Save as those disclosed above, there are no other matters need to be brought to the attention of the shareholders of the Company.

Save as those disclosed above, there are no other information to be disclosed pursuant to the requirements of Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

7. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this announcement, the Board consists of one executive Director, namely Mr. CHAN Sek Keung, Ringo, three non-executive Directors, namely Mr. Alasdair Gordon NAGLE, Ms. Clara HO and Mr. KWAN Kit Tong and two independent non-executive Directors, namely Mr. PANG Hing Chung, Alfred and Mr. David TSOI.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief : (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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