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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 Guangdong Tannery Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Guangdong Tannery Limited.

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粤海制革有限公司
GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 1058)

**GENERAL MANDATE FOR THE ISSUE OF SHARES
MANDATE FOR THE ISSUE OF SHARES UNDER THE SHARE OPTION SCHEME
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
RE-ELECTION OF DIRECTORS**

A letter from the Board is set out on pages 3 to 8 of this circular.

A notice dated 21 May 2004 convening the annual general meeting of Guangdong Tannery Limited to be held at The Harbour Room, 3rd Floor, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on Tuesday, 15 June 2004 at 2:30 p.m., is set out in the Appendix to this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time fixed for holding the annual general meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting if you so wish.

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be convened and held at The Harbour Room, 3rd Floor, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on 15 June 2004 at 2:30 p.m.;
“AGM Notice”	the notice of the AGM set out in the Appendix to this circular to consider, and if thought fit, to approve the resolutions therein;
“Articles”	the articles of association adopted by the Company, and as amended from time to time by resolution of the Shareholders of the Company;
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the laws of Hong Kong;
“Company”	Guangdong Tannery Limited, a company incorporated in Hong Kong with limited liability and whose Ordinary Shares are listed on the Stock Exchange;
“Directors”	the directors (including independent non-executive directors) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	18 May 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the AGM Notice;
“Ordinary Share(s)”	share(s) of HK\$0.10 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of such shares from time to time of the Company);
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong;
“Share Issue Mandate”	the proposed general mandate to the Directors to issue Ordinary Shares pursuant to Ordinary Resolution item 4 as set out in the AGM Notice in its present or any amended form;
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution passed by the Shareholders at the extraordinary general meeting on 31 May 2002;

DEFINITIONS

“Share Option Scheme Mandate”	the proposed refreshment of the maximum limit on the number of Ordinary Shares which may be issued by the Directors under the Share Option Scheme pursuant to Ordinary Resolution item 5 as set out in the AGM Notice in its present or any amended form;
“Shareholder(s)”	holder(s) of Ordinary Share(s) or other shares issued by the Company;
“Special Resolution”	the proposed special resolution item 6 as set out in the AGM Notice in its present or any amended form; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.



粵海制革有限公司
GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

Board of Directors:

WU Jiesi (*Honorary President*)
ZHANG Chunting (*Chairman*)
CHEN Hong (*Managing Director*)
HUI Wai Man Lawrence (*Director & Chief Financial Officer*)
XIONG Guangyang
CHENG Hok Lai James*
FUNG Lak*
HO LAM Lai Ping Theresa
CHAN Hee Kwan

Registered Office:

29th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

* *Independent Non-Executive Director*

21 May 2004

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATE FOR THE ISSUE OF SHARES
MANDATE FOR THE ISSUE OF SHARES UNDER THE SHARE OPTION SCHEME
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
RE-ELECTION OF DIRECTORS**

INTRODUCTION

This circular sets out the information reasonably necessary to enable you to make an informed decision on whether to vote for or against:

- (a) the Ordinary Resolution to approve the Share Issue Mandate;
- (b) the Ordinary Resolution to approve the Share Option Scheme Mandate; and
- (c) the Special Resolution to approve the proposed amendments to the Articles which would enable the Company to comply with recent amendments to the Listing Rules and the Companies Ordinance.

A notice convening the AGM is set out in the Appendix to this circular.

LETTER FROM THE BOARD

GENERAL MANDATE FOR THE ISSUE OF SHARES

At the annual general meeting of the Company held on 18 June 2003, a general mandate was granted to the Directors to exercise the powers of the Company to issue, allot and deal with such number of Ordinary Shares not exceeding 20 per cent. of the aggregate nominal amount of the Ordinary Shares in issue as at that date. That general mandate will lapse at the conclusion of the AGM.

To provide continued flexibility to the Directors, an Ordinary Resolution will be proposed at the AGM for the granting of the Share Issue Mandate to the Directors, on terms as set out in Ordinary Resolution item 4 in the AGM Notice, allowing them to exercise all the powers of the Company to issue, allot and deal with Ordinary Shares. Under the Share Issue Mandate, the number of Ordinary Shares that the Company is authorised to allot or agree conditionally or unconditionally to allot (whether pursuant to an option or otherwise), subject to the exceptions as set out in paragraph (c) of Ordinary Resolution item 4, will not exceed 20 per cent. of the aggregate nominal amount of the Ordinary Shares in issue as at the date of passing such Ordinary Resolution.

In connection with the Share Issue Mandate, the Company's authority shall be restricted to the period from the passing of such Ordinary Resolution until the earliest of the date of the Company's next annual general meeting, the date by which the Company's next annual general meeting is required by any applicable law or the Articles to be held and the date upon which such mandate is revoked or varied by an ordinary resolution of Shareholders in general meeting.

MANDATE FOR THE ISSUE OF SHARES UNDER THE SHARE OPTION SCHEME

Under the rules of the Share Option Scheme:

- (1) the maximum number of Ordinary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the Ordinary Shares in issue from time to time;
- (2) the total number of Ordinary Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10 per cent. of the Ordinary Shares in issue as at the date of passing of the resolution for the adoption of the Share Option Scheme. Options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company are not counted for the purpose of calculating such scheme limit;
- (3) subject to (1) and (2) above, the Company may seek approval of the Shareholders in general meeting to "refresh" the scheme limit, provided that a circular containing the information required by the Listing Rules has been issued to the Shareholders for that purpose, and further provided that the total number of Ordinary Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed the scheme limit as at the date of the approval of the "refreshed" limit. For the purpose of calculating the "refreshed" scheme limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme) previously granted under the Share Option Scheme and any other share option schemes of the Company will not be counted.

LETTER FROM THE BOARD

Based on the number of Ordinary Shares in issue on 31 May 2002, the scheme limit was 52,415,400 Ordinary Shares. As at 18 May 2004, being the Latest Practicable Date, 18,350,000 options have been granted under the Share Option Scheme, out of which 3,000,000 had been cancelled, and upon the exercise of the remaining options 15,350,000 Shares will be issued, which represents 2.93% of the Ordinary Shares in issue at the date of adopting the Share Option Scheme. These options were granted to eligible participants in recognition of their contribution to the Group. The Directors believe that unless the scheme limit is “refreshed”, their ability to grant options to such and other eligible participants who contribute to the Group would be restricted.

If the scheme limit is “refreshed”, on the basis of 524,154,000 Ordinary Shares in issue as at the Latest Practicable Date and assuming that no Ordinary Shares are issued or repurchased by the Company prior to the AGM, the scheme limit will be re-set to 52,415,400 Ordinary Shares and the Directors will be allowed to grant further options under the Share Option Scheme and other share option schemes carrying the rights to subscribe for a maximum of 52,415,400 Ordinary Shares. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of and permission to deal in any Ordinary Shares, representing 10 per cent. of the Ordinary Shares in issue as at the date of the AGM, to be issued upon the exercise of the options granted under the “refreshed” scheme limit, if approved.

Ordinary Resolution item 5, as special business, will be proposed at the AGM to approve the Share Option Scheme Mandate. In order that the Company could continue to grant options to selected participants as incentives or rewards for their contribution to the Group, the Directors recommend that Shareholders vote in favour of Ordinary Resolution item 5 at the AGM.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board considers that certain amendments to the Articles are required to conform with the recent changes to the Listing Rules (as amended) and the Companies Ordinance (as amended), which came into effect on 31 March 2004 and 13 February 2004 respectively. An explanation of the amendments sought in the Special Resolution is set out in the AGM Notice.

DIRECTORS PROPOSED TO BE RE-ELECTED AT THE AGM

The following Directors are proposed to be re-elected at the AGM:

Dr. Wu Jiesi, aged 52, was appointed Honorary President of the Company in February 2004. He is Chairman of 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) and GDH, and is also Honorary President of Guangdong Investment Limited. Dr. Wu holds a Doctorate degree in Economics. He conducted post-doctorate research work in theoretical economics at the Nankai University in the People’s Republic of China (“PRC”) and was conferred the professorship qualification by the University in 2001. He was with the Industrial and Commercial Bank of China (“ICBC”) from 1984 to 1995 and was the President of Shenzhen Branch of ICBC prior to his appointment as Deputy Mayor of the Shenzhen Municipal Government. As the Deputy Mayor between 1995 and 1998, he was responsible for finance, taxation, public revenue, securities, banking and education. He was appointed Assistant to the Governor of Guangdong Province from 1998 to February 2000 and assisted the Governor in the handling of GITIC bankruptcy, the restructuring of the Guangdong Enterprises (Holdings) Limited and other financial incidents.

Other than as stated above, Dr. Wu is not related to any Director, senior management or substantial or controlling shareholders of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Dr. Wu did not have any interests in the Ordinary Shares of the Company.

There is no service contract between the Company and Dr. Wu. In accordance with the Articles, Dr. Wu, as a Non-Executive Director, is entitled to such director's fee as may be approved by the Board of Directors of the Company. Dr. Wu is not currently receiving any remuneration from the Company.

Mr. Zhang Chunting, aged 40, was appointed Chairman of the Company in February 2004. He was appointed the Deputy General Manager of the Company in March 2002, managing director of Xuzhou Nanhai Leather Factory Co., Ltd. in September 2002 and chairman of Xuzhou Gangwei Colour Package Co., Ltd. in February 2003. He is an economist and holder of doctorate degree in economics at the Fudan University in the PRC. Prior to joining the Company, Mr. Zhang worked as the governor of a bank's sub-branch and subsequently worked for a securities firm in mainland China and was responsible for senior management and research duties. Mr. Zhang is also an executive of the GDH group.

Other than as stated above, Mr. Zhang is not related to any Director, senior management or substantial or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Zhang had a derivative interest in respect of 4,500,000 Ordinary Shares in the Company within the meaning of the Part XV of the SFO, which represents Mr. Zhang's entitlement to subscribe for 4,500,000 Ordinary Shares in the Company.

There is no service contract between the Company and Mr. Zhang. His current remuneration package entails total fixed annual remuneration of HK\$294,944, discretionary bonuses pegged to performance, and a total annual payment of HK\$182,520 for his accommodation. Such emoluments are determined by reference to job responsibilities, prevailing market conditions and the Company's operating performance and profitability.

Mr. Chen Hong, aged 48, was appointed Managing Director of the Company in February 2004. He joined the Group in July 2003 and is an economist in the PRC. Mr. Chen has over 20 years of working experience in business management. Prior to joining the Company, Mr. Chen act as vice-principal of an industrial school, deputy secretary, officer of an economic commission and general manager of various enterprises. Mr. Chen is also an executive of the GDH group.

Other than as stated above, Mr. Chen is not related to any Director, senior management or substantial or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Chen had a derivative interest in respect of 1,800,000 Ordinary Shares in the Company within the meaning of the Part XV of the SFO, which represents Mr. Chen's entitlement to subscribe for 1,800,000 Ordinary Shares in the Company.

There is no service contract between the Company and Mr. Chen. His current remuneration package entails total fixed annual remuneration of HK\$264,914, discretionary bonuses pegged to performance, and a total annual payment of HK\$182,520 for his accommodation. Such emoluments are determined by reference to job responsibilities, prevailing market conditions and the Company's operating performance and profitability.

LETTER FROM THE BOARD

Mr. Chan Hee Kwan, aged 40, was appointed a Non-Executive Director of the Company in November 2003. He is a holder of a bachelor degree in commerce and is a member of Hong Kong Society of Accountants, CPA Australia and Certified General Accountants' Association of Canada. Mr. Chan has 15 years' experience in taxation and prior to joining the GDH group, he worked for several international CPA firms in Hong Kong. Mr. Chan is also a senior manager of GDH.

Other than as stated above, Mr. Chan is not related to any Director, senior management or substantial or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Chan did not have any interests in the Company within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Chan. In accordance with the Articles, Mr. Chan, as a Non-Executive Director, is entitled to such director's fee as may be approved by the Board of Directors of the Company. Mr. Chan is not currently receiving any remuneration from the Company.

Mr. Cheng Hok Lai James, aged 56, was appointed an Independent Non-Executive Director of the Company in November 1996. He has over 20 years of experience in the commercial and industrial sectors of Hong Kong.

Mr. Cheng is not related to any Director, senior management or substantial or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Cheng was interested in 400,000 Ordinary Shares in the Company and had a derivative interest in respect of 600,000 Ordinary Shares in the Company within the meaning of Part XV of the SFO, which represents Mr. Cheng's entitlement to subscribe for 600,000 Ordinary Shares in the Company.

There is no service contract between the Company and Mr. Cheng. In accordance with the Articles, Mr. Cheng, as a Non-Executive Director, is entitled to such director's fee as may be approved by the Board of Directors of the Company. The total current emoluments of Mr. Cheng as an independent non-executive director amounts to HK\$100,000 annually.

THE AGM

The AGM Notice setting out, inter alia, the Ordinary Resolutions to grant the Share Issue Mandate and the Share Option Scheme Mandate, and the Special Resolution to approve the proposed amendments to the Articles is enclosed in the Appendix to this circular. Shareholders are advised to read the AGM Notice and to complete and return the form of proxy for use at the AGM (which is also enclosed in this circular) in accordance with the instructions printed thereon and deposit the same with the Company's share registrar and share transfer office, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the AGM or any adjourned meeting (as the case may be). The appointment of a proxy will not prevent a Shareholder from subsequently attending and voting in person at the AGM if he so wishes. If a Shareholder who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to have been revoked.

LETTER FROM THE BOARD

At the AGM or any adjourned meeting, a resolution put to the vote 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 duly demanded. A poll may be demanded by:

- (a) the chairman of the AGM or any adjourned meeting; or
- (b) 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 and entitled to vote; or
- (c) any Shareholder(s) present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate 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) any Shareholder(s) present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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

RECOMMENDATIONS

The Directors believe that the granting of the Share Issue Mandate and the Share Option Scheme Mandate is in the best interests of the Company as well as the Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of all the Ordinary Resolutions at the AGM.

The Directors also believe that the proposed amendments to the Articles are necessary for the Company's compliance with the relevant legislation and regulations and will also benefit the Company and the Shareholders as a whole. The Directors therefore recommend Shareholders to vote in favour of the Special Resolution at the AGM.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
For and on behalf of the Board of Directors of
Guangdong Tannery Limited
ZHANG CHUNTING
Chairman



粵海制革有限公司
GUANGDONG TANNERY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 1058)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Guangdong Tannery Limited (the “Company”) will be held at The Harbour Room, 3rd Floor, The Ritz-Carlton, Hong Kong, 3 Connaught Road Central, Hong Kong on Tuesday, 15 June 2004 at 2:30 p.m. for the purposes of transacting the following businesses:

As Ordinary Business:

1. To receive and consider the audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2003.
2. To re-elect retiring Directors and to authorise the Board of Directors to fix the remuneration of the Directors.
3. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration.

And as Special Business, to consider and, if thought fit, to pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTION

4. **“THAT:**
 - (a) subject to the following provisions of this resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (d) of this resolution) of all the powers of the Company to issue, allot and deal with additional ordinary shares of HK\$0.10 each in the capital of the Company (the “Ordinary Shares”) and to make or grant offers, agreements and options 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 be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of the Ordinary Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this resolution), (ii) the

exercise of the rights of subscription or conversion attaching to any warrants, convertible bonds or other securities issued by the Company which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the Directors, officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of Ordinary Shares in lieu of the whole or part of a dividend on the Ordinary Shares of the Company in accordance with the Articles of Association of the Company (the “Articles”), shall not exceed 20 per cent. of the aggregate nominal amount of the Ordinary Shares in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until 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 or any applicable laws of Hong Kong to be held; and
- (iii) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the Shareholders of the Company in general meeting;

and,

“Rights Issue” means an offer of Ordinary Shares open for a period fixed by the Company (or by the Directors of the Company) to the holders of Ordinary Shares on the Register of Members (Ordinary Shares) 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).”

5. **“THAT:**

- (a) subject to paragraphs (b) and (c) of this resolution, the total number of shares of HK\$0.10 each in the capital of the Company (“Ordinary Shares”) which may be issued by the Directors of the Company upon the exercise of the options to be granted under the share option scheme adopted by the Company on 31 May 2002 (the “Scheme”) and any other schemes of the Company, shall not exceed 10 per cent. of the Ordinary Shares in issue as at the date of the passing of this resolution;
- (b) for the purpose of calculating the 10 per cent. limit, all options previously granted under the Scheme or any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the scheme or exercised) will not be counted;

- (c) the maximum number of Ordinary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed 30 per cent. of the Ordinary Shares in issue from time to time.”

And as Special Business, to consider and, if thought fit, to pass with or without amendments, the following resolution as a special resolution:

SPECIAL RESOLUTION

6. **“THAT:**

- (a) Article 2 of the Company’s Articles of Association (the “Articles”) be amended by:

- (i) deleting the existing definition of “associate”;
- (ii) inserting the following definitions:

“associate” in relation to any Director, has the meaning ascribed to it in the Listing Rules;

“Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange;

- (iii) in the definition of “clearing house”, deleting the words “a recognised clearing house within the meaning of section 2 of the Securities (Clearing Houses) Ordinance of Hong Kong or”;

- (b) Article 56 of the Articles be deleted and replaced with the following:

“56 Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and subject to Article 66A, on a show of hands every Member who is present in person (or, in the case of a Member being a corporation, by its duly authorised representative) at a general meeting of the Company shall have one vote, and on a poll every Member who is present in person (or, in the case of a Member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share held by him.”;

- (c) the following Article 66A be added to the Articles:

“66A Where a Member is, under the Listing Rules, required to abstain from voting on any resolution or restricted to voting only for or only against any resolution, any vote cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”;

- (d) Article 78 of the Articles be amended by deleting the word “special” in the first line of Article 78 and replacing it with the word “ordinary”;

(e) Article 79 of the Articles be deleted and replaced with the following:

“79 No person other than a Director retiring at the meeting shall, unless recommended by the Board, be eligible for election to the office of Director at any annual general meeting unless, during a period of not less than seven days commencing no earlier than the day after the despatch of the notice of the annual general meeting and at least seven days before the day appointed for the meeting, there has been given to the Secretary notice in writing by some Member (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.”;

(f) Article 91(H) of the Articles be deleted and replaced with the following:

“(H) Save as otherwise provided by the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he and/or any of his associates is/are to his knowledge materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for giving to such Director and/or any of his associates any security or indemnity in respect of money lent by him and/or any of them or obligations undertaken by him and/or any of them for the benefit of the Company;
- (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the Director and/or any of his associates has/have himself and/or themselves guaranteed or secured in whole or in part;
- (iii) any contract or arrangement by a Director and/or any of his associates to subscribe for shares, debentures or other securities of the Company issued or to be issued pursuant to any offer or invitation to Members or debenture holders of the Company or any class thereof or to the public or any section thereof, or to underwrite any shares, debentures or other securities of the Company;
- (iv) any contract or arrangement in which the Director and/or any of his associates is/are interested by virtue only of his and/or their interest(s) in shares or debentures or other securities of the Company in the same manner as other holders of such shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director and/or any of his associates is/are interested only, whether directly or indirectly, as an officer or executive or shareholder other than a company in which the Director and/or together with any of his associates owns/own five per cent. or more of the issued shares or voting rights of any class of shares of such company (or of any third company through which his and/or their interest(s) is/are derived);

- (vi) any proposal concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors and/or any of his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director and/or any of his associates as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and
- (vii) any arrangement for the benefit of employees of the Company or of any of its subsidiaries under which the Director and/or any of his associates benefit(s) in a similar manner as the employees and which does not accord to any Directors and/or any of his associates as such any privilege or advantage not accorded to the employees to whom such arrangement relates.””

By order of the Board
Chan Miu Ting
Company Secretary

Hong Kong, 21 May 2004

Registered office:

29th Floor
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting may appoint more than one proxy to attend and, on a poll, vote in his place and such proxy need not be a shareholder of the Company.
- (ii) A form of proxy is enclosed. To be valid, the form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be delivered to the Company's share registrar and share transfer office, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or adjourned meeting. The appointment of a proxy will not prevent a shareholder from subsequently attending and voting at the meeting or any adjourned meeting if he so wishes. If a shareholder who has lodged a form of proxy attends the meeting, his form of proxy will be deemed to have been revoked.
- (iii) In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the Company's register of shareholders in respect of the joint holding.
- (iv) The Register of Members of the Company will be closed on 14 and 15 June 2004, during such period no transfer of shares will be effected.

In order to determine the identity of the shareholder who are entitled to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged at the office of the Company's registrar and share transfer office, Tengis Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 11 June 2004.

- (v) In relation to resolution no. 4, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The purpose of the general mandate to be conferred on the Directors is to enable them to issue shares up to a specified number without having to first obtain the consent of shareholders in general meeting. The need for such an issue of shares could, for example, arise in the context of a transaction (such as an acquisition) which has to be completed speedily. The Directors believe that it is in the interest of the Company if such a general mandate is granted to them. The Directors wish to state that they presently have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company.
- (vi) In relation to resolution no. 5, the Directors wish to state that they will exercise the powers conferred thereby to issue shares upon the exercise of the options granted under the share option scheme of the Company in circumstances which they deem appropriate for the benefit of the shareholders.
- (vii) In relation to resolution no. 6, the purpose of this item is to bring the Articles of Association of the Company in line with certain changes to the Listing Rules and the Companies Ordinance. The background for the proposed amendments to the following Articles of Association of the Company is set out below:
- (a) Articles 56 and 66A To reflect the restriction on voting by Members as required by Appendix 3 (as amended) to the Listing Rules.
- (b) Article 78 To be consistent with the Companies Ordinance (as amended) that removal of any Director before the expiration of his period of office can be made by ordinary resolution which will be carried by a simple majority of votes cast in favour of the resolution at that meeting.
- (c) Article 79 To be consistent with Appendix 3 (as amended) to the Listing Rules, which requires a minimum period during which notice may be given by a shareholder other than a Director to propose a person for election as a Director (and during which notice may be given by such person of his willingness to be elected). The minimum period must be fixed for at least seven days and should commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and at least seven days before the date of such meeting.
- (d) Articles 91(H) and 2 To be consistent with the provision of Appendix 3 (as amended) to the Listing Rules so that (1) subject to certain exceptions, a Director is not allowed to vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting; and (2) the term "associate" in relation to a Director will have the same meaning as in the Listing Rules.