

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your securities in Tonic Industries 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 was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

TONIC
TONIC INDUSTRIES HOLDINGS LIMITED
東力實業控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 978)

**PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION OF THE COMPANY
AND
PROPOSED GRANTING OF GENERAL MANDATES
TO REPURCHASE SHARES AND
TO ISSUE NEW SHARES OF THE COMPANY**

A notice convening an annual general meeting of Tonic Industries Holdings Limited to be held at Tang Room II, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 23 September 2004 at 11:00 a.m. is set out on pages 13 to 21 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk).

Whether or not you are able to attend the annual general meeting, please complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if they so wish.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Introduction	3
2. Proposed Amendments to the Current Articles of Association	4
3. Buyback and Issuance Mandates	5
4. Annual General Meeting and Proxy Arrangement	6
5. Recommendation	6
6. General Information	6
Appendix I – Explanatory Statement on the Buyback Mandate	7
Appendix II – Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Current Articles of Association	10
Appendix III – Details of the Directors proposed to be re-elected at the Annual General Meeting	11
Notice of the Annual General Meeting	13

DEFINITIONS

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

“Annual General Meeting”	an annual general meeting of the Company to be held at Tang Room II, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 23 September 2004 at 11:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 13 to 21 of this circular, or any adjournment thereof;
“Board”	the board of Directors;
“Buyback Mandate”	as defined in paragraph 3(a) of the Letter from the Board;
“Company”	Tonic Industries Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“Current Articles of Association”	the current Articles of Association adopted by the Company on 18 September 1997;
“Director(s)”	the director(s) of the Company;
“Group”	The Company and its subsidiaries from time to time;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Issuance Mandate”	as defined in paragraph 3(b) of the Letter from the Board;
“Latest Practicable Date”	23 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;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;

DEFINITIONS

“Shares”	ordinary share(s) of HK\$0.10 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong.

TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

Directors:

LING Siu Man, Simon (*Chairman and Managing Director*)

LEE Ka Yue, Peter

WONG Ki Cheung

LI Fung Ching, Catherine

AU Wai Man

LIU Hoi Keung, Gary

WONG Wai Kwong, David*

HO Fook Hong, Ferdinand**

PANG Hon Chung**

* *Non-executive Director*

** *Independent non-executive Director*

Registered office:

P.O. Box 309GT

Ugland House

South Church Street

Grand Cayman

Cayman Islands

Principal place of business:

Unit B, 10th Floor

Summit Building

30 Man Yue Street

Hung Hom

Kowloon

Hong Kong

To the shareholders

30 July 2004

Dear Sir/Madam,

**PROPOSED AMENDMENTS TO
THE ARTICLES OF ASSOCIATION OF THE COMPANY
AND
PROPOSED GRANTING OF GENERAL MANDATES
TO REPURCHASE SHARES AND
TO ISSUE NEW SHARES OF THE COMPANY**

1. INTRODUCTION

The purpose of this circular is to provide the Shareholders with information in respect of the resolutions to be proposed at the Annual General Meeting for (i) the amendments to the Current Articles of Association; (ii) the granting of the Buyback Mandate to the Directors; (iii) the granting of the Issuance Mandate to the Directors; and (iv) the extension of the Issuance Mandate by adding to it the aggregate number of the issued Shares repurchased by the Company under the Buyback Mandate.

* *for identification purposes only*

LETTER FROM THE BOARD

2. PROPOSED AMENDMENTS TO THE CURRENT ARTICLES OF ASSOCIATION

The Stock Exchange has announced amendments to the Listing Rules which include, among other things, amendments to Appendix 3 of the Listing Rules that came into effect on 31 March 2004. Such amendments to Appendix 3 of the Listing Rules require a listed issuer's articles of association/bye-laws to conform with certain provisions. The Directors therefore propose to amend the Current Articles of Association to ensure compliance with the amended provisions of the Listing Rules in the following aspects:

- (i) Article 85 of the Current Articles of Association shall be amended to the effect that where the Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;
- (ii) Articles 107(c), 107(e) and 107(f) of the Current Articles of Association shall be amended to the effect that a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates (as defined in the Listing Rules) has a material interest nor shall he be counted in the quorum present at such board meeting (subject to certain exceptions acceptable to the Stock Exchange); and
- (iii) Article 120 of the Current Articles of Association shall be amended to the effect that the minimum length of the period during which the notice to the Company of the intention to propose a person for election as a Director and during which the notice to the Company by such person of his willingness to be elected are given shall be at least 7 days and that the period for lodgement of the aforesaid notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

With the repeal of the Securities and Futures (Clearing Houses) Ordinance and the enactment of the SFO on 1 April 2003, it is also proposed that the definition of "clearing house" under Article 2 of the Current Articles of Association shall be amended such that its reference to the Securities and Futures (Clearing Houses) Ordinance shall be deleted.

Moreover, Articles 63(a)(iii), 112(c)(i) and 163(b) of the Current Articles of Association shall also be amended in order to comply with the Listing Rules.

Furthermore, the Directors further propose to amend Article 96 of the Current Articles of Association to the effect that all corporations which are Shareholders may appoint multiple corporate representatives.

LETTER FROM THE BOARD

To comply with the Listing Rules, an announcement of the Company on the above proposed amendments to the Current Articles of Association has been published in the newspapers. The proposed amendments to the Current Articles of Association are stated in the proposed special resolution no. 5 in the notice convening the Annual General Meeting as set out on pages 13 to 21 of this circular. A copy of the Current Articles of Association will be available for inspection at the Company's principal place of business in Hong Kong at Unit B, 10th Floor, Summit Building, 30 Man Yue Street, Hung Hom, Kowloon, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting.

3. BUYBACK AND ISSUANCE MANDATES

At the annual general meeting of the Company held on 18 September 2003, general mandates were given to the Directors to exercise the powers of the Company to repurchase shares and to issue new shares of the Company respectively. Such mandates will lapse at the conclusion of the Annual General Meeting.

Ordinary resolutions will be proposed at the Annual General Meeting to approve the granting of new general mandates to the Directors:

- (a) to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company on the date of passing of such resolution (the "Buyback Mandate");
- (b) to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution (the "Issuance Mandate"); and
- (c) to extend the Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the Buyback Mandate.

The Buyback Mandate and the Issuance Mandate will continue in force until the conclusion of the next annual general meeting of the Company held after the Annual General Meeting or any earlier date as referred to in ordinary resolutions nos. 6 and 7 set out in the notice of the Annual General Meeting. With reference to the Buyback Mandate and the Issuance Mandate, the Directors wish to state that they have no immediate plan to repurchase any Shares or issue any Shares pursuant thereto.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Buyback Mandate. The explanatory statement as required by the Listing Rules in connection with the Buyback Mandate is set out in the Appendix I to this circular.

LETTER FROM THE BOARD

4. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the Annual General Meeting is set out on pages 13 to 21 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the amendments to the Current Articles of Association, the granting of the Buyback Mandate and the Issuance Mandate and the extension of the Issuance Mandate by the addition thereto of the number of Shares repurchased pursuant to the Buyback Mandate.

A form of proxy for use at the Annual General Meeting is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's Share Registrar in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

5. RECOMMENDATION

The Directors consider that the proposed amendments to the Current Articles of Association, the granting of the Buyback Mandate and the granting/extension of the Issuance Mandate are in the interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

6. GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix I (Explanatory Statement on the Buyback Mandate), Appendix II (Procedure by which the Shareholders may demand a poll at a general meeting pursuant to the Current Articles of Association) and Appendix III (Details of the Directors proposed to be re-elected at the Annual General Meeting) to this circular.

Yours faithfully,
On behalf of the Board
LING Siu Man, Simon
Chairman

The following is an explanatory statement required by the Listing Rules to be sent to the Shareholders to enable them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the granting of the Buyback Mandate.

1. REASONS FOR BUYBACK

The Directors believe that the granting of the Buyback Mandate is in the interests of the Company and the Shareholders.

Repurchases of Shares may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share. The Directors are seeking the granting of the Buyback Mandate to give the Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 635,259,975 Shares.

Subject to the passing of the ordinary resolution no. 6 set out in the notice of the Annual General Meeting in respect of the granting of the Buyback Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the date of the Annual General Meeting, the Directors would be authorised under the Buyback Mandate to repurchase a maximum of 63,525,997 Shares (representing 10% of the Shares in issue as at the Latest Practicable Date) during the period in which the Buyback Mandate remains in force.

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, the Current Articles of Association, the laws of the Cayman Islands, and/or any other applicable laws. The Company intends to use profits of the Company or the proceeds of a fresh issue of shares made for the purposes of the repurchases which will be decided by the Directors at the relevant time, having regard to the circumstances then pertaining.

4. IMPACT OF REPURCHASES

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March 2004) in the event that the Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Buyback 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.

5. TAKEOVERS CODE

If, on the exercise of the power to repurchase Shares pursuant to the Buyback 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 the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all the Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Mr LING Siu Man, Simon, a director of the Company together with his associate and Peninsula International Limited, another substantial Shareholder of the Company together with its respective associates, were interested in an aggregate of 317,886,782 and 129,602,869 Shares respectively, representing 50.04% and 20.40% respectively of the issued Shares of the Company. On the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, in the event that the Directors exercise in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the interests of Mr LING Siu Man, Simon and Peninsula International Limited together with their respective associates in the Shares of the Company would be increased to approximately 55.60% and 22.67% respectively. Such increase in the proportionate interest in the voting rights of the Company would not trigger a mandatory offer under Rule 26 of the Takeovers Code. At present, so far as is known to the Directors, no Shareholder or group of Shareholders acting in concert, may become obliged to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors will not make repurchase of Shares if the result of the repurchase would be that less than 25% of the issued share capital of the Company would be in public hands. The Stock Exchange has stated that, if less than 25% of the issued Shares are in public hands, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

6. GENERAL

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

APPENDIX I	EXPLANATORY STATEMENT ON THE BUYBACK MANDATE
-------------------	---

The Company has not been notified by any connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases of Shares pursuant to the Buyback Mandate in accordance with the Listing Rules and the laws of the Cayman Islands.

7. MARKET PRICES OF SHARES

The highest and lowest prices per Share at which the Shares have traded on the Stock Exchange during each of the previous 12 months were as follows:

Month	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2003		
July	0.750	0.270
August	0.710	0.500
September	0.570	0.380
October	0.550	0.420
November	0.610	0.500
December	0.590	0.490
2004		
January	0.560	0.495
February	0.570	0.500
March	0.550	0.450
April	0.480	0.360
May	0.420	0.325
June	0.460	0.370

8. REPURCHASES OF SHARES MADE BY THE COMPANY

No repurchase of Shares has been made by the Company during the previous six months (whether on the Stock Exchange or otherwise).

The following paragraphs set out the procedure by which the Shareholders may demand a poll at a general meeting of the Company (including the Annual General Meeting) pursuant to the Current Articles of Association.

According to Article 80 of the Current Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five Shareholders present in person or by proxy and entitled to vote;
or
- (c) any Shareholder or Shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to attend and vote at the meeting; or
- (d) any Shareholder or Shareholders present in person 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.

Pursuant to the Listing Rules, the details of the Directors who will retire at the Annual General Meeting according to the Current Articles of Association and will be proposed to be re-elected at the Annual General Meeting are provided below.

Mr LEE Ka Yue, Peter, aged 57, an executive Director

Experience and Length of Service

Mr LEE Ka Yue, Peter was appointed to the Board following the participation of EganaGoldpfeil (Holdings) Limited (“EganaGoldpfeil”) in the Company in June 1997, which is currently listed on the Stock Exchange and was holding 20.40% of the issued share capital of the Company as at the Latest Practicable Date within the meaning of Part XV of the SFO in the Company. He is responsible for advising on the financial and corporate policies of the Group as well as overseeing overall coordination between EganaGoldpfeil and the Group. He is also an executive director of EganaGoldpfeil and has over 32 years experience in the timepiece and jewellery businesses as well as in the consumer electronics industry.

Relationships

Other than the relationship arising from his being an executive Director of the Company and EganaGoldpfeil, Mr LEE Ka Yue, Peter does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in securities

As at the Latest Practicable Date, Mr LEE Ka Yue, Peter was holding 1,810,000 share options of the Company within the meaning of Part XV of the SFO.

Director's emoluments

There is no service contract between the Company and Mr LEE Ka Yue, Peter. The emoluments of Mr LEE are determined by reference to the Company's performance and profitability.

Matters that need to be brought to the attention of the Shareholders

There are no other matters that need to be brought to the attention of the Shareholders.

Mr WONG Wai Kwong, David, aged 46, a non-executive Director*Experience and Length of Service*

Mr WONG Wai Kwong, David joined the Group in 1997 and has over 21 years experience in finance, accounting, corporate and taxation affairs. He is a fellow of The Association of Chartered Certified Accountants, and an associate of the Hong Kong Society of Accountants, the Australian Association of Practising Accountants and the Australian Association of Secretaries and Managers. He is a director of International Taxation Advisory Services Limited and Incutech Investments Limited. Mr Wong is also a non-executive director of EganaGoldpfeil, as well as six other Hong Kong listed companies namely Egana Jewellery & Pearls Limited, UBA Investments Limited, Yugang International Limited, Upbest Group Limited, Y.T. Realty Group Limited and The Cross-Harbour (Holdings) Limited.

Relationships

Other than the relationship arising from his being a non-executive Director and a member of the audit committee of the Company and a non-executive Director of EganaGoldpfeil, Mr WONG Wai Kwong, David does not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.

Interests in securities

As at the Latest Practicable Date, Mr WONG Wai Kwong, David was not interested or deemed to be interested in any Shares or underlying Shares within the meaning of Part XV of the SFO.

Director's emoluments

There is no service contract between the Company and Mr WONG Wai Kwong, David. The total fee of Mr WONG as a non-executive Director and a member of the audit committee of the Company is HK\$65,000 per year which is subject to review by the Board from time to time.

Matters that need to be brought to the attention of the Shareholders

There are no other matters that need to be brought to the attention of the Shareholders.

TONIC

TONIC INDUSTRIES HOLDINGS LIMITED

東力實業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 978)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Tonic Industries Holdings Limited (the “Company”) will be held at Tang Room II, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 23 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 31 March 2004;
2. To declare a final dividend;
3. To re-elect Directors and to authorise the Board of Directors to fix the Directors’ remuneration;
4. To appoint Auditors and to authorise the Board of Directors to fix their remuneration;
5. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

“**THAT** the Articles of Association of the Company be and are hereby amended in the following manner:

(a) Article 2

- (i) By deleting the words “shall have the meaning ascribed thereto in section 2 of the Securities and Futures (Clearing) Houses Ordinance of Hong Kong” in the definition of “recognised clearing house” and substituting therefor the words as follows:–

“shall have the meaning ascribed thereto in Schedule 1 to the Securities and Futures Ordinance of the Hong Kong and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor”;

* for identification purposes only

NOTICE OF THE ANNUAL GENERAL MEETING

(b) Article 63(a)(iii)

By inserting the following words immediately after the last word of existing Article 63(a)(iii):

“, and where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;

(c) Article 85

By re-numbering the existing Article 85 as Article 85. (a) and inserting the following new Article 85. (b) immediately after the new Article 85. (b):

“85. (b) Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”;

(d) Article 96

By deleting the existing Article 96 in its entirety and substituting therefor a new Article 96 as follows:

“96. Any corporation which is a member may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its corporate representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authority shall specify the number and class of shares held by the relevant member in respect of which each such person is authorised to act as such corporate representative. Each person so appointed under the provisions of this Article shall be entitled to exercise the same powers on behalf of the corporation (or its nominee) which he represents as that corporation (or its nominee) could exercise as if it were an individual member including the right to vote individually on a show of hands notwithstanding the provisions of Article 85. The number of

NOTICE OF THE ANNUAL GENERAL MEETING

persons a corporation may authorise to act as its corporate representative or representatives shall not exceed the number of shares held by that corporation (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.”;

(e) Article 107. (c)

By deleting the existing Article 107. (c) in its entirety and substituting therefor a new Article 107. (c) as follows:

“107. (c) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum of that resolution), but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and 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;

NOTICE OF THE ANNUAL GENERAL MEETING

- (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) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights; or
- (vi) any proposal concerning the adoption, modification, or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.”;

(f) Article 107. (e)

By deleting the existing Article 107. (e) in its entirety and substituting therefor a new Article 107. (e) as follows:

“107. (e) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or his associate(s) or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting (or, where question relates to the interest of the Chairman, to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to any other Director (or, as appropriate, the Chairman) shall be final and conclusive except in a case where the nature or extent of the interests of the Director and/or his associate(s) concerned (or, as appropriate, the Chairman) as known to such Director (or, as appropriate, the Chairman) has not been fairly disclosed to the Board.”;

NOTICE OF THE ANNUAL GENERAL MEETING

(g) Article 107. (f)

By deleting the existing Article 107. (f) in its entirety and substituting therefor a new Article 107. (f) as follows:

“107. (f) For the purpose of this Article, “Associates” mean, in relation to any Director of the Company:

- (i) his spouse and any of his or his spouse’s children or step-children, natural or adopted, under the age of 18 (together the “family interests”); and
- (ii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the HK Code on Takeovers & Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”); and
- (iii) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (iv) any company in the equity capital of which he, his family interests, any of the trustees referred to in (f)(ii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30 per cent. (or such other amount as may from time to time be specified in the HK Code on Takeovers & Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.”;

NOTICE OF THE ANNUAL GENERAL MEETING

(h) Article 112(c)(i)

By inserting the following words immediately after the word “Director” in the existing Article 112(c)(i):

“or his Associates (as defined in Article 107(f) above)”;

(i) Article 120

By deleting the existing Article 120 in its entirety and substituting therefor a new Article 120 as follows:

“120. No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a member (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the head office or at the Registration Office. The minimum length of the period during which such notices are given shall be at least seven days and the period for lodgement of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.”; and

(j) Article 163(b)

By inserting the following words immediately after the word “Company” in the fifth line of the existing Article 163(b):

“at the same time as the notice of annual general meeting”.

6. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;

NOTICE OF THE ANNUAL GENERAL MEETING

- (b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and
 - (c) for the purpose of this resolution, “Relevant Period” means the period from 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 revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
 - (iii) 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 laws to be held.”;
7. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with authorised and unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors to make or grant offers, agreements and options during the Relevant Period 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 or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of options under a share option scheme of the Company; and
 - (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company,

NOTICE OF THE ANNUAL GENERAL MEETING

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on 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 whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meeting; and
- (iii) 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 laws to be held;

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

8. To consider as special business and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** conditional upon the passing of resolutions nos. 6 and 7 set out in the notice convening this meeting, the general mandate referred to in resolution no. 6 above be and is hereby extended by the addition to the aggregate nominal amount of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of shares purchased by the Company pursuant to the mandate referred to in resolution no. 6 above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution.”.

By order of the Board
LIU Hoi Keung, Gary
Secretary & Director

Hong Kong, 29 July 2004

NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

1. Any Member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Member of the Company. A Member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a Member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from Tuesday, 21 September 2004 to Thursday, 23 September 2004, both days inclusive, during which period no transfer of shares of the Company will be registered and no shares of the Company will be allotted and issued upon exercise of share options issued/granted by the Company. In order to qualify for attending and voting at the above meeting, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 20 September 2004.
4. In relation to the ordinary resolutions nos. 6, 7 and 8 set out in the above notice, the Directors wish to state that they have no immediate plan to issue any new shares or repurchase any existing shares of the Company.