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If you are in any doubt about this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Tai Ping Carpets International Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or to the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

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**TAI PING CARPETS INTERNATIONAL LIMITED**

(Incorporated in Bermuda with limited liability)

Stock Code: 146

NOTICE OF ANNUAL GENERAL MEETING**AND****GENERAL MANDATES****TO REPURCHASE SHARES AND ISSUE NEW SHARES****AND****AMENDMENTS TO THE BYE-LAWS**

A copy of the notice of the annual general meeting of Tai Ping Carpets International Limited (the "Annual General Meeting") to be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Tuesday, 25 May 2004 at 11:30 a.m. is set out on pages 10 to 16 of this circular. Whether or not you are able to attend the Annual General Meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the Annual General Meeting. Completion and delivery of the form of proxy will not preclude you from voting at the Annual General Meeting should you so wish.

28 April 2004



TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

- * James S. DICKSON LEACH, *Chairman*
- * Anthony Y. C. YEH, *Honorary Life President*
- James H. KAPLAN, *Chief Executive Officer*
- Alison S. BAILEY, *Chief Operating Officer*
- * Kent M. C. YEH
- * Lincoln C. K. YUNG
- * Lincoln K. K. LEONG
- ** Yvette Y. H. YEH FUNG
- ** Michael T. H. LEE
- * Ian D. BOYCE
- * John J. YING
- * Nicolas T. J. Colfer
- * David C. L. TONG (*Alternate Director to James S. Dickson Leach, Ian D. Boyce and Nicholas T. J. Colfer*)
- * Nelson K. F. LEONG (*Alternate Director to Lincoln K. K. LEONG*)

- * *Non-executive Directors*
- ** *Independent Non-executive Directors*

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office in Hong Kong:

26/F, Tower A
Regent Centre
63 Wo Yi Hop Road
Kwai Chung
Hong Kong

28 April 2004

To the Shareholders

Dear Sir or Madam,

**NOTICE OF ANNUAL GENERAL MEETING
AND
GENERAL MANDATES
TO REPURCHASE SHARES AND ISSUE NEW SHARES
AND
AMENDMENTS TO THE BYE-LAWS**

1. INTRODUCTION

At the annual general meeting of Tai Ping Carpets International Limited (the "Company") held on 22 May 2003, ordinary resolutions were passed giving general mandates to the directors of the Company ("Directors"): (i) to repurchase fully paid-up shares of HK\$0.10 each in the share capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") up to 10% of the Shares in issue as at 22 May 2003; and (ii) to allot Shares or to grant rights or make agreements pursuant

LETTER FROM THE BOARD

to which Shares might be allotted, up to 20% of the Shares in issue as at 22 May 2003. No Shares have been repurchased or allotted and no rights have been granted to subscribe for Shares pursuant to these mandates.

These general mandates will lapse on 25 May 2004 upon the conclusion of the forthcoming Annual General Meeting to be held on that date, unless renewed at the Annual General Meeting. Resolutions will be proposed to renew these mandates.

Notice of the Annual General Meeting is set out in this circular. A form of proxy for use at the Annual General Meeting is also attached.

Details of the Directors who are proposed to be re-elected at the Annual General Meeting are set out in Appendix I to this circular.

2. GENERAL MANDATE TO ISSUE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to issue during the Relevant Period (as defined in ordinary resolution no. 5 set out in the notice of the Annual General Meeting) Shares representing up to 20% of the issue share capital of the Company as at the date of passing of ordinary resolution no. 5. Based on 211,121,275 Shares in issue as at 26 April 2004 (the latest practicable date prior to the printing of this circular) and assuming that no Shares are issued or repurchased thereafter until the Annual General Meeting, the Company will be allowed under this general mandate to issue up to 42,224,255 Shares (representing 20% of the Shares in issue as at the date of the Annual General Meeting based on the above assumptions) should ordinary resolution no. 5 be passed in the Annual General Meeting.

3. GENERAL MANDATE TO REPURCHASE SHARES

At the Annual General Meeting, an ordinary resolution will be proposed to give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase, at any time until the conclusion of the next annual general meeting of the Company following the passing of ordinary resolution no. 6 (set out in the notice of the Annual General Meeting) or such earlier period as stated therein, Shares up to a maximum of 10% of the issued share capital of the Company as at the date of passing of ordinary resolution no. 6.

The Explanatory Statement required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be sent to shareholders in connection with the proposed general mandate for the repurchase of Shares is set out in Appendix II to this circular.

4. PROPOSED AMENDMENTS TO THE BYE-LAWS

Certain amendments have been made to the Listing Rules which came into operation on 31 March 2004 and the Securities and Futures (Clearing Houses) Ordinance was repealed by the Securities and Futures Ordinance (the "SFO") with effect from 1 April 2003. The Directors propose to introduce amendments to the Company's Bye-laws to bring them in line with the Listing Rules and the SFO. These amendments are summarized below.

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- (i) Bye-law 1 To add the definition of “associate(s)” and to amend the definition of “Clearing House”.

- (ii) Bye-law 89(C) To reflect the restriction on voting by members as required by the amended Appendix 3 of the Listing Rules.

- (iii) Bye-laws 108(B) To be consistent with the provisions of the amended Appendix 3 of
 (ii)-(iv), 108(B)(vi) the Listing Rules so that, 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.

- (iv) Bye-law 114 To be consistent with the amended Appendix 3 of the Listing Rules which requires there to be a minimum period during which notice to the Company to propose a person for election as a Director and during which period notice to the Company by such person of his willingness to be elected may be given. This 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 end no later than seven days prior to the date of such meeting.

5. PROCEDURES FOR DEMANDING A POLL

The Company’s Bye-law 78 sets out the procedure by which shareholders may demand a poll.

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

- (a) by the Chairman of the 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 any 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 representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (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 the shares conferring that right.

Unless a poll be so demanded and 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 lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

6. RECOMMENDATION

The Directors wish to state that they have no immediate plans to issue or repurchase any Shares. Approval is being sought from the shareholders to approve the general mandates in order to give flexibility and discretion to the Directors in the event that it becomes desirable for the Company to issue and/or repurchase Shares. The obtaining of such mandates is in accordance with the Listing Rules.

The Directors consider that the general mandates to repurchase Shares and issue new Shares and the proposed amendments to the Company's Bye-laws are in the best interests of the Company and its shareholders and recommend that shareholders vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
On behalf of the Board
James S. DICKSON LEACH
Chairman

EXECUTIVE DIRECTOR

James Howard KAPLAN: aged 48, was appointed to the Board as Chief Executive Officer in November 2003. Prior to joining the Company, Mr. Kaplan was a divisional vice president of a high-end worldwide furniture manufacturer. He is first and foremost a sales person and has been highly effective in building strong sales organizations. His experience, enthusiasm, and energy will be the facilitator of the Tai Ping Carpets Group becoming a truly “customer-focused” organization.

Mr. Kaplan does not have any relationship with other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Kaplan does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. The amount of emoluments of Mr. Kaplan is determined by reference to the Company’s performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

NON-EXECUTIVE DIRECTORS

Anthony Yuan Chang YEH: aged 80; was one of the founding members of the Tai Ping Carpets Group in 1956 and is now the Honorary Life President and a Non-executive Director. He is also an independent non-executive director of Cheung Kong (Holdings) Limited. Mr. Yeh holds a Master’s Degree in Science and is a mechanical engineer who built the Company from a “cottage industry” to help Chinese refugees in Hong Kong in the 1950’s. He developed techniques in hand tufting carpets, leading to successful commercialization of the product. The forming of alliances with other Asian partners and the establishment of international sales subsidiaries in the early history of the Company formed the basis of the world recognised Tai Ping Carpets Group of today.

Mr. Yeh is the father of Mr. Kent Man Chun Yeh, another Non-executive Director. Save as disclosed, Mr. Yeh does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Yeh has a personal interest in 5,036,230 Shares within the meaning of Part XV of the SFO. There is no service contract between the Company and Mr. Yeh. Mr. Yeh’s fee for acting as a Non-executive Director is HK\$20,000 per annum (subject to review by the Board from time to time).

Kent Man Chun YEH: aged 49; has been with the Tai Ping Carpets Group for 23 years. Mr. Yeh was trained as an industrial engineer and also has an MBA. He gained in-depth knowledge of the operations through various positions within the Company, including production experience in the factories, management of the export sales and marketing functions. He was the Managing Director of the Tai Ping Carpets Group from 1989 to August 2003 and he is currently a Non-executive Director and provides consultancy services to the Company. Mr. Yeh has not held any directorships in listed public companies in the last three years.

Mr. Yeh is the son of Mr. Anthony Yeh who is the Honorary Life President and a Non-executive Director. Save as disclosed, Mr. Yeh does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Yeh has a personal interest in 1,237,500 Shares within the meaning of Part XV of the SFO. There is no service contract between the Company and Mr. Yeh. Since ceasing to be Managing Director in August 2003, Mr. Yeh’s fee for acting as a Non-executive Director is HK\$20,000 per annum (subject to review by the Board from time to time).

Lincoln Kwok Kuen LEONG; aged 43; has been a Non-executive Director for 7 years. He is the finance director of MTR Corporation Limited and a director of Hong Kong Aircraft Engineering Company Limited. He was previously a partner in a private equity firm investing in the Asia-Pacific region, and has had extensive prior experience in investment banking. Mr. Leong is a Chartered Accountant. His financial acumen and investment experience have been valuable to the Tai Ping Carpets Group.

Mr. Leong is the elder brother of his alternate, Mr. Nelson K. F. Leong. The Leong family also has other business relationships with the major shareholders or associates of the major shareholders of the Company. Save as disclosed, Mr. Leong does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Leong has a corporate interest in 2,000,000 Shares within the meaning of Part XV of the SFO. There is no service contract between Mr. Leong and the Company. Mr. Leong's fee for acting as a Non-executive Director is HK\$40,000 per annum (subject to review by the Board from time to time).

Nicholas Timothy James COLFER, aged 44; has been a Non-executive Director since December 2003. He has over 20 years' experience of corporate management in the Asia-Pacific region, principally in real estate, manufacturing and distribution. He has an MA and serves on several other corporate boards in Hong Kong.

Mr. Colfer is a director of Sir Elly Kadoorie & Sons Limited which is owned as to 50% by each of Hesko Limited and Esko Limited, both of which are substantial shareholders of the Company. Save as disclosed, Mr. Colfer does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Colfer does not have any interest in Shares within the meaning of Part XV of the SFO.

There is no service contract between the Company and Mr. Colfer. Mr. Colfer's fee for acting as a Non-executive Director is HK\$20,000 per annum (subject to review by the Board from time to time).

INDEPENDENT NON-EXECUTIVE DIRECTOR

Yvette Yi-hao YEH FUNG; aged 42; has been an Independent Non-executive Director since 31 March 2004. Mrs Fung earned her MBA and Juris Doctor degree in the United States, and has over 10 years' experience in practising law in both international law firms and corporations. Mrs Fung is currently the deputy-chairman of Synergis Holdings Limited as well as a non-executive director of Hong Kong Catering Management Limited and Fountain Set (Holdings) Limited, the shares of all of which are listed on the Stock Exchange.

Mrs. Fung does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. She does not have any interest in Shares within the meaning of Part XV of the SFO.

Mrs. Fung's fee for acting as an Independent Non-executive Director and a member of the Company's Audit Committee is HK\$40,000 per annum (subject to review by the Board from time to time).

SHARE REPURCHASE RULES

The following is the Explanatory Statement required to be sent to shareholders under the Listing Rules relating to the repurchase of shares on the Stock Exchange by a company whose primary listing is on the Stock Exchange. References in this Explanatory Statement to “Shares” means fully paid-up shares of HK\$0.10 each in the share capital of the Company.

1. Trading restrictions

A maximum of 10% of the Shares in issue as at the date of passing the resolution authorising the Company to repurchase Shares may be repurchased on the Stock Exchange.

2. Share capital

Based on 211,121,275 Shares in issue as at 26 April 2004 (the latest practicable date prior to the printing of this circular) and assuming that no Shares are issued or repurchased thereafter until the Company’s forthcoming Annual General Meeting to be held on 25 May 2004, the Company will be allowed under the repurchase mandate to repurchase up to 10% of the Shares in issue as at the date of the Annual General Meeting, i.e. 21,112,127 Shares (subject to the passing of ordinary resolution no. 6 set out in the notice of the Annual General Meeting).

3. Reason for repurchase

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to purchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

4. Source of funds

Repurchases must be funded out of funds legally available for the purpose under Bermuda law and the Company’s Bye-laws.

It is presently proposed that any repurchase of Shares would be made out of capital paid up on the repurchased Shares and the profits of the Company which would otherwise be available for dividend and, in the case of any premium payable on such repurchase, from the Company’s share premium account and/or its contributed surplus account in accordance with Bermuda law and the Company’s Bye-laws.

5. Impact on the working capital or gearing position of the Company

The Directors expect there may be an adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in the Company’s audited accounts for the year ended 31 December 2003, if the mandate to repurchase Shares is exercised in full. However, the Directors do not propose to exercise the repurchase mandate to such extent as would have a material adverse effect on the working capital or gearing position of the Company which in the opinion of the Directors is from time to time appropriate for the Company.

6. General

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to repurchase Shares in accordance with the Listing Rules and Bermuda law.

If a shareholder's proportionate interest in the voting rights of the Company increases as a result of a Share repurchase, such increase will be treated as an acquisition of voting rights for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). As a result, 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 Rules 26 and 32 of the Takeovers Code.

As at 26 April 2004, New Holmium Holding Corporation, together with its parties acting in concert (collectively known as the "Controlling Shareholders"), owned a total of approximately 58.29% of the issued share capital of the Company. If the repurchase mandate is exercised in full, the Controlling Shareholders will increase their shareholding in the Company to approximately 64.77%. An obligation to make a general offer to shareholders under Rules 26 and 32 of the Takeovers Code would not arise in such circumstances because the Controlling Shareholders already own in excess of 50% of the voting rights of the Company. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the general mandate.

The Directors are of the intention that they will only repurchase Shares to the extent that the minimum public float requirement (i.e. that at least 25% of the issued share capital be held by the public) will be maintained.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of the associates of the Directors presently intend to sell Shares to the Company in the event that the repurchase mandate is approved by shareholders of the Company.

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

7. Market prices

The highest and lowest traded prices for Shares recorded on the Stock Exchange during each of the previous twelve months were as follows:

| | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
|--|-------------------------------|------------------------------|
| 2003: | | |
| April | 0.93 | 0.93 |
| May | 1.60 | 0.88 |
| June | 1.63 | 1.54 |
| July | 1.56 | 1.07 |
| August | 1.19 | 1.15 |
| September | 1.33 | 1.15 |
| October | 1.31 | 1.15 |
| November | 1.43 | 1.25 |
| December | 1.28 | 1.21 |
| 2004: | | |
| January | 1.43 | 1.33 |
| February | 1.84 | 1.35 |
| March | 1.61 | 1.42 |
| April (<i>up to 26th April 2004</i>) | 1.45 | 1.32 |

8. Repurchases of Shares made by the Company

No repurchases of Shares have been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

NOTICE OF ANNUAL GENERAL MEETING



TAI PING CARPETS INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 146

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Members of Tai Ping Carpets International Limited (“the Company”) will be held at 21st Floor, St. George’s Building, 2 Ice House Street, Central, Hong Kong, on Tuesday, 25 May 2004 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited Statements of Accounts and the Reports of Directors and Auditors for the year ended 31 December 2003.
2. To declare a final dividend for the year ended 31 December 2003.
3. To re-elect directors of the Company and fix their remuneration.
4. To re-appoint Auditors and authorize directors of the Company to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions shown as items 5 and 6 as ordinary resolutions:

5. “THAT:
 - (a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all powers of the Company to allot shares of HK\$0.10 each in the share capital of the Company (“Shares”) and to make and grant offers, agreements and options which would or might require Shares to be allotted be and is hereby generally and unconditionally approved provided that the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors otherwise than to Shares issued as a result of a Rights Issue (as defined below) shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution;
 - (b) the approval in paragraph (a) shall authorize the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require Shares to be allotted after the end of the Relevant Period; and

NOTICE OF ANNUAL GENERAL MEETING

(c) for the purposes of this resolution:

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

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

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

6. “THAT:

(a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to purchase shares of HK\$0.10 each in the share capital of the Company (“Shares”), subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved provided that the aggregate nominal amount of Shares to be purchased by the Company shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution; and

(b) for the purposes of this resolution:

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

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

NOTICE OF ANNUAL GENERAL MEETING

To consider and, if thought fit, pass the following resolution shown as item 7 as a special resolution:

7. “THAT:

The Bye-laws of the Company be and are hereby amended in the following respects:

(a) by adding the following definition in Bye-law 1:

“associate(s)” shall have the meaning as defined in the Listing Rules;

(b) by deleting the existing definition of “Clearing House” in Bye-law 1 and replacing it with the following new definition:

“Clearing House” shall mean a recognized clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorized shares depository recognized by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

(c) by adding the following Bye-law 89(C) immediately after Bye-law 89(B)

“89 (C) where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement shall not be counted.”

(d) by deleting Bye-law 108(B)(ii) in its entirety and replacing it with the following paragraph:

“108(B)(ii) If a Director or any of his associates is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company, and if such interest in the contract or proposed contract is material, the Director shall declare the nature of his interest or the interest of any of his associates at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest (or the said interest of any of his associates) then exists, or in any other case at the first meeting of the Board after he knows that he or any of his associates is or has become so interested.”

(e) by deleting Bye-law 108(B)(iii) in its entirety and replacing it with the following:

“108(B) (iii) A Director shall not vote or be counted in the quorum in respect of any such contract or arrangement in which he or any or his associates is so interested, and if he shall do so his vote shall not be counted, but this prohibition shall not apply to:–

NOTICE OF ANNUAL GENERAL MEETING

- (a) any contract or arrangement or proposal for giving to any Director or any of his associates any security or indemnity in respect of money lent 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; and/or
- (b) any contract or arrangement or proposal for the giving by the Company of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself or any of his associates has assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security; and/or
- (c) any proposal in relation to 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 any of his associates is or is to be interested as a participant in the underwriting or sub-underwriting of the offer; and/or
- (d) any proposal concerning any other company in which the Director or any of his associates is interested, whether directly or indirectly, only as an officer of that other company; and/or
- (e) any proposal concerning any other company in which the Director or any of his associates is interested as a holder of shares or other securities of that company, provided that the interest of such Director (together with any of his associates) in such shares or securities is equal to or less than five per cent. of such issued shares or securities or the voting rights attaching to such issued shares or securities; and/or
- (f) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (fa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or

NOTICE OF ANNUAL GENERAL MEETING

- (fb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any 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; and
 - (g) 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”
- (d) by deleting Bye-law 108(B)(iv) in its entirety and replacing it with the following:
 - “108(B) (iv) Provided that disclosure or declaration of the interest is duly made as mentioned under paragraph (B)(ii) of this Bye-law and that the relevant contract or arrangement or proposal is one as described under sub paragraphs (a) to (g) of paragraph (B)(iii) of this Bye-law, a Director shall be entitled to vote in respect of any such contract or arrangement or proposal in which he or any of his associates is interested and to be counted in the quorum present at the meeting at which such contract or arrangement or proposal is considered.”
- (e) by deleting Bye-law 108(B)(vi) in its entirety and replacing it with the following:
 - “108(B) (vi) A general notice to the Board by a Director that he or any of his associates is a member of a specified firm or corporation and is to be regarded as interested in any contract or arrangement which may be made with that firm or corporation after the date of such notice or that he or any of his associates is to be regarded as interested in any contract or arrangement which may be made with a specified person who is connected with him after the date of such notice shall for the purpose of paragraph (B)(ii) of this Bye-law be deemed to be a sufficient declaration of interest in relation to any contract or arrangement so made, provided that no such notice shall be of effect unless either it is given at a meeting of the Board or the Director takes reasonable steps to ensure that it is brought up and read at the next meeting of the Board after it is given.”

NOTICE OF ANNUAL GENERAL MEETING

(f) by deleting Bye-law 114 in its entirety and replacing it with the following:

“114 No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been delivered to the Company at the registered office or Head Office during a period of not less than seven days commencing no earlier than the day of the despatch of notice of the meeting appointed for such election and ending no later than seven days prior to the date appointed for the meeting.”

By Order of the Board
Ernest P. L. LAW
Company Secretary

Hong Kong, 28 April 2004

Notes:

1. A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
2. A form of proxy for use at the meeting is enclosed. In order to be valid, the form of proxy must be deposited at the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority. Completion and return of the form of proxy will not preclude you from attending the meeting and voting in person, if you wish.
3. The register of members of the Company will be closed from Wednesday, 19 May 2004 to Tuesday, 25 May 2004, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Registrars and Registration Office in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-05, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 18th May 2004.
4. Concerning items 5 and 6 above, the Directors wish to state that they have no immediate plans to issue and repurchase any Shares. Approval is being sought from the shareholders to approve the general mandates in order to give flexibility and discretion to the Directors in the event that it becomes desirable for the Company to issue and/ or repurchase Shares. The obtaining of such mandates is in accordance with the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING

5. Explanatory notes to the proposed amendments to the Bye-laws of the Company
- (i) Bye-law 1 To add the definition of “associate(s)” and to amend the definition of “Clearing House”.
 - (ii) Bye-law 89 (C) To reflect the restriction on voting by members as required by the amended Appendix 3 of the Listing Rules.
 - (iii) Bye-laws 108(B) To be consistent with the provisions of the amended Appendix 3 of the Listing Rules so that, 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.
(ii)-(iv), 108(B)(vi)
 - (iv) Bye-law 114 To be consistent with the amended Appendix 3 of the Listing Rules which requires there to be a minimum period during which notice to the Company to propose a person for election as a Director and during which period notice to the Company by such person of his willingness to be elected may be given. This 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 end no later than seven days prior to the date of such meeting.