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## IMPORTANT

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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 a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

**If you have sold** all your shares and/or warrants in iSteelAsia Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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*iSteelAsia*  
**iSteelAsia Holdings Limited**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 8080)**

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

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This circular, for which the directors of iSteelAsia Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquires, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at [www.isteelasia.com](http://www.isteelasia.com).

29th June 2004

*iSteelAsia*

**iSteelAsia Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8080)**

*Board of Directors:*

Andrew Cho Fai Yao (*Chairman*)  
Miriam Che Li Yao (*Deputy Chairman*)  
Desmond Hay Ching Fu  
David Michael Faktor\*  
Kennedy Ying Ho Wong\*\*  
Philip King Huen Ma\*\*

\* *Non-executive Director*

\*\* *Independent Non-executive Directors*

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and*

*principal place of business:*

Rooms 4902-8  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

29th June 2004

*To the shareholders (and,  
for information only, to the holders of outstanding warrants  
and holders of outstanding options)*

Dear Sir or Madam,

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

**INTRODUCTION**

At a meeting of the board of directors of the Company held on 23rd June 2004, the Directors announced the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2004. It was also announced on the same day that at the annual general meeting to be held on 13th August 2004 ("Annual General Meeting"), resolutions to grant to the Directors general mandates to issue shares of the Company ("Shares") and to repurchase Shares ("Repurchase Mandate"), and to amend the bye-laws of the Company will be proposed. The purpose of this circular is to provide shareholders of the Company (the "Shareholders") and warrant holders of the Company (the "Warrant holders") with details of the proposed amendments to the bye-laws of the Company and general mandates to be dealt with at the Annual General Meeting.

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## LETTER FROM THE CHAIRMAN

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### GENERAL MANDATES

At the Annual General Meeting, separate ordinary resolutions will be proposed to renew the general mandates given to the Directors (i) to allot, issue and otherwise deal with Shares not exceeding the aggregate of 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of such resolution and Shares representing the aggregate nominal amount (up to a maximum of 10% of the aggregate nominal amount of the Company's then issued share capital as at the date of passing of such resolution) of any Shares repurchased by the Company subsequent to the passing of such resolution; and (ii) to repurchase Shares comprising the aggregate nominal amount of which does not exceed 10% of the aggregate nominal amount of the share capital in issue of the Company at the date of passing of such resolution.

Accordingly, on the basis of 1,596,390,146 Shares in issue as at 24th June 2004, being the latest practicable date ("Latest Practicable Date") prior to the printing of this circular, and assuming that no Shares will be issued or repurchased prior to the Annual General Meeting, (i) exercise in full of the 20% general mandate will result in up to 319,278,029 Shares being issued by the Company during the Relevant Period (as defined in the Resolution); and (ii) exercise in full of the 10% Repurchase Mandate will result in up to 159,639,014 Shares being repurchased by the Company during the Relevant Period (as defined in the Resolution).

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), the general unconditional mandates granted on 18th July, 2003 will lapse at the conclusion of the coming Annual General Meeting, unless renewed at the Annual General Meeting. Resolutions Nos. 4 and 5 in the notice of Annual General Meeting will be proposed at the Annual General Meeting to renew these mandates. With reference to these resolutions, the Directors wish to state that they have no present intention to repurchase any Shares pursuant to the relevant mandates.

The explanatory statement, required by the GEM Listing Rules to be sent to Shareholders in connection with the proposed Repurchase Mandate is set out in the Appendix to this circular. This contains all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions.

### PROPOSED AMENDMENTS TO THE BYE-LAWS OF THE COMPANY

The Stock Exchange has recently amended, among other things, Appendix 3 of the GEM Listing Rules and the revised GEM Listing Rules came into effect on 31st March 2004.

As a result of the amendments to the GEM Listing Rules, the Directors wish to take this opportunity to review the bye-laws of the Company to reflect the recent changes in the GEM Listing Rules. In this connection, the special resolution 7 as set out in the notice of Annual General Meeting will set out amendments to the bye-laws in order to comply with the requirements of the amended Appendix 3 of the GEM Listing Rules. A brief background to the proposed amendments to the bye-laws of the Company is set out as follows:

- (a) bye-law 1                      To adopt a definition of "associate".

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## LETTER FROM THE CHAIRMAN

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- (b) bye-law 76 To reflect the restriction on voting by members as required by the new requirements in Appendix 3 to the GEM Listing Rules.
- (c) bye-law 88 To be consistent with the new requirements in Appendix 3 to the GEM Listing Rules which stipulates a minimum period for allowing a member to propose a person (other than a Director) for election as a Director by serving the requisite notices. This minimum period must be fixed for at least seven days and should commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and no later than seven days prior to the date of such meeting.
- (d) bye-law 103 To be consistent with the new requirements in Appendix 3 to the GEM Listing Rules which requires the interests held by a Director's associate(s) to be taken into account when considering the interests of that Director. Accordingly, subject to certain exceptions, a Director is not allowed to vote on any resolution of the board of Directors approving any contract or arrangement or any other proposal in which he or any his associate has a material interest nor shall he be counted in the quorum present at the meeting.

### PROPOSED RE-ELECTION OF DIRECTOR

In accordance with the Company's Bye-law 86(2), Mr. Desmond Hay Ching Fu ("Mr. Fu"), Mr. David Michael Faktor ("Mr. Faktor") and Mr. Kennedy Ying Ho Wong ("Mr. Wong") will retire by rotation. Mr. Fu, Mr. Faktor and Mr. Wong being eligible, will offer themselves for re-election, at the forthcoming Annual General Meeting.

The biographical details of Mr. Fu, Mr. Faktor and Mr. Wong are provided in the "Directors' Profile" section in the 2004 annual report of the Company.

Mr. Fu joined the Group in May 2000 and was appointed as an executive Director on 20th February 2004. Mr. Fu's service contract is valid for the duration up to 31st December 2005 and his service contract can be terminated by not less than three month's notice in writing served by either party on the other without payment of compensation other than statutory compensation.

According to the service contract, in addition to the basic salary, Mr. Fu is also entitled to a management bonus of a sum at the discretion of the Board. The basis of such decision is a function of the executive Director's effort expended throughout the subject period towards the well-being of the Company. He is also entitled to certain allowances, medical benefits and reimbursement of all reasonable out of pocket expenses. The emolument of Mr. Fu was HK\$1,805,847 (Basic salaries and allowance: HK\$1,522,847; Bonus: HK\$280,000; and Pension costs-Defined contribution schemes: HK\$3,000) for the year ended 31st March 2004.

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## LETTER FROM THE CHAIRMAN

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Pursuant to the Company's share option scheme approved by the shareholders on 13th April 2000, the options granted to and held by Mr. Fu up to the Latest Practicable Date are as follows:

Name	Date of grant	Exercise price per Share	Vesting period	Exercise period	Number of options
Mr. Desmond Hay Ching Fu	3rd July 2000	HK\$0.360	3rd July 2000 to 30th September 2001	1st October 2001 to 12th April 2010	250,000
	7th November 2000	HK\$0.485	7th November 2000 to 7th November 2001	8th November 2001 to 12th April 2010	11,500,000

All the above-mentioned options are unlisted and represent physically settled equity derivatives.

Save as disclosed above, as at the Latest Practical Date, Mr. Faktor and Mr. Wong do not have any interest in the securities of the Company within the meaning of Part XV of the Securities and Future Ordinance. No service contract has been signed between Mr. Faktor and Mr. Wong and the Company and their emoluments will be reviewed annually taking into consideration prevailing market practice. Mr. Fu, Mr. Faktor and Mr. Wong are independent of the directors, chief executives, substantial shareholders of the Company or an associate of any of them.

### **RIGHT TO DEMAND A POLL**

Pursuant to Bye-law 66 of the Bye-laws of the Company, 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 demanded:—

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

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## LETTER FROM THE CHAIRMAN

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### **ANNUAL GENERAL MEETING**

A notice of the Annual General Meeting is set out on pages 9 to 16 of this circular. At the Annual General Meeting, in addition to the ordinary business of the meeting, Resolutions Nos. 4, 5 and 7 will be proposed to approve the general mandates for the issue of Shares, the Repurchase Mandate and the amendment to the bye-laws as special businesses.

A copy of the 2003/2004 annual report of the Company incorporating copies of the audited accounts of the Group for the year ended 31st March 2004 and the directors' and auditors' reports therein has been despatched to all the Shareholders and Warrantholders together with this circular.

A form of proxy for the Annual General Meeting is also enclosed. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the head office and principal place of business of the Company c/o the Company Secretary, Rooms 4902-8, Hopewell Centre, 183 Queen's Road Central, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the meeting. The completion of a form of proxy will not preclude you from attending and voting at the meeting in person.

### **RECOMMENDATION**

The Board of Directors is of the opinion that the proposals referred to above are in the best interests of the Company and therefore recommends you to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,  
**Andrew Cho Fai Yao**  
*Chairman*

This is an explanatory statement given to all the Shareholders relating to a resolution to be proposed at the forthcoming Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 of the GEM Listing Rules which is set out as follows:

### **1. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,596,390,146 Shares of HK\$0.10 each.

Subject to the passing of the resolution in relation to the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 159,639,014 Shares, representing 10% of the Shares in issue of HK\$0.10 each.

### **2. REASONS FOR REPURCHASES**

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share of the Company and/or its earnings per Share.

### **3. FUNDING OF REPURCHASES**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws, the GEM Listing Rules and the Companies Act 1981 of Bermuda (the “Companies Act”). The Company may not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Companies Act, a company may only repurchase its shares out of capital paid up on the Shares to be repurchased or out of the funds of the company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase. Any amount of premium payable on a repurchase over the par value of the shares may only be effected out of funds of the Company which would otherwise be available for dividend or distribution or out of the Company’s share premium account.

#### 4. GENERAL

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

#### 5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, they will exercise the power of the Company to make purchase pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum of association and bye-laws of the Company and the applicable laws of Bermuda.

To the best of the knowledge of the Directors who have made all reasonable enquires, none of the Directors or their associates has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

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

#### 6. TAKEOVER CODE

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, Huge Top Industrial Ltd. ("Huge Top") owns approximately 47.13% of the issued share capital of Van Shung Chong Holdings Limited ("VSC") and Van Shung Chong (B.V.I.) Limited ("VSC BVI") is a wholly-owned subsidiary of VSC. VSC BVI and Huge Top which are the substantial shareholders of the Company, held approximately 18.86% and 10.01% respectively of the issued Shares



of the Company. In the event that the Directors exercised 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 total interests of VSC BVI and Huge Top in the Shares of the Company would be increased to approximately 20.95% and 11.12% respectively of the issued Shares of the Company. If so, the Directors will take necessary steps to comply with the GEM Listing Rules and the Takeover Code.

## 7. SHARE REPURCHASE MADE BY THE COMPANY

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

## 8. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on GEM in each of the previous twelve months were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2003</b>		
June	0.100	0.068
July	0.255	0.075
August	0.215	0.110
September	0.144	0.116
October	0.126	0.107
November	0.161	0.101
December	0.111	0.056
<b>2004</b>		
January	0.116	0.060
February	0.099	0.075
March	0.086	0.067
April	0.080	0.060
May	0.073	0.065

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## NOTICE OF ANNUAL GENERAL MEETING

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*iSteelAsia*

### **iSteelAsia Holdings Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8080)**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of iSteelAsia Holdings Limited (the “Company”) will be held at Rooms 4902-8, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on 13th August 2004 at 2:00 p.m. to transact the following ordinary business:

1. To receive and consider the audited accounts and reports of the directors and auditors for the year ended 31st March 2004.
2. To re-elect directors and authorise the Directors to fix their remuneration and to appoint new Directors from time to time.
3. To re-appoint Company’s auditors and authorise the Board of Directors to fix their remuneration;

and, as special business, to consider and, if thought fit, passing the following resolutions as ordinary resolutions and special resolution respectively:

#### **ORDINARY RESOLUTIONS**

4. **THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) on The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with 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 the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such 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 (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above,

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## NOTICE OF ANNUAL GENERAL MEETING

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otherwise than pursuant to (i) a Rights Issue (as hereinafter defined in this Resolution); or (ii) the exercise of subscription or conversion right under any warrants of the Company and under any securities which are convertible into shares in the capital of the Company; or (iii) the exercise of any option under the share option scheme of the Company; or (iv) any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or a part of a dividend on shares of the Company in accordance with the bye-laws of the Company in force from time to time, shall not exceed the aggregate of:

- (i) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
- (ii) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution);

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

- (d) for the purposes of this Resolution:

**“Relevant Period”** means the period from the date of the passing of this Resolution until whichever is the 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 bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution;

**“Rights Issue”** means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as the Directors of the

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## NOTICE OF ANNUAL GENERAL MEETING

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Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).

5. **THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its shares on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Act 1981 of Bermuda and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; and
  - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

6. **THAT** the Directors of the Company be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no. 4 set out in the notice convening this meeting in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such Resolution.

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## NOTICE OF ANNUAL GENERAL MEETING

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### SPECIAL RESOLUTION

7. **THAT** the existing bye-laws of the Company be and are hereby amended in the following manner:

#### **bye-law 1**

1. By inserting the following new definition of “associate” after the definition of “Act” in existing bye-law 1:

““associate”           the meaning attributed to it in the rules of the Designated Stock Exchange.”

2. By deleting the words “a recognised clearing house within the meaning of Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong or” from the definition of “clearing house” in existing bye-law 1;

#### **bye-law 76**

1. By re-numbering existing bye-law 76 as bye-law 76(1);
2. By inserting the following as new bye-law 76(2):

“(2) Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution 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.”

#### **bye-law 88**

By deleting the existing bye-law 88 in its entirety and replacing therewith the following new bye-law 88 :

- “88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days

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## NOTICE OF ANNUAL GENERAL MEETING

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and that (if the Notice(s) are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

### **bye-law 103**

By deleting the existing bye-law 103 in its entirety and replacing therewith the following new bye-law 103:

- “103. (1) A Director shall not vote (nor 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, but this prohibition shall not apply to any of the following matters namely:
- (i) any contract or arrangement for 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 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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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 and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
  - (vi) any proposal or arrangement 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 accorded generally to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive

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## NOTICE OF ANNUAL GENERAL MEETING

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

By Order of the Board  
**Tse Sau Wai**  
*Company Secretary*

Hong Kong, 29th June 2004

*Head office and principal place of business:*

Rooms 4902-8, Hopewell Centre  
183 Queen’s Road East  
Wanchai, Hong Kong

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*The directors as at the date of this notice are:*

Executive Directors: Andrew Cho Fai Yao (*Chairman*); Miriam Che Li Yao; Desmond Hay Ching Fu

Non-executive Director: David Michael Faktor

Independent Non-executive Directors: Philip King Huen Ma; Kennedy Ying Ho Wong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, with the Company Secretary at the head office and principal place of business of the Company at Rooms 4902-8, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. In relation to proposed Resolutions nos. 4 and 6 above, approval is being sought from the shareholders for the grant to the Directors of the Company of a general mandate to authorise the allotment and issue of shares under the GEM Listing Rules. The Directors 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 or the exercise of warrants of the Company or any scrip dividend scheme which may be approved by shareholders.



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## NOTICE OF ANNUAL GENERAL MEETING

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4. In relation to proposed Resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders of the Company to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules is included in the accompanying circular and will be despatched to shareholders and warrant holders together with the annual report for the year ended 31st March 2004.
  
5. The register of members of the Company will be closed from Wednesday, 11th August 2004 to Friday, 13th August 2004, both days inclusive, during which period no transfer of shares will be effected. All transfer document accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 10th August 2004.