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

If you have sold all your shares in China Resources Enterprise, Limited, you should at once hand this circular and the accompanying form of proxy 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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華潤創業有限公司
China Resources Enterprise, Limited
(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code : 291)

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
AND
AMENDMENTS OF EXISTING ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening the annual general meeting of China Resources Enterprise, Limited to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 2 June 2004 at 3:00 p.m. is set out on pages 10 to 18 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the annual general meeting. Completion of the proxy form and its return will not preclude you from attending and voting at the annual general meeting if you so wish.

Hong Kong, 23 April 2004

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 2 June 2004 at 3:00 p.m., notice of which is set out on pages 10 to 18 of this circular
“Company”	China Resources Enterprise, Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance
“Companies Ordinance”	the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	16 April 2004, being the latest practicable date prior to the printing of this document
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution Shares up to a maximum of 10% of the issued share capital of the Company at the date of the Repurchase Resolution
“Repurchase Resolution”	the ordinary resolution to be passed as referred to in item no. 5 of the notice of the Annual General Meeting
“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$1.00 each in the share capital of the Company
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their own securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“HK\$”	Hong Kong dollar
“%”	per cent



華潤創業有限公司
China Resources Enterprise, Limited
(Incorporated in Hong Kong under the Companies Ordinance)

Directors:

Executive Directors:

NING Gaoning (*Chairman*)
SONG Lin (*Deputy Chairman and Managing Director*)
CHEN Shulin (*Deputy Managing Director*)
QIAO Shibo (*Deputy Managing Director*)
YAN Biao (*Deputy Managing Director*)
KEUNG Chi Wang, Ralph (*Deputy Managing Director*)
LAU Pak Shing
WANG Qun
ZHONG Yi
KWONG Man Him

Non-executive Directors:

JIANG Wei
XIE Shengxi

Independent Non-executive Directors:

CHAN Po Fun, Peter
HOUANG Tai Ninh
LI Ka Cheung, Eric

Company Secretary:

LEE Yip Wah, Peter

Registered Office:

39th Floor,
China Resources Building,
26 Harbour Road,
Wanchai,
Hong Kong

Hong Kong, 23 April 2004

To the shareholders,

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
AND
AMENDMENTS OF EXISTING ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 5 June 2003, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares. Such mandate will lapse at the conclusion of the Annual General Meeting. It is therefore proposed to seek your approval of the Repurchase

LETTER FROM THE CHAIRMAN

Resolution at the Annual General Meeting to give a fresh general mandate to the Directors to exercise the powers of the Company to repurchase Shares. An explanatory statement as required under the Share Repurchase Rules to provide the requisite information of the Repurchase Proposal is set out in Appendix I of this circular.

GENERAL MANDATE TO ISSUE SHARES

It will be proposed at the Annual General Meeting two ordinary resolutions respectively granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the date of the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of the Repurchase Resolution.

AMENDMENTS OF EXISTING ARTICLES OF ASSOCIATION

In addition, your attention is drawn to the special resolution to be proposed at the Annual General Meeting to approve certain amendments to the existing articles of association of the Company.

The Securities and Futures Ordinance came into effect on 1 April 2003 and the Companies (Amendment) Ordinance 2003 came into operation on 13 February 2004. In addition, the Stock Exchange has announced certain amendments to the Listing Rules which subject to certain transitional arrangements came into effect on 31 March 2004.

In the circumstances, in order to comply with the aforesaid new requirements and to bring the articles of association of the Company up to date and in line with the current practice in Hong Kong, it is also proposed at the Annual General Meeting to amend the existing articles of association of the Company by special resolution as set out in the notice convening the Annual General Meeting.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting, which contains, inter alia, ordinary resolutions to approve the Repurchase Proposal and the general mandate for Directors to issue new Shares and the special resolution approving the proposed amendments of the existing articles of association of the Company is set out on pages 10 to 18 of this circular.

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and delivery of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

At the Annual General Meeting, resolutions 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) demanded by (a) the chairman; or (b) not less than five shareholders present in person or by proxy and having the right to vote at the meeting; or (c) a shareholder or shareholders present in person or by proxy representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or (d) a shareholder or shareholders present in person or by proxy holding Shares 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. On a show of hands, every shareholder (being an individual) present in person or by proxy or (being a corporation) by duly authorized representative shall

LETTER FROM THE CHAIRMAN

have one vote only. On a poll, every shareholder present in person, by proxy or by authorized representative shall have one vote for every Share held by him. On a poll, a shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

RECOMMENDATION

The Directors believe that the Repurchase Proposal, the general mandate for Directors to issue new Shares and the proposed amendments of the existing articles of association of the Company are all in the best interest of the Company and its shareholders. Accordingly, the Directors recommend that all shareholders should vote in favour of such resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
NING Gaoning
Chairman

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution.

This appendix also constitutes the memorandum as required under Section 49BA(3)(b) of the Companies Ordinance.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,102,232,215 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares will be issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 210,223,221 Shares representing not more than 10% of the issued share capital of the Company as at the Latest Practicable Date.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Proposal is in the best interests of the Company and its shareholders. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares made for the purpose of the repurchase to such an extent allowable under the Companies Ordinance.

There might be an 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 for the year ended 31 December 2003 in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal 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.

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows:

	Shares	
	Highest HK\$	Lowest HK\$
April 2003	6.60	5.70
May 2003	7.00	5.90
June 2003	7.25	6.50
July 2003	7.10	6.70
August 2003	7.75	6.65
September 2003	9.05	7.60
October 2003	9.50	8.40
November 2003	9.30	8.50
December 2003	9.35	8.60
January 2004	10.60	8.85
February 2004	11.20	9.85
March 2004	11.20	9.55

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Proposal if such is approved by the shareholders of the Company.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the shareholders of the Company.

6. TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal, 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 Rule 32 of the 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 the Latest Practicable Date, China Resources National Corporation, the ultimate holding company of the Company, is interested in 1,153,776,475 Shares (representing approximately 54.88% of the total issued share capital of the Company as at the Latest Practicable Date). In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Proposal, then (if the present shareholdings remains the same) the attributable interest of China Resources National Corporation would be increased to approximately 60.98% of the issued share capital of the Company.

The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Proposal. In the event that the Repurchase Proposal is exercise in full, the number of Shares held by the public would not fall below 25%.

7. **SHARES REPURCHASE MADE BY THE COMPANY**

The Company had not repurchased any Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

The following are the particulars of the four Directors proposed to be re-elected at the Annual General Meeting to be held on 2 June 2004:

1. **Mr. Qiao Shibo**, aged 49, has been an Executive Director since July 2001 and was appointed Deputy Managing Director in November 2001. He is responsible for the business and strategic planning of the Group's petroleum and chemical distribution business and is the Chairman of China Resources Petrochems (Group) Company Limited and the legal representative of various companies within the petrochemical division of the Group in the People's Republic of China. He is also a director and Vice President of China Resources (Holdings) Company Limited, a director of China Resources National Corporation ("CRNC") and holds various directorships in the CRNC group of companies. Mr. Qiao is also the Chairman of China Resources Cement Holdings Limited. Mr. Qiao holds a Bachelor's degree in Chinese Language from the Jilin University, China.

Save as disclosed herein and in the annual report for the year ended 31 December 2003, Mr. Qiao does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Qiao has personal interest in share options to subscribe for 3,800,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance. There is no service contract between the Company and Mr. Qiao. The emoluments of Mr. Qiao are determined by reference to the Company's performance and profitability, as well as the prevailing market conditions.

2. **Mr. Yan Biao**, aged 42, has been an Executive Director since 1994 and is also a Deputy Managing Director. Mr. Yan is currently responsible for the overall strategic planning and development of the Group's brewery, brand fashion distribution, Hong Kong retailing and property business, and is the legal representative of various companies within the retailing division of the Group in the People's Republic of China. Mr. Yan is also a director of China Resources (Holdings) Company Limited and China Resources National Corporation as well as an executive director of China Resources Land Limited. He has a Bachelor of Laws degree from the Beijing University in China and a Master of Business Administration degree from the University of San Francisco in the United States.

Save as disclosed herein and in the annual report for the year ended 31 December 2003, Mr. Yan does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Yan has personal interest in 900,000 Shares and in share options to subscribe for 4,000,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance. There is no service contract between the Company and Mr. Yan. The emoluments of Mr. Yan are determined by reference to the Company's performance and profitability, as well as the prevailing market conditions.

3. **Mr. Jiang Wei**, aged 41, has been a Director since 1995. He obtained his Bachelor's degree in International Trade and Master's degree in International Business and Finance, both from the University of International Business and Economics in Beijing, the People's Republic of China. Mr. Jiang is currently a director and chief financial officer of China Resources (Holdings) Company Limited. He is also the general manager of its finance department and holds various

directorships in companies within the CRNC Group. He is a non-executive director of China Resources Power Holdings Company Limited, China Resources Cement Holdings Limited and China Resources Peoples Telephone Company Limited.

Save as disclosed herein and in the annual report for the year ended 31 December 2003, Mr. Jiang does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Jiang has personal interest in share options to subscribe for 600,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance. There is no service contract between the Company and Mr. Jiang. The Directors' fee of Mr. Jiang as a non-executive Director is determined by shareholders of the Company in general meeting. For the year ending 31 December 2004, the Board of Directors of the Company proposes that the annual Directors' fee of Mr. Jiang be HK\$50,000, which is the same as that for the year ended 31 December 2003.

4. **Dr. Chan Po Fun, Peter**, aged 82, has been a Director since 1973. Dr. Chan is also a director of Chuang's Consortium International Limited and Prime Investments Holdings Limited. He is a practicing certified public accountant in Hong Kong, has a doctorate in Offshore Petroleum Technology and Modern Chinese Law and is an honorary fellow of the Society for Underwater Technology.

Save as disclosed herein, Dr. Chan does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Dr. Chan is interested in 506,000 Shares within the meaning of Part XV of the Securities and Futures Ordinance. There is no service contract between the Company and Dr. Chan. The Directors' fee of Dr. Chan as an independent non-executive Director is determined by shareholders of the Company in general meeting. For the year ending 31 December 2004, the Board of Directors of the Company proposes that the annual Directors' fee of Dr. Chan be HK\$120,000, which is the same as that for the year ended 31 December 2003.



華潤創業有限公司
China Resources Enterprise, Limited

(Incorporated in Hong Kong under the Companies Ordinance)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at 50th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 2 June 2004 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003.
2. To declare a final dividend.
3. To re-elect Directors and to fix the remuneration of Directors.
4. To re-appoint Auditors and authorise the Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Directors of the Company are authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of this Resolution and the said approval shall be limited accordingly; and
- (c) 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 expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

NOTICE OF ANNUAL GENERAL MEETING

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.”

6. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) below and pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power 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 an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; (iii) an issue of shares upon the exercise of the subscription or conversion rights under the terms of any warrants or any securities of the Company which are convertible into shares of the Company; or (iv) an issue of shares as scrip dividends pursuant to the Articles of Association of the Company from time to time, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) 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 expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions

NOTICE OF ANNUAL GENERAL MEETING

or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

7. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

“**THAT** subject to the passing of the resolutions as proposed under items nos. 5 and 6 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to the resolution as proposed under item no. 6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to the resolution as proposed under item no. 5 set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the said Resolution.”

8. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

SPECIAL RESOLUTION

“**THAT** the existing articles of association of the Company be and are hereby amended in the following manner:

(a) Article 1

- (1) By adding the following definition immediately after the definition of “Board”:

“business days” means any day on which The Stock Exchange of Hong Kong Limited is open for the business of dealing in securities;

- (2) By adding the following definition immediately after the definition of “in writing” and “written”:

“Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited prevailing from time to time;

- (3) By deleting the word “or” immediately before the word “kept” in the definition of “Seal”.

(b) Article 5

By adding the words “and the Listing Rules” immediately after the words “Subject to the provisions of the Ordinance”.

NOTICE OF ANNUAL GENERAL MEETING

(c) Article 28.1.3

By deleting the words “by the Chief Secretary” in the fifth line of the existing Article 28.1.3.

(d) Article 32

By replacing the words “two months” by the words “ten business days or such other period to comply with the Listing Rules and the Ordinance”.

(e) Article 47A

By moving the existing Article 47A to immediately after Article 46.3 and renumbering the existing Article 47A as Article 46.4.

(f) Heading of “GENERAL MEETINGS” immediately before Article 50

By moving the heading of “GENERAL MEETINGS” to immediately before Article 48.

(g) Article 60

By adding the words “unless a poll is taken as may from time to time be required under the Listing Rules and/or any other applicable laws and regulations or” immediately before the word “unless”.

(h) Article 61

By adding the words “or unless a poll is taken as may from time to time be required under the Listing Rules and/or any other applicable laws and regulations” immediately after the words “Unless a poll is so demanded”.

(i) Article 65

By adding the words “or under the Listing Rules and/or any other applicable laws and regulations” immediately after the words “Subject to any rights or restrictions attached to any shares”.

(j) Article 70

By deleting the words “Securities and Futures (Clearing Houses) Ordinance of Chapter 420 of the Laws of Hong Kong” in paragraph (b) of the Article 70 and substituting therefor the words “Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)”.

NOTICE OF ANNUAL GENERAL MEETING

(k) Article 74

By renumbering the existing Article 74 as Article 74.1 and adding the following new Article:

74.2 Where the Company has knowledge that any member is, under the Listing Rules and/or any other applicable laws and regulations, 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 or restriction shall not be counted.

(l) Article 82

By deleting the words “an alternate director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults, and he shall not be deemed to be the agent of the Director appointing him” and substituting therefor the words “an alternate director so appointed shall be deemed to be the agent of the Director who appoints him. A Director who appoints an alternate director shall be vicariously liable for any tort committed by the alternate director while acting in the capacity of alternate director”.

(m) Article 83

By adding the words “or the Listing Rules” in two places immediately after the words “the Ordinance”.

(n) Article 94

By deleting the existing Article 94 in its entirety and substituting therefor the following new Article:

94. Subject to the provisions of any contract between a Managing Director and the Company, a Managing Director shall be subject to the same provisions as to resignation and removal as the other Directors of the Company, and he shall, ipso facto and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.

(o) Article 112.1

By deleting the words “not more than seven days prior to the date of such meeting” and substituting therefor the words “no earlier than the day after the despatch of the notice of the meeting appointed for such election and no later than seven days prior to the date of such meeting”.

(p) Article 119.3.1

By adding the words “(Chapter 136 of the Laws of Hong Kong)” immediately after the words “Mental Health Ordinance”.

NOTICE OF ANNUAL GENERAL MEETING

(q) Article 122

By deleting the existing Article 122 in its entirety and substituting therefor the following new Article:

122.1 A Director shall not be entitled to vote on any resolution of the Board of Directors approving any contract or arrangement in which he or any of his associates is materially interested and nor shall he be counted in the quorum present at the meeting at which such contract or arrangement is considered.

122.2 The prohibitions in Article 122.1 shall not apply to the following matters namely:

122.2.1 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 them or obligations undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

122.2.2 any contract or arrangement for the giving to a third party of any security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which such Director or his associate(s) has/have 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;

122.2.3 any contract or arrangement concerning an offer of shares, 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 such 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;

122.2.4 any contract or arrangement concerning another company in which such Director or his associate(s) is/are interested (directly or indirectly) whether as an officer or executive or shareholder or by virtue of his/their beneficial interest in the shares or debentures or other securities of such company, provided that such Director and any of his associates are not in aggregate beneficially interested in five (5) 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;

122.2.5 any proposal or arrangement concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, and/or their 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;

NOTICE OF ANNUAL GENERAL MEETING

- 122.2.6 any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which such Director or his associate(s) may benefit;
- 122.2.7 any contract or arrangement in which such 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;
- 122.2.8. such other exceptions applicable to all listed companies as shall be approved and notified to such companies by The Stock Exchange of Hong Kong Limited from time to time.

For the purpose of this Article and Article 123, an “associate” of a Director is defined as:

- (i) his spouse;
 - (ii) any child or step-child, natural or adopted, under the age of 18 years of such Director or of his spouse (together with (a) above, the “family interests”);
 - (iii) 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 per cent (or such other amount as may from time to time be specified in the Hong Kong Code on Takeovers and 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”);
 - (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
 - (v) any company in the equity capital of which he, his family interests, any of the trustees referred to in (c) 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 Hong Kong Code on Takeovers and 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.
- (r) Article 123.1

By removing the open bracket sign before the words “and be counted in the quorum”.

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(s) Article 123.2

By adding the words “and/or his associate(s)” immediately after the words “(other than the chairman of the meeting)” in the second line of the existing Article 123.2 and immediately after the words “the interest of the Director” in the sixth and seventh lines of the existing Article 123.2 respectively.

(t) Article 136

By replacing the words “General Meeting” by the words “general meeting”.

(u) Article 142

By adding the words “Notwithstanding the provisions of Article 141.1.1 or 141.1.2,” at the very beginning of the existing Article 142 and renumbering this Article as Article 141.4 and adding the following new Article:

142. The Directors may on any occasion determine that the rights of election, allotment of shares, and/or distribution of assets as referred to in Article 141 shall not be made available to or made to any members with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of such rights of election, or allotment of shares or distribution of assets would or might be subject to legal restrictions under the laws of that territory or the requirements of the relevant regulatory body or stock exchange in that territory, or where the Directors consider the costs, expenses or possible delays in ascertaining the existence or extent of the legal and other requirements applicable to such offer or the acceptance of such offer to be out of proportion to the benefit of the Company, and in any such case the provisions aforesaid shall be read and construed subject to such determination.

(v) Article 154

By deleting the word “Companies” in the fifth line of the existing Article 154 and renumbering the existing Article 154 as Article 154.1 and adding the following new Article:

154.2 The Company shall have power to purchase and maintain for any officer (including Director) of the Company, or any person employed by the Company as auditor:

- (a) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and
- (b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.

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For the purpose of this Article, “related company” means any company which is the Company’s subsidiary or holding company or a subsidiary of the Company’s holding company.

By Order of the Board
LEE Yip Wah, Peter
Secretary

Hong Kong, 23 April 2004

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at 39th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. With regard to item no. 2 in this notice, the Board of Directors of the Company recommends a final dividend of HK\$0.14 per ordinary share payable on or about 15 June 2004. The register of members of the Company will be closed from Thursday, 27 May 2004 to Wednesday, 2 June 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Registrar, Standard Registrars Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 25 May 2004.
4. With regard to item no. 3 in this notice, the Board of Directors of the Company proposes that the retiring Directors, namely Mr. Qiao Shibo, Mr. Yan Biao, Mr. Jiang Wei and Dr. Chan Po Fun, Peter, be re-elected as Directors of the Company. Details of these Directors are set out in the appendix II of the circular to shareholders dated 23 April 2004. The Board of Directors of the Company recommends to the shareholders that the Directors’ fee for the year ending 31 December 2004 shall be the same as in the year ended 31 December 2003, i.e. an annual fee of HK\$50,000 for each executive and non-executive Director and an annual fee of HK\$120,000 for each independent non-executive Director, pro-rated, where appropriate, and payable in December 2004.