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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or otherwise transferred** all your shares in **China Aerospace International Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED**

**航天科技國際集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 31)**

**MAJOR TRANSACTION**

**DISPOSAL OF PROPERTY**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening an extraordinary general meeting of the Company to be held at 11:00 a.m. on Tuesday, 28 June 2005 (or any adjournment thereof) at 17th Floor, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong is set out on page 26 of this circular.

Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete the enclosed proxy form and return it to the Company's registrars, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and return of the proxy will not preclude you from subsequently attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

13 June 2005

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## DEFINITIONS

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

- “1997 Memorandum” means a memorandum of agreement and a supplement thereto both dated 28 January 1997 (as amended by a letter dated 13 July 1999) entered into between Premier, CKH and the Vendor, whereby the parties agreed to jointly develop the Property;
- “Board” means the board of Directors of the Company;
- “CAST” means China Aerospace Science & Technology Corporation, a substantial Shareholder of the Company;
- “CASTEL” means CASIL Telecommunications Holdings Limited, the shares of which are listed on the Stock Exchange;
- “CKH” means Cheung Kong (Holdings) Limited, the shares of which are listed on the Stock Exchange, a party to the 1997 Memorandum and also an Independent Third Party;
- “Company” means China Aerospace International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
- “Deed of Release” means a deed of release to be executed by Premier, CKH and the Vendor on completion of the sale and purchase of the Property whereby they will each thereby release, discharge and waive their respective rights to pursue any claims against each other under the 1997 Memorandum and any matters howsoever arising connected therewith;
- “Directors” means the directors of the Company for the time being;
- “Disposal” means the disposal by the Vendor to the Purchaser of the Property in accordance with the terms of the Memorandum of Agreement;
- “EGM” means an extraordinary general meeting of the Company to be convened on 28 June 2005;

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## DEFINITIONS

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“Excluded Car Parking Spaces”	means the following car parking spaces located within the Property which are not owned by the Vendor:  <ol style="list-style-type: none"><li>(1) Private Car Parking Spaces Nos. 1, 2, 3, 4, 5, 6, 15 and 16 on the Upper Basement;</li><li>(2) Lorry Car Parking Space No. 1 on the Upper Basement;</li><li>(3) Car Park No. L02 on the Upper Basement; and,</li><li>(4) Lorry Car Parking Spaces Nos. 3, 4, 5 and 6 on the Upper Basement;</li></ol>
“Formal Agreement”	means the formal agreement for the sale by the Vendor and purchase by the Purchaser of the Property dated 9 June 2005;
“Group”	means the Company and its subsidiaries;
“HK\$”	means the Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Non-Executive Directors”	means the independent non-executive directors of the Company, comprising Mr. Lee Hung Sang, Mr. Chow Chan Lum, Charles and Mr. Luo Zhengbang;
“Independent Third Party(ies)”	means any person who is not a connected person of the Company and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules);
“Latest Practicable Date”	10 June 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

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## DEFINITIONS

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“Memorandum of Agreement”	means the memorandum of agreement dated 4 May 2005 relating to the Property entered into between the Vendor and the Purchaser;
“Premier”	means Premier Property Limited, a party to the 1997 Memorandum, an indirect wholly-owned subsidiary of CKH and an Independent Third Party;
“Property”	means the entire building erected on Subsection 1 of Section O of Kowloon Marine Lot No. 40 now known as Conic Investment Building save and except for the Excluded Car Parking Spaces which are not owned by the Vendor;
“Purchaser”	means Global Coin Limited, a company incorporated under the laws of Hong Kong, a wholly-owned subsidiary of CKH and an Independent Third Party;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	means shares of HK\$1.00 each in the share capital of the Company;
“Shareholders”	means shareholders of the Company for the time being;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“Vendor”	means Well Horn Company Limited, a wholly-owned subsidiary of the Company.

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## LETTER FROM THE BOARD

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### CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

*(Incorporated in Hong Kong with limited liability)*

*Executive Directors:*

Mr. Rui Xiaowu (*Chairman*)  
Mr. Zhao Liqiang  
Mr. Zhou Qingquan  
Mr. Zhao Yuanchang  
Mr. Wu Hongju  
Mr. Guo Xianpeng

*Registered Office:*

17th Floor, China Aerospace Centre,  
143 Hoi Bun Road,  
Kwun Tong,  
Kowloon,  
Hong Kong

*Non-Executive Directors:*

Mr. Lee Hung Sang (*Independent*)  
Mr. Chow Chan Lum, Charles (*Independent*)  
Mr. Luo Zhengbang (*Independent*)  
Mr. Li Jinsheng  
Mr. Xu Shilong  
Mr. Chen Dingyi  
Ms. Chan Ching Har, Eliza

13 June 2005

*To the Shareholders,*

Dear Sir or Madam,

### **MAJOR TRANSACTION – DISPOSAL OF PROPERTY**

#### **INTRODUCTION**

On 9 May 2005, the Board announced the disposal of the Property by the Vendor to the Purchaser for a consideration of HK\$330,000,000 pursuant to the Memorandum of Agreement. Completion of the sale and purchase of the Property shall take place on or before 30 June 2005.

The Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Disposal requires approval from the Shareholders. The notice of EGM is enclosed on page 26 of this circular for the Shareholders to consider, and if thought fit, to approve the Disposal.

The circular is prepared to provide the Shareholders with details of the Disposal in accordance with the requirements of the Listing Rules.

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## LETTER FROM THE BOARD

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### MEMORANDUM OF AGREEMENT DATED 4 MAY 2005

#### Parties

**The Vendor:** Well Horn Company Limited, a wholly-owned subsidiary of the Company.

**The Purchaser:** Global Coin Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and the ultimate beneficial owner of the Purchaser are Independent Third Parties. To the best of the Directors' knowledge, the principal activity of the Purchaser is property investment.

#### The Property

The entire building erected on Subsection 1 of Section O of Kowloon Marine Lot No. 40 known as Conic Investment Building, save and except for the Excluded Car Parking Spaces.

The Property will be sold on an "as is" basis free from encumbrances but subject to and with the benefit of existing tenancies. Save for such existing tenancies, vacant possession of the other units in the Property shall be delivered to the Purchaser on completion.

The Property was acquired by the Vendor in two lots in April 1983 and September 1988 respectively. From the dates of acquisition of the Property up to July 1997, a portion of the Property was used by the Group as its principal offices while the remaining portion of the Property was leased out.

Thereafter, only a small portion of the Property was used by the subsidiaries of the Company as their offices. The remaining portion of the Property has been principally an investment property of the Company.

#### Formal Agreement

A Formal Agreement has been entered into between the Vendor and the Purchaser on 9 June 2005.

#### Completion Date

Completion of the sale by the Vendor and purchase by the Purchaser of the Property shall take place on or before 30 June 2005 or such other date as the parties may agree.

#### Consideration

The consideration for the Property is HK\$330,000,000 which has been determined on normal commercial terms and arm's length negotiations between the Vendor and the Purchaser,

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## LETTER FROM THE BOARD

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and after the Company taking into account the annual rental income from the Property and the market value of comparable properties. The purchase price shall be paid in cash by the Purchaser to the Vendor in the following manner:

- (a) an initial deposit in the sum of HK\$10,000,000 has been paid upon the signing of the Memorandum of Agreement;
- (b) a further deposit in the sum of HK\$23,000,000 has been paid on 13 May 2005; and
- (c) the balance of the purchase price of HK\$297,000,000 shall be paid upon completion which shall take place on or before 30 June 2005 or such other date as the parties may agree.

### **Default**

Should the Purchaser fail to pay the Vendor the deposit of HK\$23,000,000 as referred to in the Memorandum of Agreement on or before 13 May 2005, the Vendor shall be entitled to keep the deposit of HK\$10,000,000 paid by the Purchaser pursuant to the Memorandum of Agreement and the Vendor shall be discharged from further performance of its obligations under the Memorandum of Agreement.

If the Purchaser fails to complete the purchase of the Property in accordance with the terms of the Memorandum of Agreement or the Formal Agreement, the Vendor shall be entitled to forfeit all deposits which have been received from the Purchaser and to recover from the Purchaser damages (if any) which the Vendor may sustain by reason of such failure on the part of the Purchaser. The Vendor shall be discharged from further performance of its obligations under the Memorandum of Agreement and the Formal Agreement. The Vendor shall also be entitled to re-sell the Property as it deems appropriate.

In the event of the Vendor failing to complete the sale of the Property in accordance with the terms of the Formal Agreement, all moneys paid by the Purchaser to the Vendor pursuant to the provisions of the Memorandum of Agreement and the Formal Agreement shall be returned to the Purchaser who shall be entitled to recover from the Vendor damages (if any) which the Purchaser may sustain by reason of such failure on the part of the Vendor and it shall not be necessary for the Purchaser to tender an Assignment to the Vendor for execution.

### **1997 MEMORANDUM AND THE DEED OF RELEASE**

Under the 1997 Memorandum, Premier, CKH and the Vendor agreed to jointly develop the Property. The 1997 Memorandum was a framework agreement that reflected the preliminary intention of the parties to develop the Property. No money was spent by the Group pursuant to the 1997 Memorandum. As a result of change in the property market since mid-1997, the development of the Property was not carried out.

The Purchaser approached the Vendor with a view to purchasing the Property. There was a mutual understanding between the Vendor, Premier and CKH that their rights and obligations



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## LETTER FROM THE BOARD

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pursuant to the 1997 Memorandum should cease on completion of the sale and purchase of the Property. Therefore, the Purchaser and the Vendor agreed that on completion of the sale and purchase of the Property, the Vendor shall execute and the Purchaser shall procure from Premier and CKH the Deed of Release to be executed by Premier, CKH and the Vendor, who will each thereby release, discharge and waive their respective rights to pursue any claims against each other under the 1997 Memorandum and any matters howsoever arising connected therewith. As such, the rights and obligations under the 1997 Memorandum will no longer be enforceable by the parties thereto upon the completion of the Disposal.

To the best of the Directors' knowledge, CKH, Premier, the Purchaser and their respective associates do not have interest in any members of the Company.

### **VALUATION OF THE PROPERTY**

A valuation report on the Property, attached as Appendix II, was prepared by an independent professional valuer appointed by the Company, Dudley Surveyors Limited, for the purpose of the Disposal. The current market value of the Property, based on its state as at 3 May 2005, was approximately HK\$191,200,000.

### **FINANCIAL EFFECT ON THE DISPOSAL OF THE PROPERTY**

The net book value of the Property, as reflected in the audited financial statement of the Company's 2004 annual report is approximately HK\$184,100,000. The net profits (after taxation and extraordinary items) attributable to the Property for the last two financial years ended 31 December 2003 and 31 December 2004 were approximately HK\$5,375,380 and HK\$237,120 respectively. Upon completion of the Disposal, the Vendor will realize a gain of approximately HK\$145,000,000 net of expenses in its profit and loss accounts (subject to the auditors' final confirmation).

The Directors including the Independent Non-Executive Directors consider that the terms of the Disposal, including the consideration, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **REASONS FOR THE DISPOSAL**

As property investment is no longer a core business of the Group, after due and careful consideration, the Directors believe that the consideration offered by the Purchaser is of a reasonable value to the Company and it is a good opportunity for the Company to sell the Property at a good price. It also enables the Company to reduce its liabilities and interest incurred from the existing mortgage of the Property.

### **APPLICATION OF SALE PROCEEDS FROM THE DISPOSAL**

The entire sale proceeds generated from the Disposal will firstly be utilized by the Company to repay the Property's mortgage loan. The outstanding principal (excluding interest) on the mortgage of the Property as at 18 April 2005 is approximately HK\$128,920,000. The remaining sale proceeds of approximately HK\$201,080,000 shall be used by the Company as general working capital.

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## LETTER FROM THE BOARD

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### GENERAL

The principal activity of the Company is investment holding and the activities of its principal subsidiaries consist of design, manufacturing and distribution of printed circuit boards, plastic moulding products, LCD and intelligent battery chargers.

### EXTRAORDINARY GENERAL MEETING

This Disposal constitutes a major transaction under Chapter 14 of the Listing Rules which requires approval from the Shareholders. The ordinary resolution will be passed if Shareholders present at the EGM in person or by proxy holding over 50% in nominal value of the Shares vote in favour thereof. The Company is not aware that any Shareholder has a special interest in the Disposal and consequently no Shareholder is required to abstain from voting at such general meeting convened for the purpose of approving the Disposal.

The Directors have resolved to convene the EGM to consider and, if thought fit by the Shareholders, to approve the Disposal. Notice of the EGM is set out on page 26 of this circular. Whether or not you are intending to attend the EGM, you are requested to return the enclosed proxy form to the Company's registrars, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as practicable, but in any event no later than 48 hours before the time appointed for the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

### VOTING PROCEDURES

In accordance with the Company's Articles of Association, the following categories may demand the vote in respect of the resolutions to be put to at any general meeting should be taken on a poll:

- (i) the Chairman of the meeting; or,
- (ii) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or,
- (iii) any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or,
- (iv) a member or members present in person 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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION OF DIRECTORS

The Directors consider that the Disposal is in the best interests of the Company and Shareholders as a whole. In view of this, they recommend that Shareholders vote in favour of the ordinary resolution to approve the Disposal.

### ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices and the notice of extraordinary general meeting.

Yours faithfully,  
By order of the Board  
**Rui Xiaowu**  
*Chairman*

**1. RESPONSIBILITY STATEMENT**

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

**2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

As at the Latest Practicable Date, no Directors or the chief executive of the Company, either in their capacity as Directors or as chief executive of the Company has an interest or short position in the Shares or was deemed to have any interest or short position in the Shares, the underlying Shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Listing Rules, or which would be required pursuant to the SFO to enter in the register to be maintained pursuant to section 352 of the SFO.

**3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

**4. DIRECTORS' INTERESTS IN CONTRACTS**

As at the Latest Practicable Date, no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

## 5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the register of substantial Shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following Shareholders had notified the Company of relevant interests of 5% or more in the issued share capital of the Company:

Name of shareholder	Capacity	Number of Shares held for long positions	Percentage of issued share capital of the Company
China Aerospace Science & Technology Corporation	Held by a controlled corporation	896,818,664 (Note a)	41.86%
Jetcote Investments Limited	Beneficial owner	5,490,456	0.26%
	Held by a controlled corporation (Note b)	891,328,208	41.60%
		896,818,664	41.86%
Burhill Company Limited	Beneficial owner (Note b)	393,681,580	18.38%
Sin King Enterprises Company Limited	Beneficial owner (Note b)	393,272,908	18.36%
Jet Square Developments International Limited	Beneficial owner (Note b)	61,706,700	2.88%
Star River Assets Limited	Beneficial owner (Note b)	32,165,100	1.50%
Full Power International Limited	Beneficial owner (Note b)	10,501,920	0.49%

## Notes:

- (a) These 896,818,664 Shares are duplicated in the interests held by Jetcote Investments Limited, a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, and its subsidiaries.
- (b) All the five companies are wholly-owned subsidiaries of Jetcote Investments Limited. The Shares held by them form part of the total number of Shares held by Jetcote Investments Limited.

Save as disclosed herein, as at the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any other person who has an interest or short position in the Shares and underlying Shares of the Company which would be required to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more in the issued share capital of the members of the Group.

As at the Latest Practicable Date, there were no outstanding securities, options or warrants which were convertible into new Shares.

## **6. LITIGATION**

Save as disclosed below, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

A wholly-owned subsidiary of the Company, CASIL Clearing Limited (“CASIL Clearing”), was named as a defendant in a litigation in respect of an alleged breach of a loan agreement (the “Loan Agreement”) in failing to advance the full amount of HK\$330,000,000 to an Independent Third Party company (the “Borrower”) in 1997. Concurrently, CASIL Clearing resisted the claim and counterclaimed against the Borrower and sued against its guarantor upon default on, including but not limited to, interest and payment under the loan amount advanced under the Loan Agreement and the mortgage (the “CASIL Clearing’s Litigation”).

On 30 July 2004, the Court judged that the Borrower was entitled to damages consequent upon CASIL Clearing’s breach of the Loan Agreement. However, CASIL Clearing was also entitled to repayment of principal outstanding under the Loan Agreement and interest thereon according to the terms of the Loan Agreement and to the judgement against both the owners of the pledged assets under the mortgage and the guarantor under the guarantee. As at the Latest Practicable Date, CASIL Clearing and the Borrower have not yet arranged for a date for further directions as to the assessment of damages. The aforesaid information had been disclosed in the Company’s 2004 annual report.

As advised by the Company’s legal advisers on 24 May 2005, CASIL Clearing will probably be entitled to substantive judgment on its claim against the Borrower. The compensation to be made to the Borrower and the loan principal and interest to be received by CASIL Clearing has not yet been concluded by the Borrower as at the Latest Practicable Date.

The Borrower, its directors, and its substantial shareholder and chairman are all Independent Third Parties.

## **7. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, none of the Directors and their associates (as defined in the Listing Rules) was interested in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

## 8. INDEBTEDNESS

### Borrowings

As at the close of business on 30 April 2005, the Group had outstanding bank borrowings of approximately HK\$626 million (of which HK\$609 million was secured by fixed charges on certain of the Group's assets, including investment properties, property, plant and equipment, bank deposit and investment in securities). The aggregate net book value of those pledged assets as of 30 April 2005 are approximately HK\$256,600,000, HK\$2,661,000, HK\$64,151,000 and HK\$28,589,000, respectively. In addition, the Group's interest in a listed associate has a market value of HK\$175,205,000 as of 30 April 2005 and the equity interest in a non-wholly owned subsidiary, China Aerospace (Huizhou) Industrial Garden Limited, were also pledged to banks. In addition, the Group had outstanding at that date obligations under finance leases, loan from a subsidiary of CAST, a substantial Shareholder of the Company, loans from third parties and amount due to CAST of approximately HK\$18 million, HK\$28 million, HK\$7 million and HK\$177 million respectively.

Save as aforesaid, apart from intra-group liabilities, the Group did not have outstanding as at the close of business on 30 April 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, or guarantees.

The Directors are not aware of any material adverse change in indebtedness, contingent liabilities and commitments of the Group since 30 April 2005.

### Contingent liabilities

As at the close of business on 30 April 2005, the Group had no contingent liabilities in respect of bills discounted with recourse.

The Group had not made any provisions for the damages pursuant to the litigation referred to in the section headed "Litigation" in this appendix.

Save as disclosed herein, there are no other contingent liabilities as at the close of business on 30 April 2005.

## 9. WORKING CAPITAL

- (a) Pursuant to the announcement dated 8 December 2004, a debt restructuring deed was entered into between a bank, CASIL Clearing Limited and CASIL Properties Limited, both of which are wholly-owned subsidiaries of the Company, as the borrowers (the "Borrowers") and the Company as the guarantor (the "Debt Restructuring Deed") to restructure the debts due to the bank. Pursuant to the terms of the Debt Restructuring Deed, the bank will waive the debts of HK\$193,520,000 provided that the Group fully complies with the repayment terms under the Debt Restructuring Deed. If the Borrowers do not fully comply with the repayment terms

under the Debt Restructuring Deed, the bank may request the immediate repayment of the total bank borrowings of HK\$642,280,000, including the waiver of debts of HK\$193,520,000, less the total amount of approximately HK\$192,000,000 which have already been repaid as at the Latest Practicable Date. The Company has been strictly complying with the terms of the Debt Restructuring Deed to repay the debts according to the time schedule as stipulated in the Debt Restructuring Deed;

- (b) On 22 January 2005, the Company and China Academy of Launch Vehicle Technology, a wholly-owned subsidiary of CAST, entered into an agreement for the disposal of the entire equity interest in and the shareholder's loan due from Astrotech Group Limited ("Astrotech") at an aggregate cash consideration of HK\$143,758,000. Astrotech holds 449,244,000 ordinary shares (representing approximately 44% equity interest) in CASTEL. The terms of the disposal had been disclosed in the announcement dated 25 January 2005 and the circular dated 15 February 2005. The disposal is expected to be completed in June 2005 (the "Disposal of Astrotech"); and
- (c) The pending litigation referred to in the section headed "Litigation" in this appendix.
- (d) After taking into account the Group's:
  - (1) internal resources;
  - (2) present available banking facilities;
  - (3) net proceeds of the Disposal;
  - (4) no immediate repayment demanded by the bank (including the repayment of the debts of HK\$193,520,000 previously waived by the bank) in respect of breach of the terms under the Debt Restructuring Deed;
  - (5) no material compensation is required to pay for damages pursuant to the CASIL Clearing's Litigation; and
  - (6) the Disposal of Astrotech is duly completed in June 2005,

the Directors are of the opinion that the Group will have sufficient working capital for its present requirements.

- (e) After taking into account the following factors:
  - (1) the debts referred to in the Debt Restructuring Deed had been classified as long term liabilities in the Company's 2004 annual report and the payment schedule of the debts has already been fixed in the Debt Restructuring Deed, the Company anticipates that there will not be liquidity pressure on the repayment of the debts;



- (2) as advised by the Company's legal advisers to the CASIL Clearing's Litigation, CASIL Clearing will probably be entitled to substantive judgment on its claim against the Borrower; and
- (3) the net proceeds of the Disposal of Astrotech will be approximately HK\$24 million,

the Directors are of the opinion that in case any of the following events occur, *inter alia*, (i) immediate repayment is demanded by the bank (including the repayment of the debts of HK\$193,520,000 previously waived by the bank) in respect of breach of the terms under the Debt Restructuring Deed; or (ii) the compensation to the Borrower in the CASIL Clearing's Litigation might not result in any material cash outflow of the Group; or (iii) the Disposal of Astrotech is not completed in June 2005, the Group will still have sufficient working capital to meet its present requirements.

However, in case all of the abovementioned events occur at the same time and the Group may have insufficient working capital to meet its present requirements, the Directors will consider (i) disposing its fixed assets; and/or (ii) disposing its investment securities; and/or (iii) obtaining new banking facilities; and/or (iv) raising funds from the stock market to provide additional working capital for the Group.

## 10. MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2004, the total assets of the Group were HK\$2,541,678,000, of which the non-current portion and the current portion were HK\$1,472,372,000 and HK\$1,069,306,000 respectively. The total liabilities were HK\$1,570,944,000, of which the current and the non-current portion of bank loans were HK\$229,572,000 and HK\$586,611,000 respectively. In terms of contingent liabilities, there was about HK\$3,000,000 which was a little less than that of the end of 2003. As at 31 December 2004, the assets/liabilities ratio was 61.8% and the current ratio was 1.35. The latter was obviously improved comparing to the rate of 1.0 at the end of 2003.

The sources of funding of the Group come from its internal resources and banking facilities. The Group's cash on hand as at 31 December 2004 was HK\$392,662,000, most of which was in HK dollars and the rest in RMB and US dollars. The Group reviews its cash flow and financial position periodically. At present, the Group is exploring various ways to obtain long term refinancing in order to turn its current liabilities into non-current one so as to reduce the pressure of short-term liquidity.

For the risks of foreign and interest rate that the Group might bear, the Group encounters little risk in exchange rate under the peg system in Hong Kong and foresees the interest rate will remain at a lower level in the near future. Therefore, there is no necessity for the Group to engage any financial instruments or derivatives to hedge the exchange and the interest rate risks.

The Group, through continuous measures like technological innovation, equipment replacement and plant expansion etc., maintains a relatively strong competitiveness of its major products with rooms of development. The turnover for business of liquid crystal display, audio and video products, printed circuit boards, plastic moulding and intelligent battery charging systems had been recorded growth respectively. The overall turnover of industrial manufacturing for the year 2004 had reached HK\$1,330,992,000 with a growth rate of 34%. Profit had recorded a growth rate of more than 63%. This shows that the profitability of the Group has been obviously strengthened.

The independent shareholders of the Company had approved the Disposal of Astrotech at the Extraordinary General Meeting held on 15 March 2005. The transaction is expected to complete in June 2005. By then, the Company will no longer hold any direct or indirect interest in CASTEL. Detail of the Disposal of Astrotech had been disclosed in the Company's announcement dated 25 January 2005 and its circular dated 15 February 2005.

The disposal of non-core assets and better resource allocation are policies of the Group. The Group speedily captured the market opportunity and disposed some properties located at Concordia Plaza in Tsimshatsui East, Kowloon, Hong Kong at a consideration of HK\$180 million in November 2004. The transaction was completed at the end of March 2005.

Certain Group's real estates and investments have been mortgaged to banks for financing with interest calculated mostly at prime rate, and the remaining terms by instalment varying from 3 to 10 years.

## **11. MATERIAL ADVERSE CHANGE**

So far as the Directors are aware, there is no material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest published audited accounts of the Company have been made up.

**12. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (a) a provisional agreement for sale and purchase dated 9 November 2004 was entered into with World Favour International Limited in relation to the sale of units 1-8, 21st Floor, Greenfield Tower and units 9-17, 21st Floor, Seapower Tower, and Car Parking Spaces LB015, 016, 017, 047 and 048 on the Lower Basement of Private Garage, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong for a consideration of HK\$180,000,000. The terms of the disposal had been disclosed in the announcement dated 10 November 2004 and the circular dated 30 November 2004. The sale and purchase was completed on 31 March 2005;
- (b) pursuant to the announcement dated 8 December 2004, a loan restructuring agreement dated 7 December 2004 was entered into among others, Bank of China (Hong Kong) Limited as the Lender, CASIL Clearing Limited and CASIL Properties Limited as Borrowers and the Company as the Guarantor whereby the Borrowers and the Company agreed to repay to the Lender the Restructured Loan in the aggregate sum of HK\$435,192,987.48 and the interest thereon in accordance with the terms of the agreement; and,
- (c) a sale and purchase agreement dated 22 January 2005 was entered into with China Academy of Launch Vehicle Technology (“CALT”), a connected party of the Company, for the purpose of effecting a Group reorganisation. Pursuant to a sale and purchase agreement, for a cash consideration of HK\$143,758,000, the Company agreed to sell, and CALT agreed to purchase, the Company’s entire 100% equity interest in Astrotech Group Limited, which, in turn, holds 449,244,000 ordinary shares (representing approximately 44.17% equity interest) in CASTEL. Upon completion of the sale and purchase agreement, the Company will no longer hold any direct or indirect equity interest in CASTEL. Details of the Disposal of Astrotech had been disclosed in the announcement dated 25 January 2005 and the circular dated 15 February 2005. The disposal is expected to be completed in June 2005.

**13. CONSENT OF EXPERT**

Dudley Surveyors Limited has given and has not withdrawn its written consent to the issue of this circular copy of the valuation certificate and the reference to its name herein in the form and context in which it is respectively included.

<b>Name</b>	<b>Qualification</b>
Dudley Surveyors Limited	Property valuer

Dudley Surveyors Limited has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**14. GENERAL**

- (a) The registered office of the Company is situated at 17th Floor, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Mr. Chan Ka Kin, Ken. Mr. Chan is an associate member of Institute of Chartered Secretaries and Administrators, UK and The Hong Kong Institute of Company Secretaries.
- (c) The qualified accountant of the Company is Mr. Luk Chi Keung. Mr. Luk is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (d) The transfer office of the Company is Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following document are available for inspection during normal business hours at the registered office of the Company within 14 days from the date of this circular:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the valuation certificate prepared by Dudley Surveyors Limited, the text of which is set out in Appendix II;
- (c) the written consent referred to in the section headed “Consent of Expert” in this appendix;
- (d) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (e) the annual reports for each of the two years ended 31 December 2003 and 31 December 2004;
- (f) the Memorandum of Agreement dated 4 May 2005; and
- (g) the Formal Agreement dated 9 June 2005.

*The following is the text of a report, prepared for the purpose of incorporation in this circular, received from Dudley Surveyors Limited.*



10 June 2005

The Directors

China Aerospace International Holdings Ltd.

17th Floor

China Aerospace Centre

No. 143 Hoi Bun Road

Kwun Tong

Kowloon

Dear Sirs,

- Re: (1) Units 201, 203, 205 and 206 on 2nd Floor, 3rd Floor and all Flat Roofs thereof, Units 501 and 502 on 5th Floor, Units 707, 709A to 709C on 7th Floor, Units 1002 and 1003 on 10th Floor, 12th Floor and main roof, the external walls, all storerooms on Ground Floor, Storeroom Nos. 1, 2 and Storeroom No. 3 and Private Car Parking Space Nos. P8, P10, P11 and Lorry Parking Spaces Nos. L8, L9, L12 and L13 on Upper Basement, Storeroom Nos. 1 to 8 and Private Car Parking Space Nos. P10, P21 to P29 on Lower Basement, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.**
- (2) Ground Floor, 1st Floor and all Flat Roofs thereof, Units 202, 204 and 207 to 209 on 2nd Floor, 4th Floor, Units 503-509 on 5th Floor, 6th Floor, Units 701 to 706 and 708A, 708B on 7th Floor, 8th and 9th Floors, Units 1001, 1004 to 1009 on 10th Floor and 11th Floor, Private Car Parking Space Nos. P7, P9, P12, P13 and P14 and Lorry Parking Space Nos. L7, L10, L11, L14 to L18 on Upper Basement, a Container Parking Space on Ground Floor, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.**
- (3) Private Car Parking Space Nos. P1 to P9, P11 to P20 and P30 to P54 on Lower Basement, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.**

We refer to your instructions for us to assess the Open Market Value of the captioned properties of China Aerospace International Holdings Limited and its subsidiaries (together referred to as the “Group”) in Hong Kong. We confirm that we have made relevant enquiries

and obtained such further information as we considered necessary for the purpose of providing you (the “Group”) with our opinion of the open market values of the property interests as at 3 May 2005 (the “Valuation Date”).

Our valuations are our opinion of the Open Market Value which we would define as meaning “the best value at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, assuming:

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the negotiation and agreement of price and terms and for the completion of the sale;
- (c) that the price reflects the state of the market and other circumstances at the date of valuation;
- (d) that no account is taken of any additional bid by a purchaser with a special interest, and;
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations have been made on the assumption that the owner sells the property interest on the open market in their existing states without the benefit of a deferred terms contract, joint venture, management agreement or any similar arrangement which would serve to affect the values of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property, and no allowance is made for the properties to be sold to a single party and/or as a portfolio or portfolios.

Our valuation is prepared in accordance with the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors and in compliance with Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In undertaking our valuation for the property interests, we have assumed that the Group has an uninterrupted right to use the respective properties for the whole of the term as granted at nominal annual land use fees and any premium payable has been granted. We are unable to ascertain the titles of the property interest but have relied on the advice given by the Group regarding the validity and nature of the property interests.

We have been provided by the Group with some documents in relation to the title of the property interest. However, we have not searched the original documents to verify ownership

or to ascertain any amendments which may not appear on the copies available to us. We have relied to a considerable extent on any information given by you and have accepted advice given to us on such matters as statutory notices, easements, tenure, occupation, tenancy schedule, rentals, site and floor areas and all other relevant matters.

All documents and leases have been used as reference only and all dimensions, measurements and areas included in this valuation report are based on information contained in the documents available to us and are therefore approximations only. We have not been able to carry out detailed on-site measurements to verify the site area and floors areas of the property and we have assumed that the site and floor areas shown on the copies of the documents available to us are correct.

Whilst we have carried out an external inspection of the property, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the property is free from rot, infestation or any other defect nor were any tests carried out on any of the services.

In forming our opinion of the open market value of the property interests, we have adopted the direct comparison method assuming sale with the benefit of immediate vacant possession or existing tenancies and by reference to comparable market transactions.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the values.

Our valuations are summarized below and our valuation certificates are attached herewith.

Yours faithfully,  
For and on behalf of  
**Dudley Surveyors Limited**  
**Ellen Y. T. LO**  
B.Sc. (Est. Man.), MRICS, MHKIS,  
RPS (GP), CIREA  
*Managing Director*

*Note:* Ms. Ellen Y. T. Lo is a chartered surveyor with over 22 years' experience in valuing properties in Hong Kong and the PRC.

## SUMMARY OF VALUES

<b>No. Property</b>	<b>Open market value in existing state as at 3 May 2005</b>
1. Units 201, 203, 205 and 206 on 2nd Floor, 3rd Floor and all Flat Roofs thereof, Units 501 and 502 on 5th Floor, Unit 707, 709A to 709C on 7th Floor, Units 1002 and 1003 on 10th Floor, 12th Floor and main roof, the external walls, all storerooms on Ground Floor, Storeroom Nos. 1,2 and Storeroom No. 3 and Private Car Parking Space Nos. P8, P10, P11 and Lorry Parking Spaces Nos. L8, L9, L12 and L13 on Upper Basement, Storeroom Nos. 1 to 8 and Private Car Parking Space Nos. P10, P21 and P29 on Lower Basement, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.	HK\$49,000,000
2. Ground Floor, 1st Floor and all Flat Roofs thereof, Units 202, 204 and 207 to 209 on 2nd Floor, 4th Floor, Units 503-509 on 5th Floor, 6th Floor, Unit 701 to 706 and 708A, 708B on 7th Floor, 8th and 9th Floors, Units 1001, 1004 to 1009 on 10th Floor, and 11th Floor, Private Car Parking Space Nos. P7, P9, P12, P13 and P14 and Lorry Parking Space Nos. L7, L10, L11, L14 to L18 on Upper Basement, a Container Parking Space on Ground Floor, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.	HK\$129,000,000
3. Private Car Parking Space Nos. P1 to P9, P11 to P20 and P30 to P54 on Lower Basement, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.	HK\$13,200,000
Sub-Total:	<hr/> <u><u>HK\$191,200,000</u></u>



## VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 May 2005
<p>1. Units 201, 203, 205 and 206 on 2nd Floor, 3rd Floor and all Flat Roofs thereof, Units 501 and 502 on 5th Floor, Units 707, 709A to 709C on 7th Floor, Units 1002 and 1003 on 10th Floor, 12th Floor and main roof, the external walls, all storerooms on Ground Floor, Storeroom Nos. 1, 2 and Storeroom No. 3 and Private Car Parking Space Nos. P8, P10, P11 and Lorry Parking Spaces Nos. L8, L9, L12 and L13 on Upper Basement, Storeroom Nos. 1 to 8 and Private Car Parking Space Nos. P10, P21 to P29 on Lower Basement, Conic Investment Building, 13 Hok Yuen Street, Hung Hom, Kowloon.</p> <p>Sundry shares of and in Sub-section 1 of Section O of Kowloon Marine Lot No. 40</p>	<p>The property comprises various industrial units and storerooms and 13 private car parking spaces and 4 lorry parking spaces within a 13-storey industrial building erected above 2 levels of basement carports in Hung Hom. The property was completed in 1983.</p> <p>The property has a total gross floor area of 8,010.31 sq.m. (86,223 sq.ft.), a total storeroom area of 676.14 sq.m. (7,278 sq.ft.) and a total flat roof and roof areas of 2,563.92 sq.m. (27,598 sq.ft.) or thereabouts, excluding the carparking areas.</p> <p>The property is held under Government Lease for a term of 75 years from 15 September 1897 renewable for a further term of 75 years. The Government Rent payable for the lot is \$140,132 per annum.</p>	<p>According to the tenancy information provided by the Group, portion of the property with a total gross floor area of 248.8 sq.m. (2,678 sq.ft.) or thereabouts was occupied by the Group.</p> <p>The remaining portion of the property has been leased out at various terms of tenancy with the latest expiry date on 20 November 2007 at a total monthly rent of approximately HK\$313,226 inclusive of government rates and management fees whereas a portion of the property was found vacant as at the date of valuation.</p> <p>A number of car parking spaces were found vacant or let at a monthly rental of HK\$2,980 (for each) inclusive of rates and management fees.</p>	HK\$49,000,000

*Notes:*

1. The registered owner of the property is Well Horn Company Limited, a wholly-owned subsidiary of the company, registered vide Memorial No. 2410195 dated 29 April 1983.
2. The property is zoned as "Other Specified Uses (Business)" under Hung Hom (KPA 9) Outline Zoning Plan No. S/K9/18.

Property	Description and tenure	Particulars of occupancy	Open market value in existing state as at 3 May 2005
<p>2. Ground Floor, 1st Floor and all Flat Roofs thereof, Units 202, 204 and 207 to 209 on 2nd Floor, 4th Floor, Units 503-509 on 5th Floor, 6th Floor, Units 701 to 706 and 708A, 708B on 7th Floor, 8th and 9th Floors, Units 1001, 1004 to 1009 on 10th Floor and 11th Floor, Private Car Parking Space Nos. P7, P9, P12, P13 and P14 and Lorry Parking Space Nos. L7, L10, L11, L14 to L18 on Upper Basement, a Container Parking Space on Ground Floor, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.</p> <p>Sundry shares of and in Sub-section 1 of Section O of Kowloon Marine Lot No. 40.</p>	<p>The property comprises various factory units, a container parking space, 5 private car parking spaces and 8 lorry parking spaces within a 13-storey industrial building erected above 2 levels of basement carport in Hung Hom. The building was completed in 1983.</p> <p>The property has a total gross floor area of 22,300.91 sq.m. (240,047 sq.ft.) or thereabouts, excluding the car parking areas.</p> <p>The property is held under Government Lease for a term of 75 years renewable for 75 years commencing from 15 September 1897. The Government Rent payable for the subject is HK\$140,132 per annum.</p>	<p>Portion of the property was occupied by the Group whereas a small portion of the property was found vacant as at the relevant date of valuation.</p> <p>According to the tenancy information provided by the Group, the remaining portion of the property has been leased out at various terms of tenancy with the latest expiry date on 16 June 2009 at a total monthly rent of approximately HK\$1,041,705 inclusive of government rates and management fees.</p> <p>A number of car parking spaces were occupied by the Group or used as loading/unloading bays or found vacant except one which is let at a monthly rental of HK\$2,980 inclusive of rates and management fees.</p>	HK\$129,000,000

*Notes:*

1. The registered owner of the property is Well Horn Company Limited, a wholly-owned subsidiary of the company, registered vide Memorial Nos. 2410195 and 3860361 dated 29 April 1983 and 15 September 1988 respectively.
2. The property is zoned as "Other Specified Uses (Business)" under Hung Hom (KPA 9) Outline Zoning Plan No. S/K9/18.

			<b>Open market value in existing state as at 3 May 2005</b>
<b>Property</b>	<b>Description and tenure</b>	<b>Particulars of occupancy</b>	
3. Private Car Parking Space Nos. P1 to P9, P11 to P20 and P30 to P54 on Lower Basement, Conic Investment Building, No. 13 Hok Yuen Street, Hung Hom, Kowloon.	The property comprises 44 private car parking spaces on the lower basement of a 13-storey industrial building erected above 2 levels of basement carport in Hung Hom. The building was completed in 1983.	The property was let on either monthly or hourly basis as at the relevant date of valuation.	HK\$13,200,000
Sundry shares of and in Sub-section 1 of Section O of Kowloon Marine Lot No. 40.	The property is held under Government Lease for a term of 75 years renewable for 75 years commencing from 15 September 1897. The Government Rent payable for the subject lot is HK\$140,132 per annum.		

*Notes:*

1. The registered owner of the property is Well Horn Company Limited, a wholly-owned subsidiary of the company, registered vide Memorial No. 3860361 dated 15 September 1988.
2. The property is zoned as "Other Specified Uses (Business)" under Hung Hom (KPA 9) Outline Zoning Plan No. S/K9/18.

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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## CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 31)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of China Aerospace International Holdings Limited (the “Company”) will be held at 17th Floor, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong at 11:00 a.m. on Tuesday, 28 June 2005 (or any adjournment thereof), for the purpose of considering and, if thought fit, passing the ordinary resolution set out as follows:–

**“THAT:**

- (a) the proposed disposal of the entire building erected on Subsection 1 of Section O of Kowloon Marine Lot No. 40 known as Conic Investment Building (save and except for the car parking spaces not owned by Well Horn Company Limited, a wholly-owned subsidiary of the Company) pursuant to the memorandum of agreement dated 4 May 2005 (the “Memorandum of Agreement”) entered into by Well Horn Company Limited as the vendor, and Global Coin Limited as the purchaser for a consideration of HK\$330,000,000, be and is hereby approved; and
- (b) that the directors of the Company be and are hereby authorized to take such action and execute such documents as they may deem appropriate and expedient in respect of the completion of the proposed transaction contemplated under the Memorandum of Agreement.”

By order of the Board

**Ken Chan**

*Company Secretary*

Hong Kong, 13 June 2005

*Notes:*

- 1. A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint a proxy (or proxies) to attend and vote in his stead. A proxy need not be a member of the Company.
- 2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, the Standard Registrars Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.