
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in SIIC Medical Science and Technology (Group) Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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上海實業醫藥科技(集團)有限公司*

SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LTD.

(Incorporated in the Cayman Islands with limited liability)

**PROPOSALS FOR
TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
ADOPTION OF THE NEW SHARE OPTION SCHEME,
AND GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE BY THE COMPANY OF ITS OWN SHARES**

A notice convening an extraordinary general meeting of SIIC Medical Science Technology (Group) Limited to be held at the Conference Room, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Monday, 6th May 2002 at 10:45 a.m. (or so soon thereafter as the annual general meeting of the Company to be convened for the same day and place shall have been concluded or adjourned) is set out on pages 21 to 24 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the head office of the Company at 10th Floor, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting should you so wish.

This circular will remain on the GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which these companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

- “AGM” the Annual General Meeting of the Company to be held at the Conference Room, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Monday, 6th May 2002 at 10:30 a.m.;
- “associate” shall have the same meaning ascribed to it under the GEM Listing Rules;
- “Board” the board of directors of the Company or a duly authorised committee thereof for the time being, including the independent non-executive directors of the Company (and, in so far as may be required under the GEM Listing Rules, the independent non-executive directors of any holding company of the Company which is also listed on the Growth Enterprise Market or the Main Board of the Stock Exchange);
- “Business Day” a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities;
- “Company” SIIC Medical Science and Technology (Group) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM;
- “Directors” the directors of the Company for the time being;
- “EGM” the Extraordinary General Meeting of the Company to be held at the Conference Room, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Monday, 6th May 2002 at 10:45 a.m. (or so soon thereafter as the AGM to be convened for the same day and place shall have been concluded or adjourned), the notice of which is enclosed in this circular;
- “EGM Notice” the notice convening the EGM as set out on pages 21 to 24 of this circular;
- “Existing Share Option Scheme” the share option scheme adopted by the Company at its general meeting on 11th November 1999 for the full-time employees and the executive directors of the Company or any Subsidiary of the Company;
- “GEM” the Growth Enterprise Market of the Stock Exchange;
- “GEM Listing Rules” the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;

DEFINITIONS

“Grantee”	any Participant who accepts an Offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person who is entitled to any such Option in consequence of the death of the original Grantee;
“Group”	the Company, its Subsidiaries, its associated companies, its jointly controlled entities or its related companies;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	15th April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the EGM a summary of the principal terms of the rules of which are set out in Appendix I to this circular;
“Offer”	the offer of the grant of an Option made by the Board in accordance with the New Share Option Scheme;
“Offer Date”	the date on which an Offer is made to a Participant in accordance with the New Share Option Scheme, which date must be a Business Day;
“Option”	a right to subscribe for Shares pursuant to the terms of the New Share Option Scheme;
“Option Period”	a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised, such period to expire not later than 10 years from the date of grant of the Option. The Board may also provide restrictions on the exercise of an Option during the period an Option may be exercised;
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the EGM Notice;
“Participant”	any director (or any persons proposed to be appointed as such, whether executive or non-executive) and employee (whether full-time or part-time) of each member of the Group; any executive or employee of any business consultant, professional advisers to each member of the Group (or any persons proposed to be appointed as such), as absolutely determined by the Board;

DEFINITIONS

“related company”	means a company, an entity or an enterprise (wherever incorporated and whether limited by shares or otherwise) in which the Company is directly or indirectly interested in less than 20 per cent. of the issued share capital or equity interest of such company or entity or enterprise or is the holder of less than 20 per cent. of the voting rights of such company or entity or enterprise; but is the largest shareholder or the holder of the largest voting rights of such company or entity or enterprise (as the case may be).
“Relevant Company”	means the Company, the relevant Subsidiary, associated company, jointly controlled entity or related company of the Company, as the case may be;
“Repurchase Mandate”	a general mandate to the Directors to exercise the power of the Company to repurchase Shares during the period as set out in Ordinary Resolution no.2 up to 10 per cent. of the issued share capital of the Company as at the date of passing Ordinary Resolution no.2;
“Shanghai Industrial”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the share capital of which is listed on the Main Board of the Stock Exchange, and is an intermediate holding company of the Company;
“Shanghai Industrial Meeting”	the general meeting of Shanghai Industrial to be held to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme by the Company;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Share Issue Mandate”	a general mandate to the Directors to exercise the power of the Company to allot, issue and deal with Shares during the period as set out in Ordinary Resolution no.3 up to 20 per cent. of the issued share capital of the Company as at the date of passing Ordinary Resolution no.3;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) or the Companies Law (2001 Second Revision) of the Cayman Islands or the local companies law, act and/or ordinance where the subject company was incorporated);

DEFINITIONS

“Takeovers Code”	Hong Kong Codes on Takeovers and Mergers; and
“\$”	Hong Kong dollars

LETTER FROM THE CHAIRMAN



上海實業醫藥科技(集團)有限公司*

SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LTD.

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Lu Ming Fang (*Chairman*)

Feng Gen Sheng (*Vice Chairman*)

Li Wei Da (*Vice Chairman*)

Zhou Jie (*Managing Director*)

Chen Shu Zi (*Deputy Managing Director*)

Ge Wen Yao

Wu Jian Zhuang

Head Office:

10th Floor

Shanghai Industrial Investment Building

48-62 Hennessy Road

Wanchai

Hong Kong

Independent Non-executive Directors:

Kwok Chin Kung, Robert

Li Ka Cheung, Eric

Lee Ka Sze, Carmelo

Registered Office:

P.O. Box 309, Umland House

South Church Street, George Town

Grand Cayman, Cayman Islands

British West Indies

15th April 2002

To Shareholders of the Company

Dear Sir or Madam,

**PROPOSALS FOR
TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
ADOPTION OF THE NEW SHARE OPTION SCHEME,
AND GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE BY THE COMPANY OF ITS OWN SHARES**

1. INTRODUCTION

The Existing Share Option Scheme was adopted by the Company on 11th November 1999. It will expire on 10th November 2009. To be in line with the recent changes of the GEM Listing Rules in relation to share option schemes and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time, the Board proposes that the Existing Share Option Scheme be terminated and the New Share Option Scheme for the Participants be approved and adopted at the EGM.

**for identification purpose only*

LETTER FROM THE CHAIRMAN

At the annual general meeting of the Company held on 26th April 2001, resolutions were passed giving general mandates to the Directors, to allot, issue and deal with Shares and to exercise the powers of the Company to repurchase its own Shares in accordance with the GEM Listing Rules. These general mandates will lapse at the conclusion of the coming AGM. It is therefore proposed to renew the general mandates to issue, allot and deal with Shares and to repurchase Shares at the EGM.

The purpose of this circular is to provide you with information regarding the New Share Option Scheme and the proposed renewal of the general mandates to allot, issue and deal with Shares and to repurchase Shares and to seek your approval of the Ordinary Resolutions relating to these matters at the EGM.

2. TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF THE NEW SHARE OPTION SCHEME

At the EGM, Ordinary Resolution no.1 will be proposed that the Existing Share Option Scheme be terminated and the New Share Option Scheme be approved and adopted at the EGM. A summary of the principal terms of the New Share Option Scheme is set out in Appendix I hereto. Subject to the approval of the shareholders of the Company at the EGM and the approval of the shareholders of Shanghai Industrial at the Shanghai Industrial Meeting of the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme, the Existing Share Option Scheme will be terminated with effect from the conclusion of the EGM or the conclusion of the Shanghai Industrial Meeting, whichever is the later. The New Share Option Scheme will take effect, subject to the approval of the Stock Exchange, on the date of its adoption at the EGM or the date the New Share Option Scheme is approved at the Shanghai Industrial Meeting, whichever is the later. Operation of the New Share Option Scheme will commence after all conditions precedent as referred to in paragraph 3 below have been fulfilled.

The Board granted the options pursuant to the Existing Share Option Scheme to participants to subscribe for a total of 39,700,000 Shares representing approximately 6.4 per cent. of the issued share capital of the Company as at the Latest Practicable Date. The aforesaid options are exercisable during the period from 21st January 2003 to 20th January 2006. Save as aforesaid and up to the Latest Practicable Date, no other options have been granted to any participant. There are 39,200,000 Shares representing outstanding options and 500,000 Shares representing options lapsed under the Existing Share Option Scheme. There is no option cancelled under the Existing Share Option Scheme. The Board confirms that prior to the EGM, it will not grant any further option under the Existing Share Option Scheme. Besides the Existing Share Option Scheme, there is no other subsisting share option schemes as at the Latest Practicable Date.

Upon termination of the Existing Share Option Scheme, no further options may be offered thereunder. However, in respect of the outstanding options mentioned in the preceding paragraph, the provisions of the Existing Share Option Scheme shall remain in force. The abovementioned outstanding options granted under the Existing Share Option Scheme shall continue to be subject to the provisions of the Existing Share Option Scheme and the provisions of Chapter 23 of the GEM Listing Rules which took effect from 1st September 2001 and the adoption of the New Share Option Scheme will not in any event affect the terms in respect of such outstanding options.

LETTER FROM THE CHAIRMAN

As at the Latest Practicable Date, the issued share capital of the Company comprised 620,000,000 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares issuable pursuant to the New Share Option Scheme on the date of its adoption will be 62,000,000 Shares.

3. CONDITIONS PRECEDENT OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will take effect upon satisfaction of the following conditions :-

- (i) the passing of an ordinary resolution approving the termination of the Existing Share Option Scheme by the shareholders of the Company and the shareholders of Shanghai Industrial at their respective general meeting;
- (ii) the passing of an ordinary resolution approving the adoption of the New Share Option Scheme by the shareholders of the Company in general meeting and authorising the directors of the Company to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the New Share Option Scheme;
- (iii) the New Share Option Scheme being approved by the shareholders of Shanghai Industrial at its general meeting; and
- (iv) the Listing Sub-Committee of the Stock Exchange for GEM granting approval for the New Share Option Scheme and the granting of Options thereunder and the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme.

Upon satisfaction of the above conditions, the Board will have the right to grant to the Participants Options to subscribe for Shares, which when aggregated with Shares to be granted under any other share option schemes of the Company, representing up to 10 per cent. of the total number of Shares in issue as at the date of approval of the New Share Option Scheme, unless the Company obtains a fresh approval from its shareholders to refresh the 10 per cent. limit. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the issued share capital of the Company from time to time.

Application will be made to the Stock Exchange for the approval of the New Share Option Scheme and the subsequent granting of Options thereunder and the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme.

Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the shareholders of the Company, except where the alterations take effect automatically pursuant to the terms originally provided in the New Share Option Scheme.

LETTER FROM THE CHAIRMAN

4. GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution will be proposed at the EGM to grant to the Directors the Repurchase Mandate, details of which are set out in Ordinary Resolution no.2 in the EGM Notice. The Shares which may be repurchased pursuant to the Repurchase Mandate is up to 10 per cent. of the issued share capital of the Company at the date of passing of the resolution approving the Repurchase Mandate.

An explanatory statement as required under the GEM Listing Rules, giving certain information regarding the Repurchase Mandate, is set out in the Appendix II hereto.

5. GENERAL MANDATE TO ISSUE SHARES

An ordinary resolution will be proposed at the EGM to grant to the Directors the Share Issue Mandate. In addition, an ordinary resolution will also be proposed to authorise an extension of the Share Issue Mandate by adding to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Share Issue Mandate the number of Shares purchased under the Repurchase Mandate, if granted.

Details of the Share Issue Mandate and the extension of the Share Issue Mandate are set out in Ordinary Resolutions no.3 and no.4 in the EGM Notice.

6. EXTRAORDINARY GENERAL MEETING

Set out on pages 21 to 24 of this circular is the EGM Notice at which the Ordinary Resolutions will be proposed to approve the termination of the Existing Share Option Scheme, the adoption of the New Share Option Scheme, the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate.

7. ACTION TO BE TAKEN

A form of proxy for use at the EGM is enclosed. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the head office of the Company at 10th Floor, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the New Share Option Scheme will be available for inspection at the head office of the Company during normal business hours up to and including the date of the EGM.

LETTER FROM THE CHAIRMAN

9. RECOMMENDATION

The Directors believe that the termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme, the Repurchase Mandate, the Share Issue Mandate, and the extension of the Share Issue Mandate are all in the best interests of the Company as well as its shareholders. Accordingly, the Directors recommend that all shareholders of the Company should vote in favour of all the Ordinary Resolutions as set out in the EGM Notice.

Yours faithfully,
By Order of the Board

A handwritten signature in black ink, appearing to be 'Lu Ming Fang', written in a cursive style.

Lu Ming Fang
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on the basis and assumptions that are fair and reasonable.

2. SUMMARY OF THE NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the New Share Option Scheme to be adopted at the EGM:

- (a) The purpose of the New Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.
- (b) The New Share Option Scheme is conditional upon (i) the approval of the shareholders of the Company and the approval of the shareholders of Shanghai Industrial at their respective general meeting for the termination of the Existing Share Option Scheme; (ii) the approval of the shareholders of the Company in general meeting for the adoption of the New Share Option Scheme and the authorisation to the directors of the Company to grant Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Options granted under the New Share Option Scheme; (iii) the approval of the shareholders of Shanghai Industrial in general meeting for the adoption of the New Share Option Scheme; and (iv) the Listing Sub-Committee of the Stock Exchange for GEM granting approval of the New Share Option Scheme and any Options which may be granted under the New Share Option Scheme, and the listing of, and permission to deal in, any Shares to be issued and allotted pursuant to the exercise of Options under the New Share Option Scheme.
- (c) The Board may, at its discretion, invite any Participant to take up Options. An Offer is deemed to have been accepted and the Option to which the Offer relates is deemed to have been granted by the Grantee upon the Grantee's signing the duplicate letter comprising acceptance of the Option with the number of Shares in respect of which the Offer is accepted clearly stated therein and paying HK\$1 by way of consideration for the grant thereof is received by the Company within 30 days from the Offer Date. The subscription price for Shares in the Company is calculated in accordance with sub-paragraph (d) below.

- (d) The subscription price for Shares under the New Share Option Scheme shall be a price determined by the Board and notified to a Participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the Offer Date; and (iii) the nominal value of a Share.
- (e) (i) Subject to e(iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains a fresh approval from its shareholders pursuant to e(ii) below.
- (ii) Subject to e(iv) below, the Company may seek approval of its shareholders in general meeting to refresh the 10 per cent. limit set out in e(i) above such that the total number of Shares in respect of which Options may be granted under the New Share Option Scheme or any other share option schemes of the Company shall not exceed 10 per cent. of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised Options) will not be counted for the purpose of calculating such refreshed 10 per cent. limit. The Company shall send a circular to its shareholders containing the information required under rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under rule 23.02(4) of the GEM Listing Rules.
- (iii) Subject to e(iv) below, the Company may grant Options to specified Participant(s) beyond the 10 per cent. limit provided that the Options in excess of the limit are granted only to specified Participant(s) identified by the Company and specifically approved by the shareholders of the Company in general meeting.
- (iv) Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of Shares in issue from time to time. No Options may be granted under any schemes of the Company (or the Subsidiary of the Company) if this will result in the limit being exceeded.
- (f) Subject to the provisions of the New Share Option Scheme, the Board may at its discretion when offering the grant of an Option imposes any conditions, restrictions or limitations in relation thereto as it may think fit.

- (g) (i) The maximum entitlement for any one Participant is that the total number of Shares issued and to be issued upon exercise of the Options granted to each Participant under the New Share Option Scheme and any other option schemes (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1 per cent. of the total number of Shares in issue.
- (ii) Any further grant of Options in excess of the 1 per cent. limit shall be subject to shareholders' approval in general meeting with such Participant and such Participant's associates abstaining from voting. The number and terms of the Options to be granted to such Participants shall be fixed before shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.
- (h) (i) Any grant of Options to a Participant who is a director, chief executive, management shareholder or substantial shareholder (all with the meaning as ascribed under the GEM Listing Rules) of the Company or their respective associates must be approved by the independent non-executive directors of the Company (excluding the independent non-executive director who is the Grantee).
- (ii) Where the Board proposes to grant any Option to a Participant who is a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to the Participant under the New Share Option Scheme and any other option schemes in the 12-month period up to and including the date of such grant:
- (1) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and
 - (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the shareholders of the Company in general meeting. In such case, the Company shall send a circular to its shareholders containing all the information as required under the GEM Listing Rules. All connected persons (with the meaning as ascribed under the GEM Listing Rules) of the Company shall abstain from voting (except that any connected person may vote against the relevant resolution at such general meeting provided that his intention to do so has been stated in the circular to the shareholders of the Company). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

- (i) An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the Option Period after the Option has been granted by the Board. An Option Period is a period to be determined by the Board in its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised, such period shall expire not later than 10 years from the date of grant of the Option. Any minimum period for which an Option must be held before it can be exercised shall also be determined by the Board in its absolute discretion.
- (j) No performance target needs to be achieved by the Grantee before an Option can be exercised.
- (k) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell or transfer in favour of any third party over or in relation to any Option.
- (l) If the Grantee of an Option ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship or office or appointment on one or more of the grounds specified in paragraph (n) below, the Grantee may exercise the Option up to the Grantee's entitlement at the date of cessation (to the extent not already exercised) within the period of 1 month following the date of such cessation, which date shall be the last actual working day with the Relevant Company whether salary is paid in lieu of notice or not or the last date of office or appointment as director of or as business consultant, professional or other advisers to the Relevant Company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the Relevant Company shall be conclusive.
- (m) If the Grantee of an Option dies before exercising the Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship or office or appointment under paragraph (n) below arises, the personal representative(s) of the Grantee may exercise the Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised) within a period of 12 months following the date of the death of the Grantee, or such longer period as the Board may determine from the date of death.
- (n) An Option shall lapse automatically (to the extent not already exercised) on the date on which the Grantee ceases to be a full-time employee or part-time employee, director, executive, business consultant, or professional adviser of the Relevant Company by reason of the termination of the Grantee's employment, directorship or office or appointment on the grounds that the Grantee has been guilty of misconduct, or has committed any act of bankruptcy, or has become insolvent, or has made any arrangements or composition with the Grantee's creditors generally, or has been convicted of any criminal offence involving the Grantee's integrity or honesty or (if so determined by the Board) on any other ground on which the Relevant Company would be entitled to terminate the Grantee's employment, directorship or office or appointment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Relevant Company.

- (o) In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees and thereupon, each Grantee (or the Grantee's personal representatives(s)) shall be entitled to exercise all or any of the Grantee's Option at any time not later than 7 Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above allot the relevant Shares to the Grantee credited as fully paid. Subject to the above, an Option will lapse automatically (to the extent not already exercised) upon the expiry of the period in which to exercise an Option referred to above.
- (p) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment of the relevant Shares other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment of the relevant Shares.
- (q) In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company, such corresponding alterations (if any) will be made to (i) the number or nominal amount of Shares subject to the Option so far as unexercised; or (ii) the subscription price, provided that an independent financial adviser or the auditors for the time being of the Company shall have confirmed in writing to the directors of the Company, either generally or as regards any particular Grantee, that any such alterations shall satisfy the requirements set out in the note to rule 23.03(13) of the GEM Listing Rules and shall give a Grantee the same proportion of the issued share capital of the Company as that to which the Grantee was previously entitled but that no such alterations shall be made so that a Share would be issued at less than its nominal value or which would give a Grantee a different proportion of the issued share capital of the Company as that to which the Grantee was previously entitled. No alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares as consideration in a transaction.
- (r) The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which it is adopted by resolution of the Company in general meeting, after which period no further Options will be issued but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect.

- (s) With the consent of the Grantee, the Board may by resolution at any time at its absolute discretion cancel any Options granted but not exercised.
- (t) The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect.
- (u) The provisions of the New Share Option Scheme may be altered in any respect by resolution of the Board except that the definitions of "Grantee", "Option Period" and "Participant" in sub-paragraph 1.1 thereof and the provisions of sub-paragraphs 4, 5.1, 5.2, 5.3 and 5.4 and paragraphs 6, 7, 8, 9, 10, 11, 14, 15 and 16 thereof cannot be altered to the advantage of the Grantees or prospective Grantees without the prior approval of the shareholders of the Company in general meeting.
- (v) Any alteration to the terms and conditions of the New Share Option Scheme, which are of a material nature or any change to the terms of Options granted (other than any alterations or changes which take effect automatically under the existing terms of the New Share Option Scheme) or any changes to the authority of the directors of the Company or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme, shall be approved by the shareholders of the Company in general meeting.

3. EXPLANATION OF THE TERMS

The terms of the New Share Option Scheme are in line with the provisions of the revised Chapter 23 of the GEM Listing Rules, which govern the terms of the share option schemes of listed companies on GEM. Further, the New Share Option Scheme will provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time. Therefore, the New Share Option Scheme, if adopted, will be in the interest of the Company as a whole in terms of management and operation. Accordingly, the Board proposes to recommend the shareholders of the Company to approve the adoption of the New Share Option Scheme and simultaneously terminate the Existing Share Option Scheme at the EGM.

4. VALUE OF THE OPTIONS

Since the New Share Option Scheme is yet to be approved by the shareholders of the Company, the Board has not yet determined the time frame on the granting of the Options under the New Share Option Scheme and the number of Shares for which any Grantee may subscribe upon exercise of an Option. Accordingly, the Board considers that it is premature and inappropriate to state the value of the Option for the time being in this circular.

This is an explanatory statement given to all shareholders of the Company relating to a resolution to be proposed at the forthcoming EGM authorising the Repurchase Mandate.

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

1. REGULATIONS OF THE GEM LISTING RULES

(a) Shareholders' approval

All repurchase of securities on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

(b) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

(c) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10 per cent. of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10 per cent. of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange. A company may only purchase shares on GEM if (1) the purchase price is not higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the Rules of the Stock Exchange), whichever is higher; and (2) the company has not made the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange.

(d) Status of repurchased securities

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(f) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The director's report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(g) Connected parties

Under the GEM Listing Rules, a company shall not knowingly purchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at the Latest Practicable Date and to the best of the knowledge of the Directors having made all reasonable enquiries, none of the Directors or their associates has a present intention to sell Shares to the Company.

2. EXERCISE OF THE REPURCHASE MANDATE

Exercise in full of the Repurchase Mandate, on the basis of 620,000,000 Shares of the Company (“Shares”) in issue as at the Latest Practicable Date, could result in up to 62,000,000 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the repurchase mandate by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

3. REASONS FOR REPURCHASES

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

4. FUNDING OF REPURCHASES

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 applicable laws and regulations of the Cayman Islands. The Company may not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

5. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum and the articles of association of the Company and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so.

7. TAKEOVERS CODE

If as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a shareholder, or a group of shareholders acting in concert, depending on the level of increase in the shareholder's interest, could obtain or consolidated control of the Company and become(s) obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Central Force Investments Limited, which is a substantial shareholder of the Company, held approximately 60 per cent. of the Shares issued by the Company. In the event that the Directors exercised in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the EGM, the total interests of Central Force Investments Limited in the Shares of the Company would be increased to approximately 66.7 per cent. of the issued Shares of the Company and Central Force Investments Limited will not be obliged to make a mandatory offer under Rule 26 of the Takeovers Code in this respect.

In fact, the Directors do not intend to exercise in full the power to repurchase Shares of the Company.

8. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not repurchased any Shares, whether on the Stock Exchange or otherwise, during the previous six months.

9. DIRECTORS AND THEIR ASSOCIATES

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their associate (as defined in the GEM Listing Rules), has any present intention, in the event that the Repurchase Mandate is approved by Shareholders, to sell Shares to the Company.

10. CONNECTED PERSON

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

11. SHARE PRICE

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

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2001		
April	1.800	1.300
May	2.175	1.670
June	2.425	1.760
July	1.950	1.540
August	1.870	1.610
September	1.670	1.250
October	1.610	1.350
November	1.890	1.600
December	1.830	1.590
2002		
January	1.790	1.650
February	1.790	1.680
March	1.960	1.700

NOTICE OF EXTRAORDINARY GENERAL MEETING



上海實業醫藥科技(集團)有限公司*

SIIC MEDICAL SCIENCE AND TECHNOLOGY (GROUP) LTD.

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of SIIC Medical Science and Technology (Group) Limited (“the Company”) will be held at the Conference Room, 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong, on Monday, 6th May 2002 at 10:45 a.m. (or so soon thereafter as the Annual General Meeting of the Company to be convened for the same day and place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions, with or without modification, as Ordinary Resolutions of the Company, :-

ORDINARY RESOLUTIONS

1. **“THAT:**

- (i) subject to and conditional upon the passing of an ordinary resolution by the shareholders of Shanghai Industrial Holdings Limited at its general meeting (the “Shanghai Industrial Meeting”) approving the termination of the existing share option scheme for the full-time employees and the executive directors of the Company and its subsidiaries, which was adopted by the Company at its general meeting on 11th November 1999 (the “Existing Share Option Scheme”), the Existing Share Option Scheme be and is hereby terminated with effect from the conclusion of this meeting or the conclusion of the Shanghai Industrial Meeting, whichever is the later; and
- (ii) subject to and conditional upon (i) the passing of an ordinary resolution by the shareholders of Shanghai Industrial Holdings Limited at the Shanghai Industrial Meeting approving the adoption of the share option scheme of the Company (the “New Share Option Scheme”), the rules of which are contained in the document marked “A” produced to this meeting and for the purposes of identification signed by the Chairman thereof; and (ii) the Listing Sub-Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the Growth Enterprise Market (“GEM”) granting approval of the New Share Option Scheme, and the granting of any options thereunder and the listing of, and permission to deal in, the shares in the Company to be issued and allotted pursuant to the exercise of any such options, the New Share Option Scheme be and is hereby approved and adopted with effect from the date of this meeting or the date the New Share Option Scheme is approved at the Shanghai Industrial Meeting, whichever is the later, and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:

* for identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (a) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for shares in the Company;
- (b) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
- (c) to issue and allot from time to time such number of shares in the Company as may be required to be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”);
- (d) to make application at the appropriate time or times to the Stock Exchange; and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of, and permission to deal in, any shares in the Company which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and
- (e) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”

2. **“THAT:**

- (i) subject to paragraph (ii) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution, and the said approval shall be limited accordingly; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(iii) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (a) the conclusion of the next Annual General Meeting of the Company; or
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or
- (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”

3. **“THAT:**

- (i) subject to paragraph (iii) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (i) of this Resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined); or (b) an issue of shares upon the exercise of subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of shares or rights to acquire shares of the Company; or (c) any issue of shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes and other securities of the Company which carry rights to subscribe for or are convertible into shares of the Company; or (d) an issue of shares pursuant to any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

(iv) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (a) the conclusion of the next Annual General Meeting of the Company; or
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or
- (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares, or any class of shares, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions 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 applicable to the Company).”

4. “**THAT** the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with any additional shares of the Company pursuant to Ordinary Resolution no.3 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 the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution no.2 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution.”

By Order of the Board
Wong Mei Ling, Marina
Company Secretary

Hong Kong, 15th April 2002

Notes:-

1. *A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.*
2. *In order to be valid, the form of proxy together with any 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 head office of the Company at 10th Floor, Shanghai Industrial Investment Building, 48-62 Hennessy Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*