
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in China Rare Earth Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**CHINA RARE EARTH HOLDINGS LIMITED****中國稀土控股有限公司**

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 769)

**PROPOSALS FOR GENERAL MANDATES TO ISSUE SHARES AND
REPURCHASE SHARES, ALTERATION TO THE ARTICLES OF ASSOCIATION AND
RE-ELECTION OF DIRECTORS AT ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Basement II, The Boardroom, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong, on Thursday, 15 June 2006 at 10:30 a.m. is set out on pages 13 to 18 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event no later than 48 hours before the time of the meeting or any adjournment thereof to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

15 May 2006

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DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Basement II, The Boardroom, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 15 June 2006 at 10:30 a.m., the notice of which is set out on pages 13 to 18 of this circular, and at any adjournment thereof
“Articles”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors
“CGP”	the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules
“Company”	China Rare Earth Holdings Limited 中國稀土控股有限公司, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Director(s)”	the director(s) of the Company
“Extension Mandate”	a general and unconditional mandate to the Directors to the effect that any Shares repurchased under the Repurchase Mandate will be added to the total number of Shares which may be allotted and issued under the Issue Mandate
“Group”	the Company and its subsidiaries, and the expression “member(s) of the Group” shall be construed accordingly
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution at the Annual General Meeting
“Latest Practicable Date”	11 May 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Mandate”	a general and unconditional mandate to the Directors to enable them to repurchase the Shares the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of passing the relevant resolution at the Annual General Meeting
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



CHINA RARE EARTH HOLDINGS LIMITED
中國稀土控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 769)

Executive Directors:

Jiang Quanlong, *Chairman*
Qian Yuanying, *Deputy Chairman*
Xu Panfeng
Jiang Cainan

Independent Non-executive Directors:

Liu Yujiu
Huang Chunhua
Jin Zhong

Registered office:

Century Yard, Cricket Square
Hutchins Drive, George Town
Grand Cayman
British West Indies

Principal place of business

in Hong Kong:
15/F, Club Lusitano
16 Ice House Street
Central
Hong Kong

15 May 2006

*To the Shareholders, and for information only,
the holders of options of the Company*

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES TO ISSUE SHARES AND
REPURCHASE SHARES, ALTERATION TO THE ARTICLES OF ASSOCIATION AND
RE-ELECTION OF DIRECTORS AT ANNUAL GENERAL MEETING**

INTRODUCTION

The primary purpose of this circular is to provide you with information regarding the resolutions to be proposed at the Annual General Meeting and to give you notice of the Annual General Meeting. Resolutions to be proposed at the Annual General Meeting include ordinary resolutions relating to the proposed grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate and special resolution relating to the alteration to the Articles of Association.

LETTER FROM THE BOARD

ISSUE MANDATE

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given the Issue Mandate, i.e. a general and unconditional mandate to allot, issue and deal with new Shares up to 20% of the aggregate nominal share capital of the Company in issue as at the date of passing of the relevant resolution. As at the Latest Practicable Date, a total of 1,184,343,059 Shares were in issue. Subject to the passing of the proposed resolution granting the Issue Mandate to the Directors and on the basis that no Shares will be issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Issue Mandate to issue a maximum of 236,868,611 Shares.

REPURCHASE MANDATE AND EXTENSION MANDATE

An ordinary resolution will also be proposed at the Annual General Meeting to give the Directors the Repurchase Mandate, i.e. a general and unconditional mandate to exercise all powers of the Company to repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, Shares up to a maximum of 10% of the nominal share capital of the Company in issue as at the date of passing of the relevant resolution. Based on the 1,184,343,059 Shares in issue as at the Latest Practicable Date and assuming no Shares are issued or repurchased before the Annual General Meeting, the Company would therefore be allowed under this mandate to repurchase a maximum of 118,434,305 Shares.

In addition, an ordinary resolution regarding the Extension Mandate will be proposed at the Annual General Meeting providing that any Shares repurchased under the Repurchase Mandate (up to a maximum of 10% of the issued Shares as at the date of the grant of the Repurchase Mandate) will be added to the total number of Shares which may be allotted and issued under the Issue Mandate.

The Issue Mandate and the Repurchase Mandate would expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; or (b) the end of the period within which the Company is required by the Companies Law or the Articles to hold its next annual general meeting; or (c) when revoked or varied by ordinary resolution(s) of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

Under the Listing Rules, the Company is required to give to all Shareholders all information which is reasonably necessary to enable Shareholders to make an informed decision as to whether to vote for or against the resolution in respect of the Repurchase Mandate at the Annual General Meeting. An explanatory statement for such purpose is set out in Appendix I to this circular.

ALTERATION TO THE ARTICLES OF ASSOCIATION

The Stock Exchange has amended the Listing Rules for the purposes of implementing the CGP which came into effect on 1 January 2005. Appendix 3 to the Listing Rules has also been amended to the effect that an issuer in general meeting shall have power by ordinary resolution to remove any director before the expiration of his period of office and such amendment came into effect on 1 March 2006.

LETTER FROM THE BOARD

In order to align with the code provisions of the CGP and the amended Appendix 3 to the Listing Rules, the Board proposes to alter the Articles to (i) specify that every Director shall be subject to retirement by rotation at least once every three years; (ii) require that any Director appointed to fill a casual vacancy should be subject to re-election by Shareholders at the first general meeting of the Company after such Director's appointment; (iii) specify that voting by poll can be required by Director(s) attending the general meeting holding proxies of Shares representing 5% or more of the total voting rights at the general meeting; and (iv) allow the Company to remove any Director in general meeting by ordinary resolution before the expiration of the period of office of the relevant Director.

A special resolution in relation to the proposed alteration to the Articles will be put forth as special business at the Annual General Meeting to be considered and, if thought appropriate, approved by the Shareholders. A full text of the special resolution for the proposed amendments to the Articles is contained in resolution numbered 8 in the notice of Annual General Meeting set out on pages 13 to 18 of this circular.

ACTIONS TO BE TAKEN

At the Annual General Meeting, ordinary/special resolutions will be proposed to approve, among other matters, (a) the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate and (b) the alteration to the Articles.

Whether or not you are able to attend the Annual General Meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time appointed for the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

RECOMMENDATION

The Directors believe that the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate as well as the alteration to the Articles are beneficial to the Company and the Shareholders as a whole.

The Directors believe that an exercise of the Issue Mandate will enable the Company to take advantage of market conditions to raise additional capital for the Company.

The Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be exercised when the Directors believe that repurchases of Shares will benefit the Company and the Shareholders.

An exercise of the Repurchase Mandate in full may have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31 December 2005, being the date of its latest audited consolidated financial statements. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

LETTER FROM THE BOARD

Accordingly, the Directors recommend Shareholders to vote in favour of the ordinary resolutions approving the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate and the special resolution approving the alteration to the Articles at the Annual General Meeting.

RE-ELECTION OF DIRECTORS

In accordance with Articles 108(A) and (B) of the Articles, Mr Liu Yujiu will retire as Director by rotation and, being eligible, offer himself for re-election at the Annual General Meeting. In accordance with Article 112 of the Articles, Ms Xu Panfeng and Mr Jiang Cainan, being Directors appointed by the Board after the last annual general meeting of the Company, will retire as Directors and, being eligible, offer themselves for re-election at the Annual General Meeting.

The particulars of these three Directors which are required to be disclosed by the Listing Rules are set out in Appendix III to this circular.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
CHINA RARE EARTH HOLDINGS LIMITED
Jiang Quanlong
Chairman

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the granting of the Repurchase Mandate.

1. LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on the Stock Exchange and any other stock exchange on which the securities of the company are listed and such exchange is recognized by the Securities and Futures Commission of Hong Kong subject to certain restrictions. Among such restrictions, the Listing Rules provide that the shares of such company must be fully paid up and all repurchase of shares by such company must be approved in advance by an ordinary resolution of shareholders, either by way of a general repurchase mandate or by specific approval of a particular transaction.

2. SHARE CAPITAL

As at the Latest Practicable Date, there were a total of 1,184,343,059 Shares in issue.

Subject to the passing of the proposed resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 118,434,305 Shares, representing not more than 10% of the issued share capital of the Company as at the Latest Practicable Date.

3. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders as a whole to seek a general authority from the Shareholders to enable the Company to repurchase the Shares on the Stock Exchange or any other stock exchange on which the Shares are listed. Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

4. FUNDING OF REPURCHASES

Repurchases made pursuant to the Repurchase Mandate would be funded out of funds legally available for the purpose in accordance with the Company's memorandum of association, the Articles, the Companies Law and other applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Law, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose, or, if so authorized by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorized by the Articles and subject to the provisions of the Companies Law, out of capital.

Taking into account the current working capital or gearing position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or gearing position of the Company (as compared with the position as at 31 December 2005, being the date of its latest audited consolidated financial statements). However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

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

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
May 2005	1.01	0.93
June 2005	0.97	0.90
July 2005	0.96	0.87
August 2005	0.92	0.81
September 2005	0.84	0.69
October 2005	0.74	0.62
November 2005	0.77	0.62
December 2005	0.86	0.65
January 2006	0.94	0.76
February 2006	1.15	0.87
March 2006	1.76	1.08
April 2006	2.10	1.54
May 2006 (up to the Latest Practicable Date)	1.87	1.63

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases under the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands and in accordance with the regulations set out in the memorandum and articles of association of the Company.

7. DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company under the Repurchase Mandate if such is approved by the Shareholders.

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

8. EFFECT OF TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). As a result, a Shareholder or group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, so far as is known to or can be ascertained after reasonable enquiry by the Directors, YY Holdings Limited*, the only Shareholder who was interested in 10% or more of the issued share capital of the Company, was beneficially interested in 593,400,000 Shares, representing approximately 50.10% of the issued share capital of the Company. Assuming that it did not dispose of its Shares nor acquire additional Shares, if the Repurchase Mandate were exercised in full, the percentage shareholding of YY Holdings Limited will be increased to approximately 55.67% of the issued share capital of the Company.

On the basis of the shareholding set out above, YY Holdings Limited will not be obligated to make a mandatory offer under Rule 26 of the Takeovers Code if the Repurchase Mandate were exercised in full. The Directors have no intention to exercise the Repurchase Mandate to such an extent that will result in the number of Shares in the hands of public falling below the prescribed minimum percentage of 25%.

**Note:* These Shares are held and beneficially owned by YY Holdings Limited, the entire issued share capital of which is held by YYT Limited, the trustee of YY Trust, the discretionary object of which is a company wholly owned by Ms Qian Yuanying, the spouse of Mr Jiang Quanlong, and her children. Ms Qian Yuanying is a founder of YY Trust within the meaning under Part XV of the Securities and Futures Ordinance. Mr Jiang Quanlong is the sole director of YY Holdings Limited.

9. SHARE REPURCHASE MADE BY THE COMPANY

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

Pursuant to Article 72 of the Articles, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by:

- (a) the Chairman of the meeting; or
- (b) at least three members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or
- (d) any member or members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or 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.

Pursuant to Article 73 of the Articles, unless a poll is so demanded and not withdrawn, a declaration by the Chairman of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect made in the book containing the minutes of the proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The biographical details of the Directors eligible for re-election at the Annual General Meeting are set out below:

Executive Directors**Ms Xu Panfeng**

Ms Xu Panfeng, aged 41, joined the Group in 1987 and was appointed as an Executive Director on 19 August 2005. Ms Xu is also the deputy general manager of the Group. She is responsible for the sales of rare earth business and has extensive experience in production and marketing of rare earth industry. In the past three years, Ms Xu had not held any directorship in other listed public companies.

As at the Latest Practicable Date, Ms Xu does not have any interest in the shares or underlying shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Apart from being an Executive Director and the deputy general manager of the Group, Ms Xu is not related to any other directors, senior management or substantial or controlling Shareholders of the Company.

Ms Xu has entered into a service contract with the Company in which her term of office is for the period of three years from 19 August 2005 and is subject to the rotational retirement and re-election requirements at annual general meetings of the Company pursuant to the Articles. She also is entitled to an annual salary of RMB120,000 and a management bonus determined by reference to her experience and expected contribution to the Group.

There is no information which is discloseable nor is/was she involved in any matters required to be disclosed pursuant to any of the requirements of the provisions under the Listing Rules 13.51(2)(h) to 13.51(2)(w).

There are no other matters concerning Ms Xu that need to be brought to the attention of the Shareholders.

Mr Jiang Cainan

Mr Jiang Cainan, aged 47, joined the Group in 1986 and was appointed as an Executive Director on 19 August 2005. Mr Jiang is also the deputy general manager of the Group and the general manager of Yixing Xinwei Refractory Materials Company Limited (“**Yixing Xinwei**”), a subsidiary of the Company. He is responsible for the operation of the refractory materials business and has over 20 years of experience in refractory materials industry. In the past three years, Mr Jiang had not held any directorship in other listed public companies.

As at the Latest Practicable Date, Mr Jiang does not have any interest in the shares or underlying shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Apart from being an Executive Director and the deputy general manager of the Group and the general manager of Yixing Xinwei, Mr Jiang does not hold any position in the Company or in any member of the Group, and is not related to any other directors, senior management or substantial or controlling Shareholders of the Company.

Mr Jiang has entered into a service contract with the Company in which his term of office is for the period of three years from 19 August 2005 and is subject to the rotational retirement and re-election requirements at annual general meetings of the Company pursuant to the Articles. He is also entitled to an annual salary of RMB120,000 and a management bonus determined by reference to his experience and expected contribution to the Group.

There is no information which is discloseable nor is/was he involved in any matters required to be disclosed pursuant to any of the requirements of the provisions under the Listing Rules 13.51(2)(h) to 13.51(2)(w).

There are no other matters concerning Mr Jiang that need to be brought to the attention of the Shareholders.

Independent Non-executive Director

Mr Liu Yujiu

Mr Liu Yujiu, age 72, joined the Group in 1999 as an Independent Non-executive Director of the Company. Mr Liu is the head of the Rare-Earth Experts Group, Applications and Development Section under the State Planning Commission. Mr Liu is also an executive of China Rare Earth Science Society and the deputy editor-in-chief of China Rare Earth Journal. Mr Liu was appointed as chief engineer of China Rare Earth Development Corporation for the period from December 1992 to December 1997. In the past three years, Mr Liu had not held any directorship in other listed public companies.

Apart from being an Independent Non-executive Director, Mr Liu does not hold any position in the Company or in any member of the Group, and is not related to any Directors, senior management or substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Mr Liu does not have any interests in the Shares of the Company within the meaning of Part XV of the SFO.

Mr Liu has entered into a service contract with the Company in which his term of office is for the period of two years from 1 September 2005 and is subject to the rotational retirement and re-election requirements at annual general meetings of the Company pursuant to the Articles. In the year ended 31 December 2005, he received a director fee of about RMB36,000. Mr Liu's emoluments are to be determined by the Board and approved by the shareholders at the Company's annual general meetings.

There is no information which is discloseable nor is/was he involved in any matters required to be disclosed pursuant to any of the requirements of the provisions under the Listing Rules 13.51(2)(h) to 13.51(2)(w).

There are no other matters concerning Mr Liu that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



CHINA RARE EARTH HOLDINGS LIMITED

中國稀土控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 769)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Rare Earth Holdings Limited (“the Company”) will be held at Basement II, The Boardroom, The Wharney Guang Dong Hotel Hong Kong, 57-73 Lockhart Road, Wanchai, Hong Kong on Thursday, 15 June 2006 at 10:30 a.m. to consider and, if thought fit, transact the following ordinary business:

- (1) to receive and consider the audited financial statements and the reports of the Directors and the Auditors for the year ended 31 December 2005;
- (2) to declare a final dividend for the year ended 31 December 2005;
- (3) to re-elect Directors and to authorize the Directors to fix their remuneration;
- (4) to re-appoint Auditors and to authorize the Directors to fix their remuneration;

To consider as special business and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions and a Special Resolution respectively:

Ordinary Resolutions

- (5) “**THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”), the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with the unissued shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
- (i) a Rights Issue (as hereinafter defined); or
 - (ii) any share option scheme of the Company; or
 - (iii) any issue of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company and other relevant regulations; or
 - (iv) any issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares,

shall not exceed twenty per cent (20%) of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this Resolution:

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

- (1) the conclusion of the next annual general meeting of the Company;
- (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association of the Company to be held; and
- (3) the revocation or variation of the mandate granted under this Resolution by an Ordinary Resolution of the members of the Company in general meeting.

“Rights Issue” means an offer of shares, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Company’s Register of Members on a fixed record date in proportion to their then holdings of such shares (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 recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

NOTICE OF ANNUAL GENERAL MEETING

(6) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) below) of all powers of the Company to purchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”), or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and subject to and in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and all other applicable laws in this regard, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed ten per cent (10%) of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution:

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

- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association of the Company to be held; and
 - (3) the revocation or variation of the mandate granted under this Resolution by an Ordinary Resolution of the members of the Company in general meeting.”
- (7) **“THAT** conditional on the passing of Resolutions Nos. 5 and 6 as set out above, the general mandate granted to the Directors to allot, issue and deal with additional shares of the Company pursuant to Resolution No. 5 above be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased or agreed to be purchased by the Company under the authority granted pursuant to Resolution No. 6 above, provided that such amount shall not exceed ten per cent (10%) of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

NOTICE OF ANNUAL GENERAL MEETING

Special Resolution

- (8) **“THAT** the articles of association of the Company be and are amended in the following manner:
- (a) by inserting the words “voting by way of a poll is required by the Listing Rules or” after the words “on a show of hands unless” in the first sentence of the existing Article 72; and by deleting the full-stop at the end of the existing Article 72(iv) and replacing therewith a semicolon and the word “or” and inserting the following as new Article 72(v):
 - “(v) by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.”;
 - (b) by replacing the words “a Special Resolution” in the first sentence of the existing Article 105(vii) with the words “an Ordinary Resolution”;
 - (c) by deleting the existing Article 108(A) in its entirety and substituting thereof with the following:
 - “108(A) Notwithstanding any other provisions in this Article, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.”
 - (d) by deleting the existing Article 112 in its entirety and substituting thereof with the following:
 - “112. The Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of the filling of casual vacancy) or the next following annual general meeting of the Company (in the case of an additional Director) and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.”;

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- (e) by replacing the word “Special” in the first sentence of the existing Article 114 with the word “Ordinary”; and
- (f) by deleting the existing Article 124 in its entirety and substituting therefor the following:

“124. A Director appointed to an office under Article 122 shall be subject to the same provisions as to rotation, resignation and removal as the other Directors of the Company, and he shall ipso facto and immediately cease to hold such office if he shall cease to hold the office of Director for any cause”.

By Order of the Board
LAW Lap Tak
Company Secretary

Hong Kong, 15 May 2006

Principal Place of Business in Hong Kong:

15/F, Club Lusitano
16 Ice House Street
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting mentioned above is entitled to appoint in written form one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
2. To be valid, the proxy form together with the certified power of attorney or authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company’s Hong Kong Branch Share Registrar (“Branch Registrar”), Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time of the above meeting or adjourned meeting.
3. The Register of Members of the Company will be closed from 12 June 2006 to 15 June 2006 (both days inclusive), during which period no transfer of the Company’s shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Branch Registrar at the above address by no later than 4:00 p.m. on 9 June 2006.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. In relation to Resolution No. 3 above, details of directors standing from re-election are set out in Appendix III to the circular of the Company dated 15 May 2006.
6. In relation to Resolution No. 5 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorize the allotment and issue of shares under the Listing Rules. The Directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders.

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7. In relation to Resolution No. 6 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase shares of the Company in circumstances, which they deem appropriate for the benefit of the shareholders.

8. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.