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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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 AND RE-ELECTION OF DIRECTORS  
AT ANNUAL GENERAL MEETING**

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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 Friday, 1 June 2007 at 10:30 a.m. is set out on pages 12 to 15 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.

27 April 2007

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## DEFINITIONS

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*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 Friday, 1 June 2007 at 10:30 a.m., the notice of which is set out on pages 12 to 15 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
“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”	23 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

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## DEFINITIONS

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“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

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Jiang Quanlong, *Chairman*

Qian Yuanying, *Deputy Chairman*

Xu Panfeng

Jiang Cainan

*Registered office:*

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent Non-executive Directors:*

Liu Yujiu

Huang Chunhua

Jin Zhong

*Principal place of business*

*in Hong Kong:*

15/F, Club Lusitano

16 Ice House Street

Central

Hong Kong

27 April 2007

*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 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.

#### **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 1,421,143,059 Shares were

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## LETTER FROM THE BOARD

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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 284,228,611 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 1,421,143,059 Shares in issue as at the Latest Practicable Date and assuming no Share is issued or repurchased before the Annual General Meeting, the Company would therefore be allowed under this mandate to repurchase a maximum of 142,114,305 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.

### ACTIONS TO BE TAKEN

At the Annual General Meeting, ordinary resolutions will be proposed to approve, among other matters, the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate.

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.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors believe that the grant of the Issue Mandate, the Repurchase Mandate and the Extension Mandate 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 2006, 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.

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 at the Annual General Meeting.

### RE-ELECTION OF DIRECTORS

In accordance with Article 108(A) and (B) of the Articles, Mr Jiang Quanlong, Ms Qian Yuanying and Mr Huang Chunhua will retire as Directors by rotation 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 1,421,143,059 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 142,114,305 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 2006, 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:-

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
April 2006	2.10	1.54
May 2006	1.87	1.13
June 2006	1.47	1.18
July 2006	1.52	1.38
August 2006	1.71	1.42
September 2006	1.72	1.53
October 2006	1.78	1.53
November 2006	1.66	1.26
December 2006	1.44	1.25
January 2007	1.54	1.25
February 2007	2.10	1.39
March 2007	1.95	1.52
April 2007 (up to the Latest Practicable Date)	2.10	1.86

## **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 595,200,000 Shares, representing approximately 41.88% 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 46.54% 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 voting by way of a poll is required by the Listing Rules or 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; or
- (e) 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.

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.

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## **APPENDIX III      DETAILS OF DIRECTORS STANDING FOR RE-ELECTION**

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

### **Executive Directors**

#### **Mr Jiang Quanlong**

Mr Jiang Quanlong, aged 54, is a founding member and the chairman of the Group. Mr Jiang is responsible for the formulation of the Group's overall business development policies. Mr Jiang is recognised as a senior economist by Jiangsu Provincial Personnel Department. Mr Jiang has over 20 years of experience in the rare earth and refractory materials industry. Prior to the founding of the Group, Mr Jiang had been a factory manager of a refractory materials production plant and a sales manager of a glass and ceramics manufacturing company. He is also a director of various members of the Group. Save as disclosed herein, Mr Jiang has not held any other directorships in listed public companies in the last three years. Mr Jiang is the husband of Ms Qian Yuanying, the deputy chairman of the Group.

As at the Latest Practicable Date, Mr Jiang was taken to be interested in 595,200,000 shares in the Company (representing 41.88% of the issued share capital of the Company) within the meaning of Part XV of the Securities and Futures Ordinance. The details of his other interest in associated corporations of the Company are disclosed in the Directors' Report of the Company for the year ended 31 December 2006.

Mr Jiang has entered into a service contract with the Company for an initial term of three years commencing 1 September 1999 and expiring on 31 August 2002 and is renewable automatically for successive terms of one year each commencing from the date next after the expiry of the then current term of the appointment. For the year ended 31 December 2006, Mr Jiang has received director's emolument in a total sum of HK\$1,200,000.

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).

Save as disclosed above, there are no other matters concerning Mr Jiang that need to be brought to the attention of the Shareholders.

#### **Ms Qian Yuanying**

Ms Qian Yuanying, aged 47, is a founding member and the deputy chairman of the Group. Ms Qian is also the chief executive officer of the Group. Ms Qian is responsible for the overall management of the Group and has particular responsibility for the marketing aspect of the Group's business. Ms Qian is recognised as a senior economist by Jiangsu Provincial Personnel Department, and she is also qualified as a Chinese Career Manager. Ms Qian has over 15 years of experience in the rare earth and refractory materials industries. Prior to the founding of the Group, Ms Qian was a high school teacher. She is also a director of various members of the Group. Save as disclosed herein, Ms Qian has not held any other directorships in listed public companies in the last three years. Ms Qian is the wife of Mr Jiang Quanlong, the chairman of the Group.

As at the Latest Practicable Date, Ms Qian was taken to be interested in 595,200,000 shares in the Company (representing 41.88% of the issued share capital of the Company) within the

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## **APPENDIX III      DETAILS OF DIRECTORS STANDING FOR RE-ELECTION**

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meaning of Part XV of the Securities and Futures Ordinance. The details of her other interests in associated corporations of the Company are disclosed in the Directors' Report of the Company for the year ended 31 December 2006.

Ms Qian has entered into a service contract with the Company for an initial term of three years commencing 1 September 1999 and expiring on 31 August 2002 and is renewable automatically for successive terms of one year each commencing from the date next after the expiry of the then current term of the appointment. For the year ended 31 December 2006, Ms Qian has received director's emoluments in a total sum of HK\$780,000.

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).

Save as disclosed above, there are no other matters concerning Ms Qian that need to be brought to the attention of the Shareholders.

### **Independent Non-executive Director**

#### **Mr Huang Chunhua**

Mr Huang Chunhua, aged 42, joined the Group in 2001 as an Independent Non-executive Director of the Company. Mr Huang is the deputy chairman of Compass Pacific Holdings Limited, a listed company in Hong Kong and served as chief financial officer of that company from 2000 to 2004. Mr Huang is Ph.D of Marketing and MBA of University of Strathclyde. Mr Huang was previously China analyst of HSBC Securities Asia Ltd and a senior investment analyst of China Research of CLSA Emerging Markets. Save as disclosed herein, Mr Huang has not held any other directorships in listed public companies in the last three years.

Apart from being an Independent Non-executive Director, Mr Huang 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 Huang was taken to be interested in 2,268,000 shares in the Company (representing 0.16% of the issued share capital of the Company) within the meaning of Part XV of the Securities and Futures Ordinance.

Mr Huang has entered into a service contract with the Company in which his term of office is for a period of two years commencing 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 2006, he received a director fee of about HK\$60,000. Mr Huang's emoluments are to be determined by the Board and approved by the shareholders at the Company's annual general meeting.

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).

Save as disclosed above, there are no other matters concerning Mr Huang that need to be brought to the attention of the Shareholders.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)

#### 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 Friday, 1 June 2007 at 10:30 a.m. to consider and, if thought fit, transact the following ordinary business:

- (1) to receive and consider the audited consolidated Financial Statements, the Directors’ Report and the Independent Auditor’s Report for the year ended 31 December 2006;
- (2) to declare a final dividend for the year ended 31 December 2006;
- (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 modifications the following resolutions as Ordinary Resolutions 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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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).”

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## NOTICE OF ANNUAL GENERAL MEETING

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(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



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## NOTICE OF ANNUAL GENERAL MEETING

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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.”

By Order of the Board  
**LAW Lap Tak**  
*Company Secretary*

Hong Kong, 27 April 2007

*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 29 May 2007 to 1 June 2007 (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 28 May 2007.
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 for re-election are set out in Appendix III to the circular of the Company dated 27 April 2007.
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.
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.