

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

If you have sold or transferred all your shares in YUNNAN ENTERPRISES HOLDINGS LIMITED, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transferee was effected for transmission to the purchaser.

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雲南實業控股有限公司
YUNNAN ENTERPRISES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0455)

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of Yunnan Enterprises Holdings Limited (the "Company") to be held at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Wednesday, 27 August 2008 at 11:00 a.m. is set out on pages 13 to 16 of this circular. Whether or not you propose 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 and principal place of business of the Company at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, 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 prevent shareholders of the Company from attending and voting at the meeting if they so wish.

Hong Kong, 30 July 2008

DEFINITIONS

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

“AGM” or “Annual General Meeting”	the annual general meeting of the Company to be held on Wednesday, 27 August 2008 at 11:00 a.m., notice of which is set out on pages 13 to 16 of this circular
“AGM Notice”	the notice dated 30 July 2008 convening the AGM
“Articles of Association”	the articles of association of the Company for the time being
“Board”	the board of directors of the Company or a duly authorized committee thereof for the time being
“Companies Law”	Companies Law, Cap 22 (Law 3 of 1961), as consolidated and revised of the Cayman Islands
“Company”	Yunnan Enterprises Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company for the time being
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Latest Practicable Date”	25 July 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Proposal”	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the passing of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution as referred to in item 4 of the AGM Notice

DEFINITIONS

“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Repurchase Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



雲南實業控股有限公司

YUNNAN ENTERPRISES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0455)

Directors:

Executive Directors:

LI Suiming (Chairman)

FANG Wen Quan

LI Guanglin

LIU Huijiang

MA Pizhi (Managing Director)

Independent Non-Executive Directors:

CHIU Sung Hong

WU Wen Jing, Benjamin

LAM Yat Fai

Registered Office:

One Capital Place

P.O. Box 1787 GT

Grand Cayman

Cayman Islands

British West Indies

Head Office and Principal

Place of Business:

Suites 2405-2410, 24th Floor

CITIC Tower

No. 1 Tim Mei Avenue

Central

Hong Kong

Hong Kong, 30 July 2008

To the shareholders,

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

At the annual general meeting of the Company held on 24 August 2007, resolutions were passed by shareholders of the Company, amongst other things, to give general unconditional mandates to the Directors to exercise the powers of the Company to:

- (i) to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution;

LETTER FROM THE BOARD

- (ii) allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of such resolution; and
- (iii) extend the general mandates for issuing Shares as mentioned in paragraph (ii) above by an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the general mandate granted to the Directors to repurchase Shares as mentioned in paragraph (i) above.

The above general mandates will lapse at the conclusion of the AGM. It is therefore proposed to seek your approval of the ordinary resolutions at the AGM to grant fresh general mandates to the Directors.

The purpose of this circular is to provide you with information regarding the proposed general mandates to allot, issue and deal with Shares and to repurchase Shares and re-election of retiring directors and to seek your approval of the resolutions relating to these matters at the AGM.

2. GENERAL MANDATE TO REPURCHASE SHARES

The Directors propose to seek your approval of the Repurchase Resolution to be proposed at the AGM. The Shares which may be repurchased by the Company pursuant to the Repurchase Resolution shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the Repurchase Resolution. An explanatory statement as required under the Share Repurchase Rules to provide the requisite information of the Repurchase Proposal is set out in Appendix I to this circular.

3. GENERAL MANDATE TO ISSUE NEW SHARES

Two ordinary resolutions will also be proposed at the AGM namely an ordinary resolution granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution and another ordinary resolution adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase Shares up to 10% of the issued share capital of the Company as at the date of the passing of the Repurchase Resolution.

Subject to the passing of the ordinary resolution granting the general mandate to issue new Shares and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under such general mandate to issue a maximum of 187,011,816 Shares representing 20% of the issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

4. RE-ELECTION OF RETIRING DIRECTORS

The Board of Directors currently consists of eight Directors, namely Mr. LI Suiming (Chairman), Mr. FANG Wen Quan, Mr. LI Guanglin, Mr. LIU Huijiang, Mr. MA Pizhi (Managing Director), Mr. CHIU Sung Hong, Mr. WU Wen Jing, Benjamin and Mr. LAM Yat Fai.

Pursuant to the Articles of Association, Messrs. LI Suiming, MA Pizhi, LIU Huijiang and CHIU Sung Hong shall retire from office at the AGM and shall be eligible and offer themselves for re-election.

Details of the retiring Directors proposed for re-election at the AGM are set out in Appendix II of this circular.

5. ANNUAL GENERAL MEETING

On pages 13 to 16 of this circular, you will find the AGM Notice at which, among other things, the following resolutions will be proposed:

- an ordinary resolution to grant to the Directors a general mandate to exercise all powers of the Company to repurchase Shares representing up to 10% of the issued share capital of the Company as at the date of the passing of the Repurchase Resolution;
- an ordinary resolution to grant to the Directors a general mandate to authorize the Directors to issue, allot and deal with Shares representing up to 20% of the issued share capital of the Company as at the date of the passing of such resolution; and
- an ordinary resolution to extend the general mandate which will be granted to the Directors to issue, allot and deal with additional Shares by adding to it the number of Shares repurchased under the Repurchase Proposal after the granting of the general mandate.

6. ACTION TO BE TAKEN

A proxy form for use at the AGM is enclosed herewith. Whether or not you intend to attend the AGM, you are requested to complete the proxy form and return it to the head office and principal place of business of the Company at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not prevent shareholders of the Company from attending and voting at the AGM if they so wish.

LETTER FROM THE BOARD

7. RIGHT TO DEMAND A POLL

Articles 69 and 70 of the Articles of Association set out the procedures under which a poll may be demanded. A resolution put to the vote of a meeting shall be decided on a show of hands, unless a poll is taken as may from time to time be required under the Listing Rules or unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (i) the chairman;
- (ii) at least 3 members present in person or by proxy or representative for the time being entitled to vote at the meeting;
- (iii) any member or members present in person or by proxy or representative 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
- (iv) any member or members present in person or by proxy or representative and holding shares in the Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

On a show of hands, every member of the Company present in person or by proxy or by an authorized representative or by proxy shall have one vote, and on a poll every member present in person or by proxy or, by an authorized corporate representative shall have one vote for each share of which he is the holder and which is fully paid up or credited as fully paid up. A person entitled to cast more than one vote upon a poll need not use all his votes or cast all the votes he uses in the same way.

8. RECOMMENDATION

The Directors are pleased to recommend the retiring Directors, details of whom are set out in Appendix II of this circular, for re-election at the AGM. The Directors believe that the Repurchase Proposal, the general mandate for Directors to issue new Shares and the extension of the general mandate to issue Shares are all in the best interests of the Company and its shareholders. Accordingly, the Directors recommend that all shareholders of the Company should vote in favour of the resolutions to be proposed at the AGM.

By Order of the Board
LI Suiming
Chairman

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the Repurchase Proposal.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 935,059,080 Shares.

Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 93,505,908 Shares representing 10% of the issued share capital of the Company as at the Latest Practicable Date.

2. REASONS FOR REPURCHASE

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

3. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association of the Company and the applicable laws of the Cayman Islands. The law of Cayman Islands provides that any repurchase by the Company may be made out of the profits of the Company or out of a fresh issue of shares made for the purpose of the repurchase or, if authorized by its Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company, or if authorized by its Articles of Association and subject to the Companies Law, out of capital.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 31 March 2008 in the event that the Repurchase Proposal was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Proposal to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

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

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
July 2007	1.420	0.900
August 2007	1.150	0.610
September 2007	0.990	0.740
October 2007	1.360	0.800
November 2007	1.340	0.800
December 2007	0.940	0.680
January 2008	1.000	0.550
February 2008	0.950	0.570
March 2008	1.000	0.620
April 2008	0.780	0.600
May 2008	0.790	0.570
June 2008	0.680	0.540
July 2008 (up to the Latest Practicable Date)	0.610	0.470

5. UNDERTAKING

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

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

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

6. TAKEOVERS CODE

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

As at the Latest Practicable Date, Tianda Group Limited and South Hong Investment Limited held respectively 475,586,080 Shares and 214,992,930 Shares, representing approximately 50.86% and 22.99% of the issued share capital of the Company. In the event that the Repurchase Proposal is exercised in full (if its shareholdings in the Company and the capital structure of the Company otherwise remained the same), their percentage shareholdings in the Company will be increased respectively to approximately 56.51% and 25.55%. The Directors believe that such an increase would not give rise to an obligation to make a mandatory offer under the Takeover Code. The Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 25%

7. SHARE REPURCHASE MADE BY THE COMPANY

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

The following are the particulars of the retiring Directors proposed to be re-elected at the AGM to be held on 27 August 2008:

- (a) **Mr. LI Suiming**, aged 50, a senior engineer, graduated from Yunnan Polytechnic College. Mr. Li studied the master program of International Economic and Trade Relationships of Tianjin NanKai University in 2002 and obtained a master degree in 2004. Mr. Li held the posts of workshop chief and chief engineer in Yuxi Cigarette Factory from 1975 to 1997. He was the deputy officer of Hongta Group as from November 1997 and is now responsible for the diversified investment of Hongta Group. Mr. Li is currently the Chairman of the Company.

Mr. Li has not held any directorship in any listed company in the past 3 years. Apart from the Chairman and an executive director of the Company, Mr. Li does not hold other position in the Company and other members of the Company. However, Mr. Li is the director of South Hong Investment Limited which is the substantial shareholder of the Company.

Save as disclosed above, Mr. Li does not have relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Li does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO"). Mr. Li has not entered into service agreement or contract with the Company. There is no agreement for the period of his appointment and he is subject to retirement and re-election provisions in the articles of association of the Company. His director's fee is HK\$60,000 per annum which was determined by the Board by reference to his duties and responsibilities with the Company and the prevailing market conditions.

- (b) **Mr. MA Pizhi**, aged 52, graduated from the postgraduate programme of International Economic and Trade of Yunnan University and has experience in management and trading. He held the posts of vice director of Kunming Prices of Commodities Bureau during the period from June 1986 to October 1992, and of vice president of Kunming International Trade Centre during the period from October 1992 to July 1998. He was also the chairman of Kunming Kumlong Exhibition Service Co., Ltd. and Kunming Ming Cheng Motor Service Co., Ltd., the vice chairman of Kunming Ming Cheng Communication Development Co., Ltd. and the assistant to general manager of Yunnan Hongta Industrial Co., Ltd. Mr. Ma is currently the managing director of the Company.

Mr. Ma has not held any directorship in any listed company in the past 3 years. Apart from the Managing Director and an executive director of the Company, Mr. Ma is director in a number of wholly-owned subsidiaries of the Company. Mr. Ma is also the chairman of the remuneration committee of the Company. Moreover, Mr. Ma is the director of South Hong Investment Limited which is a substantial shareholder of the Company.

Save as disclosed above, Mr. Ma has no relationship with any other directors, senior management, substantial or controlling shareholders of the Company.

Mr. Ma does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Ma has not entered into service agreement or contract with the Company. There is no agreement for the period of his appointment and he is subject to retirement and re-election provisions in the articles of association of the Company. His director's fee is HK\$60,000 per annum and managing director's remuneration is HK\$390,000 per annum which are determined by reference to his duties and responsibilities with the Company and the prevailing market conditions. He is not entitled to bonus or other forms of benefits.

- (c) **Mr. LIU Huijiang**, aged 52, a senior engineer, graduated from College of Water Resources and Hydroelectric Engineering (now Wuhan University). Mr. Liu held the posts of design department head, assistant factory manager and factory manager of Yuxi Hydropower Supplies Factory from 1976 to 1993. He was appointed as deputy general manager of Yunnan Hongta Group Co., Ltd. as from January 1994. Mr. Liu is also the director of Sdic Yunnan Dachaoshan Hydropower Co., Ltd., Yunnan Huaneng Lancang River Hydropower Co., Ltd., Hongta Financial Investment Co., Ltd., China and China Everbright Bank Co., Ltd.. Mr. Liu is currently an executive director of the Company.

Mr. Liu has not held any directorships in other listed company in the past three years. Mr. Liu is also appointed as director in a number of wholly-owned subsidiaries of the Company. Moreover, Mr. Liu is the director of South Hong Investment Limited which is the substantial shareholder of the Company.

Save as disclosed above, Mr. Liu does not have any relationships with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Liu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Mr. Liu has not entered into service agreement or contract with the Company. There is no agreement for the period of his appointment and he is subject to retirement and re-election provisions in the articles of association of the Company. His director's fee is HK\$60,000 per annum which is determined by reference to his duties and responsibilities with the Company and the prevailing market conditions. He is not entitled to bonus or other forms of benefits.

- (d) **Mr. CHIU Sung Hong**, aged 61, received an LL.B. degree from the University of Sydney. He is admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia. He has over 30 years of experience in legal practice. Mr. Chiu is the founding member of the Board of Trustees of the Australian Nursing Home Foundation and served as the General Secretary of Australian Chinese Community Association of New South Wales. Mr. Chiu is an Independent Non-executive Director of the CNOOC Limited. He has been appointed as an independent non-executive director, a member of the remuneration committee, the chairman and a member of the audit committee of the Company with effect from 10 April 2008.

Save as disclosed above, Mr. Chiu has not held directorship in other listed companies in the past three years or any other positions with the Company and other members of the Company's group.

Mr. Chiu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Chiu does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

The Company has entered into an appointment letter with Mr. Chiu for a term of 2 years commencing on 10 April 2008. Mr. Chiu is also subject to retirement and re-election at the first general meeting and thereafter is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. His director's fee which will be determined by the Board by reference to the prevailing market conditions and subject to the approval of shareholders at the annual general meeting.

In relation to the re-election of the above four retiring directors, there is no information which is discloseable nor are/were they involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders of the Company.

NOTICE OF ANNUAL GENERAL MEETING



雲南實業控股有限公司

YUNNAN ENTERPRISES HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0455)

NOTICE IS HEREBY GIVEN that the annual general meeting of Yunnan Enterprises Holdings Limited will be held at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong on Wednesday, 27 August 2008 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the report of the Directors and independent auditor's report for the year ended 31 March 2008.
2. To re-elect Directors and to authorize the Board of Directors fix the remuneration of Directors.
3. To re-appoint auditors and to authorize the Board of Directors to fix the remuneration of auditors.
4. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% 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 ANNUAL GENERAL MEETING

- (c) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.”
- 5. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorize the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii)

NOTICE OF ANNUAL GENERAL MEETING

an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time, shall not exceed 20% of the aggregate of the 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

- (d) for the purpose of this Resolution,

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company whose names appear on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors 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, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

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

ORDINARY RESOLUTION

“THAT subject to the passing of the Resolutions set out in items 4 and 5 of the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution set out in item 5 of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares capital of the Company repurchased by

NOTICE OF ANNUAL GENERAL MEETING

the Company under the authority granted pursuant to Resolution set out in item 4 of the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 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
MA Pizhi
Managing Director

Hong Kong, 30 July 2008

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the head office and principal place of business of the Company in Hong Kong at Suites 2405-2410, 24th Floor, CITIC Tower, No. 1 Tim Mei Avenue, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. The Board of Directors of the Company comprises:

Executive Directors:

LI Suiming (*Chairman*)

FANG Wen Quan

LI Guanglin

LIU Huijiang

MA Pizhi (*Managing Director*)

Independent Non-Executive Directors:

CHIU Sung Hong

WU Wen Jing, Benjamin

LAM Yat Fai