

If you are in any doubt about 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 Merchants China Direct Investments Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

**PROPOSALS RELATING TO
INCREASE OF AUTHORISED SHARE CAPITAL,
GENERAL MANDATES TO ISSUE NEW SHARES AND
TO REPURCHASE SHARES AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of China Merchants China Direct Investments Limited to be held at 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 25 May 2007 at 3:00 p.m., at which the above proposals will be considered, is set out on pages 12 to 15 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the annual general meeting if you so wish.

This circular is required to be sent to Shareholders under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and also constitute the memorandum required under section 49BA of the Companies Ordinance, Hong Kong.

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 on Friday, 25 May 2007 at 3:00 p.m. at 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong
“Companies Ordinance”	the Companies Ordinance (Chapter 32) of the Laws of Hong Kong
“Company”	China Merchants China Direct Investments Limited, a company duly incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Latest Practicable Date”	23 April 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Shares”	Share(s) of US\$0.10 each in the share capital of the Company
“Shareholders”	Holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

LETTER FROM THE BOARD



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

Executive Directors:

Dr. FU Yuning (*Chairman*)

Dr. HUANG Dazhan

Mr. CHU Lap Lik, Victor

Mr. XIE Kuixing

Mr. TSE Yue Kit

Ms. KAN Ka Yee, Elizabeth

(Alternate to Mr. CHU Lap Lik, Victor)

Registered Office:

1803, China Merchants Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

Non-executive Directors:

Dr. The Hon. David LI Kwok-po*

Mr. KUT Ying Hay*

Mr. WANG Jincheng*

Mr. WANG Xingdong

Mr. GONG Jianzhong

Mr. LI Kai Cheong, Samson

(Alternate to Dr. The Hon. David LI Kwok-po)*

* *independent non-executive director*

27 April 2007

To the Shareholders

Dear Sir or Madam,

**PROPOSALS RELATING TO
INCREASE OF AUTHORISED SHARE CAPITAL,
GENERAL MANDATES TO ISSUE NEW SHARES AND
TO REPURCHASE SHARES AND
RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

At the annual general meeting of the Company held on 30 May 2006 general mandates were given to the Directors to exercise the powers of the Company to issue new Shares and to repurchase Shares. Such mandates will lapse at the conclusion of the Annual General Meeting. Ordinary resolutions will therefore be proposed at the Annual General Meeting to renew the general mandates

LETTER FROM THE BOARD

to issue new Shares and to repurchase Shares, and to re-elect the retiring Directors. An ordinary resolution will also be proposed at the Annual General Meeting to increase the authorised share capital of the Company.

INCREASE OF AUTHORISED SHARE CAPITAL

In order that a sufficient number of unissued Shares are available for future development purpose, the Directors propose to increase the authorised share capital of the Company from US\$15,000,000.00 to US\$30,000,000.00 by the creation of an additional 150,000,000 Shares. The Directors wish to state that they have no present intention to issue any part of that capital.

GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

The Directors propose that they be granted at the Annual General Meeting:

- (i) a general and unconditional mandate to exercise the power of the Company to allot, issue and otherwise deal with additional Shares up to a maximum of 20 per cent. of the issued share capital of the Company as at the date of the resolution;
- (ii) a general and unconditional mandate to exercise all the powers of the Company to repurchase Shares up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of the resolution subject to the criteria set out in this circular (the “Repurchase Mandate”); and
- (iii) an extension of the general and unconditional mandate to be granted to the Directors under paragraph (i) above by the aggregate nominal amount of Shares repurchased by the Company pursuant to the Repurchase Mandate.

The authority conferred on the Directors by the general mandates above will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in paragraph (d) of resolution 5.A. and paragraph (c) of resolution 5.B. set out in the notice of the Annual General Meeting.

EXERCISE OF THE REPURCHASE MANDATE

Whilst the Directors do not presently intend to repurchase any Shares they believe that the flexibility afforded by the mandate granted to them if the Ordinary Resolution set out as item 5.B. of the notice of the Annual General Meeting is passed would be beneficial to the Company.

The Shares proposed to be repurchased by the Company must be fully paid up. It is proposed that up to 10 per cent. of the Shares in issue at the date of the passing of the resolution may be repurchased. As at the Latest Practicable Date, 149,145,600 Shares were in issue. On the basis of such figures the Directors would be authorised to repurchase up to 14,914,560 Shares during the period up to the next annual general meeting in 2008 or the expiration of the period within which the next annual general meeting of the Company is required by law to be held or the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting of the Company, whichever occurs first.

LETTER FROM THE BOARD

REASONS FOR REPURCHASES

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

FUNDING OF REPURCHASES

Repurchases pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities. Any repurchases will be made out of funds of the Company legally permitted to be utilised in this connection in accordance with its memorandum and articles of association and the laws of Hong Kong, including profits otherwise available for distribution. Under the Companies Ordinance, a company's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated realised loss, so far as not previously written off in a reduction or reorganisation of capital duly made.

There could be a material 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 for the year ended 31 December 2006) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

None of the Directors, and to the best of their knowledge, having made all reasonable enquiries, none of their associates (as defined in the Listing Rules), have any present intention, if the Repurchase Mandate is granted, to sell any Shares to the Company or its subsidiaries.

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, if the Repurchase Mandate is granted.

DIRECTOR'S UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

SECURITIES REPURCHASES MADE BY THE COMPANY

No repurchase of Shares has been made by the Company during the six months (whether on the Stock Exchange or otherwise) prior to the date of this circular.

LETTER FROM THE BOARD

TAKEOVERS CODE CONSEQUENCES

If as a result of a repurchase of Shares a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interests, 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, China Merchants Group Limited ("CMG") and its subsidiaries held 34,359,760 Shares representing approximately 23.04% of the issued share capital of the Company. If the Directors exercise in full the Repurchase Mandate, the interest of CMG and its subsidiaries in the Company will increase to approximately 25.60%. The Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

MARKET PRICES

The highest and lowest prices at which Shares have been traded on the Stock Exchange during each of the previous twelve months before the printing of this document were:

	Traded Market Price	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2006		
April	6.95	6.00
May	8.80	5.90
June	8.20	7.00
July	7.80	7.20
August	8.29	7.08
September	10.68	8.18
October	9.88	9.15
November	14.52	9.34
December	20.20	13.80
2007		
January	26.15	16.10
February	24.30	18.10
March	21.90	16.56
April (up to the Latest Practicable Date)	23.20	20.20

LETTER FROM THE BOARD

RE-ELECTION OF RETIRING DIRECTORS

As at the Latest Practicable Date, the Executive Directors of the Company are Dr. FU Yuning, Dr. HUANG Dazhan, Mr. CHU Lap Lik, Victor, Mr. XIE Kuixing and Mr. TSE Yue Kit; the Non-executive Directors of the Company are Mr. WANG Xingdong and Mr. GONG Jianzhong; and the Independent Non-executive Directors of the Company are Dr. The Hon. David LI Kwok-po, Mr. KUT Ying Hay and Mr. WANG Jincheng. Besides, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor and Mr. LI Kai Cheong, Samson is the Alternate Director to Dr. The Hon. David LI Kwok-po.

Pursuant to Article 105 of the Articles of Association of the Company, Mr. CHU Lap Lik, Victor, Dr. The Hon. David LI Kwok-po, Mr. KUT Ying Hay and Mr. WANG Xingdong shall retire from office at the Annual General Meeting and shall be eligible for re-election. Pursuant to Article 101 of the Articles of Association of the Company, Mr. WANG Jincheng shall retire from office at the Annual General Meeting and shall be eligible for re-election. Details of the Directors proposed to be re-elected at the Annual General Meeting are set out in the Appendix to this circular.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting is set out on pages 12 to 15 of this circular. Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the Annual General Meeting in accordance with the instructions printed thereon.

RIGHT TO DEMAND A POLL

Pursuant to Article 80 of the Articles of Association of the Company, at any general meeting, a resolution put to the vote of the 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 any other applicable laws, rules or regulations or unless before, or on the declaration of the result of, the show of hands a poll is duly demanded:

- (a) by the chairman; or
- (b) by not less than three members present in person or by proxy or authorised representative for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or by proxy or authorised representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person or by proxy or authorised representative and holding shares 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.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that the increase of authorised share capital of the Company, the general mandates for Directors to issue new Shares and to repurchase Shares and the proposed re-election of retiring Directors are all in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the Annual General Meeting.

By Order of the Board

Dr. Fu Yuning

Chairman

1. **Mr. CHU Lap Lik, Victor**, Executive Director, aged 49, has been an Executive Director of the Company since June 1993 and holds directorship in a subsidiary of the Company. Mr. CHU is a Director of China Bright Holdings Limited which is a substantial shareholder of the Company. He is also a Director of the Investment Manager of the Company (China Merchants China Investment Management Limited), LG China Fund Limited as well as First Eastern Investment Group which is actively involved in direct investments in the PRC. He was a Director of Guangdong Development Fund Limited. Mr. CHU has served on the Central Policy Unit of the Hong Kong Government, the Council of the Hong Kong Stock Exchange, the Takeovers and Mergers Panel and the Advisory Committee of the Securities and Futures Commission. Outside of Hong Kong, Mr. CHU is a Foundation Board Member of the World Economic Forum in Geneva and Chairman of the Paris-based ICC Commission on Financial Services and Insurance. Mr. CHU took his law degree at University College, London. Save as disclosed above, Mr. CHU did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

There is no service contract between the Company and Mr. CHU. He has no fixed term of service with the Company but will be subject to rotational retirement and re-election requirements at the Annual General Meeting pursuant to Article 105 of the Articles of Association of the Company. There is no agreement on the amount of the remuneration payable to Mr. CHU. At the annual general meeting of the Company held on 30 May 2006, it was approved that the Director's fee for the year ended 31 December 2006 be determined by the Board of Directors. The Board of Directors resolved that the Director's fee payable to Mr. CHU for the year ended 31 December 2006 be fixed at HK\$50,000 with reference to his duties and responsibility with the Company. Mr. CHU did not receive other emoluments for the year ended 31 December 2006. Save as disclosed above, Mr. CHU is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Mr. CHU is deemed to have corporate interest in 14,400,000 Shares in which China Bright Holdings Limited is interested within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. CHU has confirmed that there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules.

2. **Dr. The Hon. David LI Kwok-po**, GBS, OBE, JP, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Officier de la Légion d'Honneur, and Grand Officer of the Order of the Star of Italian Solidarity, Independent Non-executive Director, aged 68, has been an Independent Non-executive Director of the Company since June 1993. He is also the Chairman of the Audit Committee of the Board of Directors of the Company. Dr. LI is the Chairman and Chief Executive of The Bank of East Asia, Limited whose shares are listed on the Stock Exchange. He is a member of both the Executive Council and the Legislative Council of Hong Kong. He is the Chairman of The Chinese Bank's Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. His directorships in listed public companies include PCCW Limited, COSCO Pacific Limited, Guangdong Investment Limited,

The Hong Kong and China Gas Company Limited, The Hong Kong and Shanghai Hotels, Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited and Vitasoy International Holdings Limited. His other directorships include Dow Jones & Company, Inc., and The Hong Kong Mortgage Corporation Limited. He was a Director of AviChina Industry & Technology Company Limited, Chelsfield Plc., Henderson Cyber Limited and Sime Darby Berhad. Save as disclosed above, Dr. LI did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

The service contract between the Company and Dr. LI has a fixed term of three years. However, he will be subject to rotational retirement and re-election requirements at the Annual General Meeting pursuant to Article 105 of the Articles of Association of the Company. There is no agreement on the amount of the remuneration payable to Dr. LI. At the annual general meeting of the Company held on 30 May 2006, it was approved that the Director's fee for the year ended 31 December 2006 be determined by the Board of Directors. The Board of Directors resolved that the Director's fee payable to Dr. LI for the year ended 31 December 2006 be fixed at HK\$60,000 with reference to his duties and responsibility with the Company. Dr. LI is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Dr. LI did not have any interests in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Dr. LI has confirmed that there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules.

3. **Mr. KUT Ying Hay**, Independent Non-executive Director, aged 52, has been an Independent Non-executive Director of the Company since June 1993. He is also an Independent Non-executive Director of China Merchants Holdings (International) Company Limited whose shares are listed on the Stock Exchange and whose ultimate holding company is a substantial shareholder of the Company and China Merchants Insurance Company Limited. Mr. KUT is a practicing solicitor and notary public and the proprietor of Messrs. Kut & Co., a firm of solicitors. He is an attesting officer appointed by the Ministry of Justice of the PRC. He is also a solicitor of the Supreme Courts of England, Victoria of Australia, and Singapore, and an associate member of the Institute of Chartered Arbitrators and the Institute of Arbitrators & Mediators, Australia. For the period from 1995 to 1998, he was a member of the Board of Review established by the Hong Kong government pursuant to the Inland Revenue Ordinance. Mr. KUT is currently the Chairman of the Professional Development Committee of the Association of Hong Kong Professionals Limited, a non-profit making body dedicated to provide a cross-profession platform for professionals of diverse disciplines to socialize, share knowledge and to create opportunities. Save as disclosed above, Mr. KUT did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

The service contract between the Company and Mr. KUT has a fixed term of three years. However, he will be subject to rotational retirement and re-election requirements at the Annual General Meeting pursuant to Article 105 of the Articles of Association of the

Company. There is no agreement on the amount of the remuneration payable to Mr. KUT. At the annual general meeting of the Company held on 30 May 2006, it was approved that the Director's fee for the year ended 31 December 2006 be determined by the Board of Directors. The Board of Directors resolved that the Director's fee payable to Mr. KUT for the year ended 31 December 2006 be fixed at HK\$60,000 with reference to his duties and responsibility with the Company. Save as disclosed above, Mr. KUT is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Mr. KUT did not have any interests in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. KUT has confirmed that there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules.

4. **Mr. WANG Xingdong**, Non-executive Director, aged 46, has been a Non-executive Director of the Company since April 2001. He is an Executive Director and the Managing Director of ONFEM Holdings Limited ("ONFEM") and a Director of China Minmetals H.K. (Holdings) Limited, both were substantial shareholders of the Company previously. Mr. WANG graduated from Xiamen University, P.R.C. in 1982 with a Bachelor of Arts degree. He then continued his studies in business management between 1987 and 1989 in the Faculty of Management of Business Administration of Long Island University in New York, USA. Prior to joining ONFEM, he was the President of Chimei Metals in the USA and the General Manager of Minmetals Germany GmbH. Mr. WANG has extensive experience in international metals trading, investment strategies and corporate management. Save as disclosed above, Mr. WANG did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

The service contract between the Company and Mr. WANG has a fixed term of three years. However, he will be subject to rotational retirement and re-election requirements at the Annual General Meeting pursuant to Article 105 of the Articles of Association of the Company. There is no agreement on the amount of the remuneration payable to Mr. WANG. At the annual general meeting of the Company held on 30 May 2006, it was approved that the Director's fee for the year ended 31 December 2006 be determined by the Board of Directors. The Board of Directors resolved that the Director's fee payable to Mr. WANG for the year ended 31 December 2006 be fixed at HK\$60,000 with reference to his duties and responsibility with the Company. Save as disclosed above, Mr. WANG is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Mr. WANG did not have any interests in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. WANG has confirmed that there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules.

5. **Mr. WANG Jincheng**, Independent Non-executive Director, aged 50, was appointed as an Independent Non-executive Director of the Company on 27 March 2007. He is a Professor and is currently an Assistant to Dean of the School of Electronic and Information Engineering of Dalian University of Technology, a member of the Education Working Committee of Chinese Automation Association, the Automation Profession Committee of the Association for Teaching and Research of China's Higher Educational Institutions and the Advisory Committee on Teaching of Dalian University of Technology, the Officer-in-Charge of Automation Profession of Dalian University of Technology, and a Director of Zhonglian Computer Development Company Limited, a company established in Dalian Economy and Technology Development Zone. Mr. WANG has significant contribution to the research studies of automation in the PRC. He also has a wide connection in the field of automation of metallurgical industry and a rich experience in corporate management. Mr. WANG graduated from Dalian University of Technology with a Bachelor degree in Automatic Control and a Master degree in System Engineering. He was once selected by the State Education Commission of China as a visiting scholar to go to Denmark participating in teaching and research work in Institute of Electronic Systems of Aalborg University, Denmark. Save as disclosed above, Mr. WANG did not hold any directorship in other listed public companies in the last three years or any position with the Company or other members of the Company's group.

There is no service contract between the Company and Mr. WANG. He has no fixed term of service with the Company and will be subject to retirement and re-election requirements at the Annual General Meeting pursuant to Article 101 of the Articles of Association of the Company. Thereafter, he shall be subject to rotational retirement and re-election requirements at annual general meeting pursuant to Article 105 of the Articles of Association of the Company. The Director's fee payable to Mr. WANG as Independent Non-executive Director is determined by Shareholders of the Company in general meeting. Mr. WANG is and was not connected with any Directors, senior management or substantial or controlling Shareholders of the Company. As at the Latest Practicable Date, Mr. WANG did not have any interests in Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. WANG has confirmed that there are no other matters relating to his re-election that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to rule 13.51(2) of the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED 招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Friday, 25 May 2007 at 3:00 p.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2006.
2. To re-elect Retiring Directors and authorise the Board of Directors to fix Directors' fee.
3. To re-appoint Auditors and authorise the Directors to fix their remuneration.
4. As special business to consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

“**THAT** the authorised share capital of the Company be increased from US\$15,000,000.00 to US\$30,000,000.00 by the creation of an additional 150,000,000 shares of US\$0.10 each in the capital of the Company.”

5. As special business to consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions:

A. “**THAT**:

- (a) subject to paragraph (c) of this Resolution and pursuant to section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise 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 power 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) by the Directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier 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 law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the Shareholders in General Meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register 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 recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

B. “THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this

NOTICE OF ANNUAL GENERAL MEETING

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 may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier 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 law to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the Shareholders of the Company in General Meeting.”

- C. “**THAT** conditional upon Resolutions 5.A. and 5.B. being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution 5.B. shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution 5.A., provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”

By Order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 27 April 2007

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the Company's registered office at Room 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.
- (3) The Register of Members of the Company will be closed from 22 May 2007 to 25 May 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 May 2007.
- (4) At the annual general meeting of the Company held on 30 May 2006, Ordinary Resolutions were passed giving general mandates to Directors to repurchase shares of the Company on the Stock Exchange and to allot, issue and otherwise deal with additional shares in the capital of the Company. Under the terms of the Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange these general mandates lapse at the conclusion of the annual general meeting for 2007, unless renewed at that meeting. The Ordinary Resolutions sought in items 5.A. and 5.B. of this notice renew these mandates.
- (5) With regard to item no. 2 of this notice, details of retiring Directors proposed for re-election namely, Mr. CHU Lap Lik, Victor, Dr. The Hon. David LI Kwok-po, Mr. KUT Ying Hay, Mr. WANG Xingdong and Mr. WANG Jincheng, are set out in the appendix to the Circular to Shareholders dated 27 April 2007.
- (6) With reference to the Ordinary Resolutions sought in items 5.A. and 5.B. of this notice, the Directors wish to state that they have no immediate plans to issue any new shares or repurchase any existing shares of the Company. Approval is being sought from members as a general mandate pursuant to the Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.
- (7) The Circular required by the Rules Governing the Listing of Securities on the Stock Exchange in connection with the proposed new issue and repurchase mandates and re-election of retiring Directors will be dispatched to Shareholders.
- (8) As at the date hereof, the Executive Directors of the Company are Dr. FU Yuning, Dr. HUANG Dazhan, Mr. CHU Lap Lik, Victor, Mr. XIE Kuixing and Mr. TSE Yue Kit; the Non-executive Directors of the Company are Mr. WANG Xingdong and Mr. GONG Jianzhong; and the Independent Non-executive Directors of the Company are Dr. The Hon. David LI Kwok-po, Mr. KUT Ying Hay and Mr. WANG Jincheng. Besides, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor and Mr. LI Kai Cheong, Samson is the Alternate Director to Dr. The Hon. David LI Kwok-po.