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

If you have sold or transferred all your shares in China Mengniu Dairy Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA MENGNIU DAIRY COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

GENERAL MANDATES TO REPURCHASE SHARES AND ISSUE NEW SHARES, RE-ELECTION OF DIRECTORS, AMENDMENT OF THE ARTICLES OF ASSOCIATION AND NOTICE OF ANNUAL GENERAL MEETING

A notice convening the annual general meeting of China Mengniu Dairy Company Limited (the “**Company**”) to be held at Salon 4, 3/F., JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Friday, 23 June 2006 at 10:30 a.m. (the “**Annual General Meeting**”) is set out on pages 11 to 15 of this circular.

Whether or not you are able to attend the Annual General Meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the Annual General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Annual General Meeting should you so wish.

29 May 2006

LETTER FROM THE BOARD



CHINA MENGNIU DAIRY COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

Directors:

Mr. Niu Gensheng (*Chief Executive Officer*)
Ms. Lu Jun
Mr. Sun Yubin
Mr. Yang Wenjun
Mr. Jiao Shuge# (alias Jiao Zhen) (*Chairman*)
Mr. Julian Juul Wolhardt#
Mr. Wang Huaibao*
Mr. Zhang Julin*
Mr. Li Jianxin*

Registered Office:

M&C Corporate Service
PO Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Company Secretary:

Ms. Lo Ka Wai, Claudia

Non-executive Director

* *Independent Non-executive Director*

29 May 2006

To the shareholders

Dear Sir or Madam,

**GENERAL MANDATES
TO REPURCHASE SHARES AND ISSUE NEW SHARES,
RE-ELECTION OF DIRECTORS,
AMENDMENT OF THE ARTICLES OF ASSOCIATION
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding, inter alia:

- (a) grant of the Share Issue Mandate (as defined below) to issue shares of the Company (the “Shares”);
- (b) grant of the Share Repurchase Mandate (as defined below) for repurchase by the Company of the Shares;

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- (c) grant of a general extension mandate to extend the Share Issue Mandate to include Shares repurchased under the Share Repurchase Mandate;
- (d) re-election of the directors of the Company (the “**Directors**”); and
- (e) amendment of the articles of association of the Company.

1. General mandate to issue Shares and extension of general mandate

At the last annual general meeting of the Company held on 28 June 2005, a general mandate was granted to the Directors to allot, issue and deal with the Shares. Such mandate will lapse at the conclusion of the forthcoming annual general meeting (“**Annual General Meeting**”). Two ordinary resolutions will accordingly be proposed at the Annual General Meeting for the shareholders to consider and, if thought fit, grant respectively, a general mandate to the Directors to exercise the power of the Company to allot, issue and deal with the Shares (the “**Share Issue Mandate**”) not exceeding 20% of the issued share capital of the Company on the date of passing the resolution approving the Share Issue Mandate, and an extension of the Share Issue Mandate by adding any Shares representing the nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of the Share Repurchase Mandate (as defined below).

Details of the Share Issue Mandate are respectively set out in Resolutions 6 and 7 in the Notice of the Annual General Meeting set out on pages 11 to 15 of this circular. The Share Issue Mandate will expire upon whichever is the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of the association of the Company or by any applicable law(s); and (c) the date on which the authority given under the ordinary resolution approving the Share Issue Mandate is revoked or varied by an ordinary resolution of the shareholders.

2. General mandate to repurchase Shares

At the last annual general meeting of the Company held on 28 June 2005, a general mandate was granted to the Directors to exercise the powers of the Company to repurchase the Shares. Such mandate will lapse at the conclusion of the Annual General Meeting. An ordinary resolution will hence be proposed for the shareholders to consider and, if thought fit, grant a general mandate to the Directors to exercise the power of the Company to repurchase Shares (the “**Share Repurchase Mandate**”). The Shares which may be repurchased pursuant to the Share Repurchase Mandate are up to 10% of the issued share capital of the Company on the date of passing the resolution approving the Share Repurchase Mandate.

As at 29 May 2006, the latest practicable date prior to the printing of this circular (the “**Latest Practicable Date**”), the issued share capital of the Company comprised 1,368,416,473 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of passing the resolution approving

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the Share Repurchase Mandate, the maximum number of Shares which may be repurchased pursuant to the Share Repurchase Mandate on the date of passing the resolution approving the Share Repurchase Mandate will be 136,841,647 Shares.

An explanatory statement as required under the Listing Rules regarding share repurchase, giving certain information regarding the Share Repurchase Mandate together with the details of the repurchases of Shares made by the Company during the six months preceding the Latest Practicable Date, are set out in Appendix I to this circular. The Share Repurchase Mandate will expire upon whichever is the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association or by any applicable law(s); and (c) the date on which the authority given under the ordinary resolution approving the Share Repurchase Mandate is revoked or varied by an ordinary resolution of the shareholders.

3. Re-election of the Directors

Pursuant to article 112 of the articles of association of the Company, one-third of the Directors shall retire from office by rotation. Yang Wenjun, Julian Juul Wolhardt and Zhang Zulin will retire from office as Directors by rotation at the Annual General Meeting and being eligible, offer themselves for re-election. Particulars of Directors proposed to be re-elected at the Annual General Meeting is set out in Appendix II to this circular.

4. Amendment of the existing articles of association

Amongst the recently announced amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B, which came into effect on 1 March 2006 are relevant to the Company. These amendments provide that the Company in general meeting shall have the power to remove any Director by ordinary resolution before the expiration of his term of office. Furthermore, A.4.2 of the Code on Corporate Governance Practices on Appendix 14 to the Listing Rules which came into effect on 1 January 2005 provides that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, should also be subject to retirement by rotation at least once every three years.

To ensure compliance with the Listing Rules and to align the articles of the association of the Company with the Code on Corporate Governance Practices, the Directors propose to amend by a special resolution at the Annual General Meeting, article 95 of its existing articles of association to require that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, articles 102 and 118 to allow the Company to remove the Directors by ordinary resolution and article 115 to require that every Director to retire by rotation at least once every three years.

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Details of the above amendment to the articles of association are set out in Resolution 8 of the Notice of Annual General Meeting.

A copy of the articles of association is available for inspection during the normal business hours at the head office and principal place of business of the Company at Unit 1001, 10th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai, Hong Kong from the date of this circular up to and including the date of the Annual General Meeting and at the Annual General Meeting.

5. Annual General Meeting

A notice convening the Annual General Meeting to be held at Salon 4, 3/F., JW Marriott, Pacific Place, 88 Queensway, Hong Kong on Friday, 23 June 2006 at 10:30 a.m. is set out on pages 11 to 15 of this circular. At the Annual General Meeting, resolutions will be proposed to approve, inter alia, the grant of the Share Issue Mandate, the Share Repurchase Mandate, the proposed amendment to the articles of association and the re-election of Directors.

The procedure by which the shareholders of the Company may demand a poll at any general meeting of the Company is set out in Appendix III to this circular.

A proxy form for use at the Annual General Meeting is enclosed. Whether or not you are able to attend the Annual General Meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's Share Registrars, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the proxy form will not prevent shareholders from attending and voting at the Annual General Meeting if they so wish.

6. Recommendation

The Directors believe that the grant of the Share Issue Mandate and the Share Repurchase Mandate, the re-election of Directors and the amendment to the articles of association be proposed at the Annual General Meeting are in the best interests of the Company and the shareholders. Accordingly, the Board recommends that the shareholders to vote in favour of the resolutions in relation to the above proposals to be proposed at the Annual General Meeting.

Yours faithfully,
Niu Gensheng
Chief Executive Officer

(A) LISTING RULES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their fully-paid up shares on the Stock Exchange subject to certain restrictions.

(B) SHAREHOLDERS' APPROVAL

The Listing Rules provide that all on-market share repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by specific approval of a particular transaction or by a general mandate to the directors of the company to make such repurchases.

(C) EXERCISE OF THE SHARE REPURCHASE MANDATE

As at the Latest Practicable Date, there were 1,368,416,473 Shares in issue. Subject to the passing of the ordinary resolution approving the Share Repurchase Mandate and on the basis that no further Shares are issued or no Shares are repurchased prior to the Annual General Meeting, the Company would be allowed under the Share Repurchase Mandate to repurchase a maximum of 136,841,647 Shares, representing ten per cent (10%) of the issued share capital of the Company as at the date of passing of such resolution.

(D) REASONS FOR THE REPURCHASE OF SHARES

The Directors believe that the Share Repurchase Mandate is in the best interest of the Company and the shareholders. Repurchases may, depending on the circumstances, result in an increase in net assets and/or earnings per share. The Directors are seeking the grant of the Share Repurchase Mandate to give the Company flexibility to do so if and when appropriate. The timing and the number(s), the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing.

(E) SOURCE OF FUNDS

The Company is empowered by its memorandum and articles of association to purchase its Shares. In accordance with Cayman Islands law and the Company's memorandum and articles of association, shares may only be redeemed or purchased out of the profits of the Company or out of the proceeds of a fresh issue of shares made for the purposes of the redemption or purchase. The premium, if any, payable on purchase must be provided for out of the profits of the Company or out of the Company's share premium account before or at the time the shares are purchased or, subject to the statutory test of solvency, out of capital. Under Cayman Islands law, the Shares so repurchased will be treated as cancelled but the aggregate amount of authorised share capital will not be reduced.

It is possible that, if the Share Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period, there might 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 of the Company for the year ended 31 December 2005. However, the Directors do not propose to exercise the Share Repurchase Mandate to the extent that the repurchase would, in the circumstances, have a material adverse effect on the working capital position of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(F) SHARE PRICES

The monthly highest and lowest prices at which the Shares had traded on the Stock Exchange in the last twelve months up to the Latest Practicable Date were as follows:

	Share Prices (per Share)	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2005		
June	5.40	4.80
July	5.95	4.825
August	6.15	5.60
September	6.45	5.75
October	6.70	5.85
November	6.55	6.10
December	7.05	6.35
2006		
January	8.45	6.60
February	8.85	7.75
March	9.10	8.00
April	10.05	8.40
May (up to and including the Latest Practicable Date)	10.05	8.60

(G) UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate 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, any of their associates (as defined in the Listing Rules), currently intends to sell Shares to the Company or its subsidiaries in the event that the Share Repurchase Mandate is approved by the shareholders.

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

(H) THE TAKEOVER CODE

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

As at the Latest Practicable Date, Mr. Niu Gensheng ("Mr. Niu") holds, personally and through Yinniu Milk Industry Limited ("Yinniu"), a company in which he controls 81.73 per cent (81.73%) of the voting rights, 298,797,359 Shares, representing approximately 21.84 per cent (21.84%) of the total issued share capital of the Company. If the Share Repurchase Mandate is fully exercised by the Company, it will increase Mr. Niu's percentage shareholding to 24.26 per cent (24.26%).

Ten founding individuals, namely Mr. Niu, Deng Jiuqiang, Hou Jiangbin, Sun Yunbin, Qiu Lianjun, Yang Wenjun, Pang Kaitai, Lu Jun, Sun Xianhong and Xie Qiuxu, have been acting as a controlling group over the business since its inception in 1999. They as a group are therefore controlling shareholders of the Company. As at 31 December 2005, Mr. Niu, Deng Jiuqiang, Lu Jun, Sun Yubin, Yang Wenjun, Sun Xianhong and Qiu Lianjun who are shareholders of Jinniu together control approximately 81.16 per cent (81.16%) of Jinniu Milk Industry Limited ("Jinniu"), a company which holds 181,997,979 Shares, representing approximately 13.30 per cent (13.30%) of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Niu, Xie Qiuxu, Pang Kaitai, Hou Jiangbin and Deng Jiuqiang who are shareholders of Yinniu together control approximately 87.75 per cent (87.75%) of Yinniu. Jinniu, Yinniu and Mr. Niu in aggregate control approximately 35.14 per cent (35.14%) and 39.04 per cent (39.04%) of the voting power at the general meeting of the Company before and after the exercise of the Share Repurchase Mandate (if exercised in full) respectively.

Save as disclosed above, the Directors are not aware of any shareholder or group of shareholders acting in concert who will become obliged to make a mandatory offer as a result of a repurchase of Shares.

(I) SHARES PURCHASED BY THE COMPANY

The Company did not repurchase any Shares in the six months prior to the Latest Practicable Date (whether on the Stock Exchange or otherwise).

Set out below are details of the Directors who will retire at the conclusion of the Annual General Meeting and will be proposed to be re-elected at the Annual General Meeting.

YANG WENJUN

Mr. Yang Wenjun, aged 39, is an executive Director and the Vice President of the Company, the Chief Executive Officer and one of the founders of Inner Mongolia Mengniu Dairy (Group) Company Limited (“Mengniu”). Prior to the appointment as Mengniu’s CEO, Mr. Yang was Mengniu’s Vice President and General Manager of the liquid milk division. Mr. Yang graduated from Inner Mongolia Light Industry Institute in dairy products and he also holds a Master’s Degree in Business Administration from Barrington University. He has 19 years of experience in China’s dairy industry.

Pursuant to the service contract entered into between the Company and Mr. Yang on 18 May 2004, Mr. Yang was appointed as an executive director of the Company for an initial term of one year and shall continue thereafter to a maximum of three years. The said service contract is terminable by either party by giving three months’ notice. Mr. Yang is entitled to receive emoluments of RMB6,000 per annum, together with an annual fixed sum bonus which is equal to one month of his average monthly salary, and a discretionary bonus. Pursuant to the service contract, his salary will be reviewed by the remuneration committee of the Company.

Mr. Yang is not related to any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Yang does not have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571) (“SFO”).

Mr. Yang has interests in the shares of Mengniu. As at the Latest Practicable Date, Mr. Yang holds 1,068,646 shares in Mengniu, representing approximately 0.40% of the total issued share capital of Mengniu.

JULIAN JUUL WOLHARDT

Mr. Julian Juul Wolhardt, aged 32, is a non-executive Director of the Company. Mr. Wolhardt is currently an executive director of Morgan Stanley, focusing on private equity transactions in the Greater China region. Mr. Wolhardt is a non-executive director of China Paradise Electronics Retail Limited and of CIMIC Holdings Limited. Mr. Wolhardt is a CPA and CMA and received a B.S. with honours in Accounting from the University of Illinois (Urbana-Champaign).

Pursuant to the service contract entered into between the Company and Mr. Wolhardt on 13 February 2006, Mr. Wolhardt was appointed as a non-executive director of the Company until the Annual General Meeting. Mr. Wolhardt is entitled to receive emoluments of RMB6,000 per annum.

Mr. Wolhardt is not related to any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Wolhardt does not have any interest in the Shares within the meaning of Part XV of the SFO.

ZHANG JULIN

Mr. Zhang Julin, aged 62, is a professor of accounting. Mr. Zhang graduated from the economics department of Lanzhou University. He served as assistant dean to the Inner Mongolia Finance and Economics University. Mr. Zhang is currently the vice chairman of the Inner Mongolia Audit Society and an independent director for Inner Mongolia Lantai Industrial Co., Ltd. He is also a member of the Chinese Institute of Certified Public Accountants. Mr. Zhang was appointed as an independent director for Mengniu on 18 October 2002.

Pursuant to the letter of appointment entered into between the Company and Mr. Zhang on 18 May 2004, Mr. Zhang was appointed as an independent non-executive Director of the Company for an initial term of one year and shall continue thereafter to a maximum of three years. Mr. Zhang is entitled to receive emoluments of RMB12,000 per annum.

Mr. Zhang is not related to any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the Latest Practicable Date, Mr. Zhang does not have any interest in the Shares within the meaning of Part XV of the SFO.

Each of Mr. Yang Wenjun, Mr. Julian Juul Wolhardt and Mr. Zhang Julin has confirmed that there are no other matters that need to be brought to the attention of the shareholders with his re-election and that the no information needs to be disclosed under paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules.

Article 76 of the articles of association of the Company sets out the procedure by which shareholders may demand a poll:

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 (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:

- (i) by the Chairman of the Meeting; or
- (ii) by at least five members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy 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
- (iv) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy 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.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman 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 in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

NOTICE OF ANNUAL GENERAL MEETING



CHINA MENGNIU DAIRY COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2319)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the shareholders of China Mengniu Dairy Company Limited (the “**Company**”) will be held at Salon 4, 3/F., JW Marriot Hotel, Pacific Place, 88 Queensway, Hong Kong on Friday, 23 June 2006 at 10:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the report of directors and auditors for the year ended 31 December 2005.
2. To approve the proposed final dividend.
3. To re-elect directors and authorise the board of directors of the Company to fix their remuneration.
4. To re-appoint auditors and authorise the board of directors of the Company to fix their remuneration.

As special business, to consider and, if thought fit, to pass with or without amendments the following ordinary resolutions:

ORDINARY RESOLUTIONS

5. “**THAT**”
 - (a) subject to paragraph (b) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as defined below) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company (“**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the securities 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 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;

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(b) the aggregate nominal amount of the Shares which may be repurchased pursuant to the approval in paragraph (a) above 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 number 5 set out in this notice of annual general meeting ("**Resolution 5**") and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution 5:

"Relevant Period" means the period from the passing of this Resolution 5 until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by its articles of association or by any applicable law(s) to be held; or
- (iii) the revocation or variation of the authority given to the Directors under this Resolution 5 by the passing of an ordinary resolution by the shareholders in general meeting."

6. "THAT"

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements, options and warrants 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 set out in this notice of annual general meeting ("**Resolution 6**") shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and warrants which 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) by the Directors pursuant to the approval in paragraph (a) of this Resolution 6, otherwise than pursuant to, (i) a Rights Issue (as hereinafter defined), (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares or (iii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole

NOTICE OF ANNUAL GENERAL MEETING

or part of a dividend on Shares in accordance with the articles of association of the Company, shall not exceed of 20 per cent (20%) of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution 6, and the said approval shall be limited accordingly.

(d) for the purpose of this Resolution 6:

“Relevant Period” means the period from the passing of this Resolution 6 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 its articles of association or by any applicable law(s) to be held; or
- (iii) the revocation or variation of the authority given to the Directors under this Resolution 6 by the passing of an ordinary resolution by the shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to the holders of the Shares or any class thereof on the register on a fixed record date in proportion to their then holdings of such Shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems 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 applicable to the Company).”

7. “**THAT** subject to the passing of Resolutions 5 and 6, the general mandate referred to in Resolution 6 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed to be allotted by the Directors of the Company pursuant to such general mandate an amount representing the aggregate nominal amount of Shares repurchased by the Company pursuant to the general mandate referred to in Resolution 5 above provided that such amount shall not exceed ten per cent (10%) of the existing issued share capital of the Company at the date of passing this Resolution 7.”

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

8. **“THAT** the existing articles of association of the Company be and are hereby amended in the following manner:

- (a) Article 95 be deleted and replaced with the following:

“The Board shall have power from time to time and at any time to appoint any person so nominated by the Nomination Committee as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election at that meeting, provided that any Director who so retires at an annual general meeting of the Company shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation pursuant to Article 112. Director being re-elected need not have been nominated by the Nomination Committee if they are retiring due to rotation pursuant to Article 112 and are being nominated for re-election at a general meeting.”

- (b) Article 102

By deleting the words “special resolution” in paragraph (vii) of the existing article 102 and replacing the same with the words “ordinary resolution”.

- (c) Article 115

The sentence in the existing article 115, “Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting” be deleted and substituted with “Any Director so appointed shall hold office until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting”

NOTICE OF ANNUAL GENERAL MEETING

(d) Article 118 (a)

The first sentence of the existing article 118(a) be deleted and replaced with “The Company may by ordinary resolution at any time remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead.” The words “special resolution” in the existing margin note be deleted and substituted with the words “ordinary resolution”.

By Order of the Board
Lo Ka Wai, Claudia
Company Secretary

Hong Kong, 29 May 2006

Notes:

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. All proxies, together with powers of attorney or other authorities, if any, under which they are signed or notarially certified copies thereof, must be deposited with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.
- (2) The Register of Members will be closed from 20 June 2006 to 23 June 2006 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 19 June 2006.
- (3) Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders are present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the other in which the names of the joint holders stand on the register of the relevant joint holding.
- (4) With reference to Resolution 3 above, Yang Wenjun, Julian Juul Wolhardt and Zhang Julin will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Details of the above Directors are set out in Appendix III to the circular dated 29 May 2006.
- (5) With reference to Resolutions 5, 6 and 7 above, the Directors wish to state that they have no immediate plans to repurchase any existing Shares or to issue any new Shares or warrants pursuant to the relevant mandate.