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

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

**If you have sold** all your shares in **NINE DRAGONS PAPER (HOLDINGS) LIMITED** (“the Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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

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**玖龍紙業(控股)有限公司\***

**NINE DRAGONS PAPER (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2689)**

## **PROPOSED GRANT OF OPTIONS**

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A notice convening a special general meeting of the Company to be held at Chief Executive Suites II and III, 5th Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong on Friday, 17 November 2006 immediately after the conclusion of the annual general meeting of the Company to be held at the same place at 2:00 p.m. on 17 November 2006 or any adjournment thereof is set out on pages 11 and 12 of this circular.

Whether or not you are able to attend the special general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable to the share registrars of the Company in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and in any event no later than 48 hours before the time appointed for holding of the special general meeting or any adjourned meeting. Completion of a form of proxy will not preclude you from attending and voting at the special general meeting or any adjourned meeting should you so wish.

\* For identification purpose only

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## **RESPONSIBILITY STATEMENT**

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This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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## DEFINITIONS

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

“associate”	has the same meaning ascribed in the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company adopted at a special general meeting of the Company held on 12 February 2006
“Company”	Nine Dragons Paper (Holdings) Limited, a company duly incorporated with limited liability in Bermuda, whose Shares are listed and traded on the Stock Exchange
“Directors”	the directors of the Company
“Extraordinary Items”	Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group and therefore are not expected to recur frequently or regularly
“Grantees”	Ms. Cheung, Mr. Liu and Mr. Zhang, the proposed grantees of the Options
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than the Grantees and their respective associates
“Share Option Scheme”	the share option scheme of the Company adopted on 12 February 2006
“Latest Practicable Date”	27 October 2006, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Ming Chung, an executive Director, the Deputy Chairman and the Chief Executive Officer of the Company
“Mr. Zhang”	Mr. Zhang Cheng Fei, an executive Director and the Deputy Chief Executive Officer of the Company
“Ms. Cheung”	Ms. Cheung Yan, an executive Director and the Chairman of the Company
“Net Profit”	profits attributable to equity holders of the Company, after tax and minority interests but excluding Extraordinary Items
“Options”	the options proposed to be granted to the Grantees under the Share Option Scheme to subscribe a total of 124,500,000 Shares and for each of the Grantees, rights to subscribe 41,500,000 Shares as described herein
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company with effect from 1 January 2006
“Pre-IPO Share Options”	the options granted under the Pre-IPO Share Option Scheme
“Relevant Period”	the five financial years from 1 July 2007 to 30 June 2011 or, where the context may require, any financial year within the aforesaid period
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder”	a holder of Share(s)
“Special General Meeting”	the special general meeting of the Company to be held at Chief Executive Suites II and III, 5th Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong on Friday, 17 November 2006 immediately after the conclusion of the annual general meeting of the Company to be held at the same place at 2:00 p.m. on 17 November 2006, to consider and, if thought appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 11 and 12 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning ascribed in the Listing Rules
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong



玖龍紙業(控股)有限公司\*

NINE DRAGONS PAPER (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2689)

*Executive Directors:*

Ms. Cheung Yan (*Chairman*)  
Mr. Liu Ming Chung (*Deputy Chairman and  
Chief Executive Officer*)  
Mr. Zhang Cheng Fei (*Deputy Chief Executive Officer*)  
Ms. Gao Jing  
Mr. Wang Hai Ying

*Non-executive Director:*

Mr. Lau Chun Shun

*Independent non-executive Directors:*

Ms. Tam Wai Chu, Maria  
Mr. Chung Shui Ming, Timpson  
Dr. Cheng Chi Pang  
Mr. Wang Hong Bo

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Room 3129–3140, 31st Floor  
Sun Hung Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

2 November 2006

*To the Shareholders and, for information only,  
holders of the Pre-IPO Share Options*

Dear Sir or Madam,

## PROPOSED GRANT OF OPTIONS

### 1. INTRODUCTION

Pursuant to the Share Option Scheme adopted by the Company on 12 February 2006, the Board proposes to seek the Independent Shareholders' approval at the Special General Meeting of the grant of Options to subscribe an aggregate of 124,500,000 Shares (representing 3% of the Shares in issue as at the Latest Practicable Date) at the option price of HK\$9.8365 per Share to Ms. Cheung, Mr. Liu and Mr. Zhang, and each of them will have the right to subscribe 41,500,000 Shares, on terms described herein.

The purpose of this circular is to provide you with information regarding the ordinary resolutions to be proposed at the Special General Meeting relating to the abovementioned proposed grant of the Options to the Grantees under the Share Option Scheme.

### 2. PROPOSED GRANT OF OPTIONS

Under the Pre-IPO Share Option Scheme, options to subscribe for an aggregate of 100,000,000 Shares at an exercise price of HK\$3.06 per Share, representing a 10% discount to the offer price of the Global Offering (as defined in the prospectus of the Company dated 20 February 2006), were granted to a total of

\* For identification purpose only

## LETTER FROM THE BOARD

207 eligible participants, including the Grantees, by the Company with effect from 1 January 2006. As at the Latest Practicable Date, there were options for 98,016,000 Shares outstanding under the Pre-IPO Share Option Scheme and the underlying Shares of the outstanding Pre-IPO Share Options of Ms. Cheung, Mr. Liu and Mr. Zhang were 16,923,315 Shares, 16,914,184 Shares and 11,814,821 Shares respectively.

Under the Share Option Scheme, the Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme. The Company may grant options of up to 400,000,000 Shares, representing 10% of the issued share capital of the Company immediately following completion of the Global Offering. Up to the Latest Practicable Date, no options have been granted under the Share Option Scheme.

It is proposed that subject to the approval of the grant of the Options by the Independent Shareholders, the Options be granted to the Grantees on 31 December 2006 to subscribe an aggregate of 124,500,000 Shares at a subscription price of HK\$9.8365 per Share, representing approximately 3% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 2.85% of the enlarged issued share capital of the Company, assuming that all outstanding Pre-IPO Share Options and the Options are fully exercised.

The following table illustrates the number of Shares to be issued upon exercise in full the Options proposed to be granted to the Grantees, subject to the Independent Shareholders' approval at the Special General Meeting:

Name	Approximate percentage shareholding in the Company as at the Latest Practicable Date represented by Shares which may fall to be issued upon exercise of the Pre-IPO Share Options in full		Approximate percentage shareholding in the Company as at the Latest Practicable Date represented by Shares which may fall to be issued upon exercise of the Pre-IPO Share Options in full		Number of Shares to be issued upon exercise in full of the Pre-IPO Share Options and the Options	Approximate percentage shareholding in the enlarged issued share capital of the Company assuming an exercise of the Pre-IPO Share Options and the Options in full
	Number of Shares for the Pre-IPO Share Options granted	Share Options in full	Number of Shares for the Options proposed to be granted	Options in full		
Ms. Cheung	16,923,315	0.41%	41,500,000	1.00%	58,423,315	1.34%
Mr. Liu	16,914,184	0.41%	41,500,000	1.00%	58,414,184	1.34%
Mr. Zhang	11,814,821	0.28%	41,500,000	1.00%	53,314,821	1.22%
Total	<u>45,652,320</u>	<u>1.10%</u>	<u>124,500,000</u>	<u>3.00%</u>	<u>170,152,320</u>	<u>3.89%*</u>

\* due to minor rounding difference

Ms. Cheung, Mr. Liu and Mr. Zhang have been granted Pre-IPO Share Options for 16,923,315 Shares, 16,914,184 Shares and 11,814,821 Shares respectively, each of them of which when aggregated with the Options proposed to be granted will exceed 1% of the issued share capital of the Company within a 12-month period. Pursuant to the note to Rule 17.03(4) of the Listing Rules, where any further grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be

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## LETTER FROM THE BOARD

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separately approved by the Shareholders in general meeting. It is proposed that the shareholders' approval to be sought at the Special General Meeting shall be taken by poll with Ms. Cheung, Mr. Liu and Mr. Zhang and all connected persons of the Company abstaining from voting.

### **Particulars of the Grantees and reasons for the grant**

Set out below are the brief particulars of each of the Grantees.

Ms. Cheung, aged 49, is an executive Director, the Chairman and a founder of the Group. Ms. Cheung is in charge of overall corporate development and strategic planning of the Group and has nearly 8 years of experience in industrial accounting, 10 years of experience in paper manufacturing and nearly 20 years of experience in recovered paper recycling and international trade. Ms. Cheung is a member of the National Committee of the Chinese People's Political Consultative Conference and the vice chairman of the Women's Federation of Commerce of the All-China Federation of Industry and Commerce. Ms. Cheung is also an honorary citizen of the City of Dongguan, Guangdong Province, the PRC. Ms. Cheung was awarded the esteemed title of "Worldwide Chinese Ambassador of Love" (世界華人愛心大使) in September 2006. Ms. Cheung is the spouse of Mr. Liu and the sister of Mr. Zhang.

Mr. Liu, aged 44, is an executive Director, the Deputy Chairman and Chief Executive Officer and a founder of the Group. Mr. Liu is responsible for the Group's overall corporate management and planning, the development of new manufacturing technologies, the procurement of production equipment as well as human resources management of the Group. Mr. Liu also assists the Chairman in government relations. Mr. Liu has over 15 years of experience in international trade and over 7 years of experience in corporate management. Mr. Liu is an honorary citizen of the City of Dongguan, Guangdong Province, the PRC. Mr. Liu graduated with a bachelor's degree in Dental Surgery from the University of Santo Amaro in 1983. Mr. Liu is the husband of Ms. Cheung and the brother-in-law of Mr. Zhang.

Mr. Zhang, aged 39, is an executive Director and the Deputy Chief Executive Officer and a founder of the Group. Mr. Zhang is responsible for the overall management of the operations and business of the Group, including marketing and distribution, finance, procurement, sales and IT departments. Mr. Zhang has over 12 years of experience in procurement, marketing and distribution. Mr. Zhang is the younger brother of Ms. Cheung and the brother-in-law of Mr. Liu.

The proposed grant is determined by the Directors with reference to the valuable contributions made by the Grantees to the Group for the development and performance of the Group, in particular, the sales and operating profit of the Group and the profit attributable to equity holders of the Company have increased approximately 63.8%, 2.25 times and 3.53 times from RMB4.83 billion, RMB558.1 million and RMB303.8 million for the financial year ended 30 June 2005 to RMB7.90 billion, RMB1.81 billion and RMB1.37 billion respectively for the financial year ended 30 June 2006. The proposed grant of the Options is also intended to provide motivation and to induce their continuous contributions to the development of the Group.

Pursuant to the Director's service contract of each of Ms. Cheung, Mr. Liu and Mr. Zhang entered into on 12 February 2006, each of Ms. Cheung, Mr. Liu and Mr. Zhang is entitled to a fixed salary (subject to annual adjustment) and a year-end discretionary bonus which will be determined by reference to the performance of the relevant Director and the Net Profit of the Company. It is proposed that the Options will form part of the remuneration package of Ms. Cheung, Mr. Liu and Mr. Zhang under which unless approved by the Directors at a Board meeting at which the Grantees shall abstain

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## LETTER FROM THE BOARD

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from voting, (i) they would not be granted the year-end discretionary bonus during the term of the Options, and (ii) the annual adjustment to their fixed salary will be made by reference to the rate of increases of the management of similar position with the other listed companies of comparable sizes.

The terms of the Options granted to each of the Grantees are summarized as follows:

A. *Options granted*

Options to subscribe a total of 124,500,000 Shares, of which rights to subscribe 41,500,000 Shares will be granted on 31 December 2006 to each of the Grantees, representing a total of 3% of the issued share capital of the Company as at the Latest Practicable Date.

B. *Subscription price and the basis for determination of the subscription price*

The subscription price for the proposed Options to be granted to the Grantees is HK\$9.8365 per Share, being about 3% premium to the higher of (i) HK\$9.55, the closing price of the Shares on 26 October 2006, the date of the meeting of the Board to consider and propose the grant of the Options; and (ii) HK\$9.374, the average closing price of the Shares on the Stock Exchange for the five trading days immediately preceding 26 October 2006.

C. *Term of the Options*

The Options will have a maximum term of five years.

D. *Exercise period and performance targets*

(a) The Options will be exercisable in the following manners:

- (i) 20% of the Options will be exercisable at any time during the four-year period commencing on 1 January 2008 provided that the performance target for the financial year ending 30 June 2007 as set forth in paragraph (b) below shall have been met;
- (ii) in addition to any Options that may have become exercisable as referred in paragraph (i) above, 20% of the Options will be exercisable at any time during the three year period commencing on 1 January 2009 provided that the performance target for the financial year ending 30 June 2008 as set forth in paragraph (b) below shall have been met;
- (iii) in addition to any Options that may have become exercisable as referred in paragraphs (i) and (ii) above, 20% of the Options will be exercisable at any time during the two year period commencing on 1 January 2010 provided that the performance target for the financial year ending 30 June 2009 as set forth in paragraph (b) below shall have been met;
- (iv) in addition to any Options that may have become exercisable as referred in paragraphs (i) to (iii) above, 20% of the Options will be exercisable at any time during the one year period commencing on 1 January 2011 provided that the performance target for the financial year ending 30 June 2010 as set forth in paragraph (b) below shall have been met;

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## LETTER FROM THE BOARD

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- (v) in addition to any Options that may have become exercisable as referred in paragraphs (i) to (iv) above, 20% of the Options will be exercisable at any time during the period from 1 July 2011 to 31 December 2011 provided that the performance target for the financial year ending 30 June 2011 as set forth in paragraph (b) below shall have been met;
- (vi) no Options will be exercisable after the expiry of its term.
- (b) The Options may only be exercised by the Grantees if the following performance targets are met for the Relevant Period:

<b>Financial year ending</b>	<b>Performance target</b>
30 June 2007	Not less than 135% of the Net Profit for the year ended 30 June 2006
30 June 2008	Not less than 170% of the Net Profit for the year ended 30 June 2006
30 June 2009	Not less than 205% of the Net Profit for the year ended 30 June 2006
30 June 2010	Not less than 240% of the Net Profit for the year ended 30 June 2006
30 June 2011	Not less than 275% of the Net Profit for the year ended 30 June 2006

Net Profit for the financial year ended 30 June 2006 shall exclude the interest income of the Company derived from the over-subscription of the Shares during initial public offering in March 2006. The Company will engage the auditors of the Company or another reputable professional accounting firm to determine and confirm the Net Profit for the Relevant Period. The remuneration committee of the Board will be responsible for monitoring the performance targets of the Company and whether or not that the targets for each of the relevant year has been met.

- (c) If the performance target is met for a particular period, the Options associated with that particular Relevant Period will become exercisable. The failure to meet the performance targets for subsequent periods does not affect the Grantee's right to exercise the Options for that particular Relevant Period for which the performance target has been met.
- (d) Except for paragraph (e) below, if the Net Profit fall below the performance target for a Relevant Period, the Options available for exercise for that period will not be exercisable by the Grantee, even if in the subsequent periods, the performance targets are met.
- (e) If an event of force majeure occurs in any Relevant Period and as a result, the performance target for that period cannot be met, the Directors may recommend, after having obtained the consent of the independent non-executive Directors, the right to exercise a particular tranche of the Options to which that particular Relevant Period relates to be deferred to the following period with the performance target for the next Relevant Period as the condition for the exercise of the two tranches of the Options.

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## LETTER FROM THE BOARD

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E. *Amount payable on acceptance of the Options*

HK\$1.00 will be payable on acceptance of the Options.

F. *Voting, dividend, transfer and other rights*

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the Grantee as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank pari passu with and will have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

### 3. IMPLICATIONS UNDER THE LISTING RULES

The Options to be granted to each of Ms. Cheung, Mr. Liu and Mr. Zhang represent approximately 1% of the existing issued share capital of the Company respectively as at the Latest Practicable Date. As the grant of the Options to Ms. Cheung, Mr. Liu and Mr. Zhang together with the grant of Pre-IPO Share Options to each of them would result in the Shares to be issued upon exercise of all options granted and to be granted to each of Ms. Cheung, Mr. Liu and Mr. Zhang in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total issued share capital of the Company, pursuant to the note to Rule 17.03(4) of the Listing Rules, the grant of the Options to Ms. Cheung, Mr. Liu and Mr. Zhang must be approved by the Shareholders in general meeting. It is proposed that the shareholders' approval to be sought at the Special General Meeting shall be taken by poll with Ms. Cheung, Mr. Liu and Mr. Zhang and all connected persons of the Company abstaining from voting.

### 4. SPECIAL GENERAL MEETING

Set out on pages 11 and 12 of this circular is a notice convening the Special General Meeting to consider the ordinary resolutions relating to the matters as detailed in the above paragraphs.

The vote to be taken to approve the grant of the Options to the Grantees will be conducted by poll where the Grantees and all connected persons of the Company will abstain from voting.

A form of proxy for use at the Special General Meeting is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereof and deposited together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority at the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the Special General Meeting if you so wish.

### 5. PROCEDURE FOR DEMANDING A POLL

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote at the meeting shall be determined by a show of hands of the members present in person or by a duly authorized corporate representative or by proxy entitled to vote unless voting by way of a poll is required by the rules of the Designated Stock Exchange or a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the Chairman of the meeting; or

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## LETTER FROM THE BOARD

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- (b) by at least three 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
- (c) by a 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 members having the right to vote at the meeting; or
- (d) by a 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 in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

In accordance with the requirements of the Listing Rules, the results of the poll will be published by way of an announcement in the local newspapers on the business day following the meeting.

### 6. RECOMMENDATIONS

The Directors (including the independent non-executive Directors and excluding the Grantees) consider that the grant of Options is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Special General Meeting.

Yours faithfully,  
**For and on behalf of the Board of  
Nine Dragons Paper (Holdings) Limited**  
**Cheung Yan**  
*Chairman*

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# NOTICE OF SPECIAL GENERAL MEETING

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## 玖龍紙業(控股)有限公司\*

### NINE DRAGONS PAPER (HOLDINGS) LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 2689)**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Special General Meeting**”) of Nine Dragons Paper (Holdings) Limited (the “**Company**”) will be held at Chief Executive Suites II and III, 5th Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 17 November 2006 immediately after the conclusion of the annual general meeting of the Company to be held at the same place at 2:00 p.m. on 17 November 2006 for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions respectively:

#### **ORDINARY RESOLUTIONS**

- (1) “**THAT** the grant of an option to Ms. Cheung Yan under the share option scheme of the Company adopted on 12 February 2006 which would entitle her to subscribe 41,500,000 shares of HK\$0.10 each in the share capital of the Company at HK\$9.8365 per share and on terms and conditions as set out in the circular of the Company dated 2 November 2006 be and is hereby approved and any one director of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary to give full effect to the grant and exercise of the options.”
- (2) “**THAT** the grant of an option to Mr. Liu Ming Chung under the share option scheme of the Company adopted on 12 February 2006 which would entitle him to subscribe 41,500,000 shares of HK\$0.10 each in the share capital of the Company at HK\$9.8365 per share and on terms and conditions as set out in the circular of the Company dated 2 November 2006 be and is hereby approved and any one director of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary to give full effect to the grant and exercise of the options.”
- (3) “**THAT** the grant of an option to Mr. Zhang Cheng Fei under the share option scheme of the Company adopted on 12 February 2006 which would entitle him to subscribe 41,500,000 shares of HK\$0.10 each in the share capital of the Company at HK\$9.8365 per share and on terms and conditions as set out in the circular of the Company dated 2 November 2006 be and is hereby approved and any one director of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary to give full effect to the grant and exercise of the options.”

By Order of the Board  
**Cheung Yan**  
*Chairman*

Hong Kong, 2 November 2006

\* For identification purpose only

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## NOTICE OF SPECIAL GENERAL MEETING

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### Notes:

1. A member of the Company entitled to attend and vote at the Special General Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Special General Meeting. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with the power or attorney or other authority (if any) under which it is signed or certified copy of such power of attorney or authority, not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof.
3. Where there are joint holders of any share, any one of such persons may vote at the Special General 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 be present at the Special General Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. A form of proxy for use in connection with the Special General Meeting is enclosed.

As at the date of this notice, the board of directors of the Company comprises:

*Executive Directors*

Ms. Cheung Yan (Chairman)

Mr. Liu Ming Chung

*(Deputy Chairman and Chief Executive Officer)*

Mr. Zhang Cheng Fei

*(Deputy Chief Executive Officer)*

Ms. Gao Jing

Mr. Wang Hai Ying

*Independent non-executive Directors*

Ms. Tam Wai Chu, Maria

Mr. Chung Shui Ming, Timpson

Dr. Cheng Chi Pang

Mr. Wang Hong Bo

*Non-executive Director*

Mr. Lau Chun Shun