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

If you have sold or transferred all your shares in SHANGHAI MING YUAN HOLDINGS LIMITED, you should at once hand this circular together with the 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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SHANGHAI MING YUAN HOLDINGS LIMITED

上海銘源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code : 233)

**PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL;
PROPOSED AMENDMENTS TO BYE-LAWS;
ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME;
PROPOSED RE-ELECTION OF DIRECTORS; AND
GENERAL MANDATE TO ISSUE SHARES AND PURCHASE SHARES**

A notice convening a special general meeting of Shanghai Ming Yuan Holdings Limited (the "Company") to be held at 2:35 p.m. (or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned) at The Ritz-Carlton Chater Room II & III, The Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on 31st May, 2004 is set out on pages 24 to 33 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the head office and principal office of business of the Company at Room 1801-03, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

* *For identification only*

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is adopted by the Company, which is expected to be 31st May, 2004, being the date of the SGM;
“AGM”	the annual general meeting of the Company to be held at 2:30 p.m. at The Ritz-Carlton Chater Room II & III, The Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on 31st May, 2004;
“associate”	has the same meaning as defined in the Listing Rules;
“Auditors”	at any time means the auditors of the Company for the time being of the Company;
“Board”	the board of Directors;
“Company”	Shanghai Ming Yuan Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange;
“connected person”	has the same meaning as defined in the Listing Rules;
“Date of Grant”	in respect of an Option, the business day on which the Board resolves to make an Offer to a Participant;
“Directors”	the directors of the Company;
“Existing Share Option Scheme”	the share option scheme for a term of ten years adopted by the Company on 3rd September, 1999;
“Grantee”	any Participant who accepts the offer of the grant of an Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

DEFINITIONS

“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to allot and issue Shares as set out in resolution no. 2 in the notice convening the SGM;
“Latest Practicable Date”	4th May, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Option Scheme”	the new share option scheme to be adopted by the Company at the SGM;
“Offer”	an offer of an Option to a Participant pursuant to the New Share Option Scheme;
“Option”	an option to subscribe for Shares to be granted pursuant to the New Share Option Scheme;
“Option Period”	a period to be determined and notified by the Board to each Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participant”	any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the Board considers, in its sole discretion, have contributed or shall have contributed to the Group;
“Purchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to purchase Shares as set out in resolution no. 3 in the notice convening the SGM;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at 2:35 p.m. (or so soon after the Annual General Meeting to be held at the same place and on the same date shall have been concluded or adjourned) at The Ritz-Carlton Chater Room II & III, The Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on 31st May, 2004, notice of which is set out on pages 24 to 33 of this circular;
“Share(s)”	ordinary shares of HK\$0.05 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong.

LETTER FROM THE BOARD

SHANGHAI MING YUAN HOLDINGS LIMITED

上海銘源控股有限公司*

(incorporated in Bermuda with limited liability)

Directors:

Mr. Yao Yuan (*Executive Chairman*)
Mr. Chien Hoe Yong, Henry
Mr. Hu Jun
Mr. Lam Lee G.*
Mr. Xiao Chuan Guo*
Ms. Chiang Su Hui, Susie*

* *Independent Non-executive Directors*

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business:

Room 1801-03, Hutchison House
10 Harcourt Road
Central
Hong Kong

7th May, 2004

To the Shareholders

Dear Sir/Madam,

**PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL;
PROPOSED AMENDMENTS TO BYE-LAWS;
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME;
PROPOSED RE-ELECTION OF DIRECTORS; AND
GENERAL MANDATE TO ISSUE SHARES AND PURCHASE SHARES**

INTRODUCTION

This circular contains information in relation to the proposed increase in the authorised share capital of the Company, amendments to the Bye-Laws, a summary of the principal terms of the New Share Option Scheme and the explanatory statement in compliance with the Listing Rules necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions.

PROPOSED INCREASE IN THE AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorized and issued share capital of the Company comprised 3,000,000,000 Shares and 2,688,096,230 Shares. In order to accommodate future expansion and growth of the Company, an ordinary resolution will be proposed to the Shareholders at the SGM to increase the authorised share capital of the Company from HK\$150,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 new Shares. The Directors have no immediate plan to issue Shares but the Directors believe that the

* *For identification only*

LETTER FROM THE BOARD

proposed increase in the authorised share capital of the Company is in the interest of the Company and its shareholders as a whole.

GENERAL MANDATE TO ISSUE SHARES AND GENERAL MANDATE TO REPURCHASE SECURITIES

At the SGM, ordinary resolutions will also be proposed to (i) grant the Issue Mandate to the Directors to allot, issue and deal with additional Shares not exceeding 20 per cent. of the issued ordinary share capital of the Company in issue as at the date of passing of the relevant resolution; and (ii) add to such general mandate so granted to the Directors the number of any Shares repurchased by the Company representing up to 10 per cent. of the aggregate nominal amount of the ordinary share capital of the Company in issue as at the date of passing of the relevant resolution. Notwithstanding these, the Board has no immediate plan to issue Shares pursuant to the above general mandate.

The Directors will also seek Shareholders' approval of the Purchase Mandate to be proposed at the SGM. The Purchase Mandate grants to the Directors a general and unconditional mandate to exercise all the powers of the Company to repurchase securities subject to the criteria set out in Appendix II to this circular. The Purchase Mandate will be valid for such number of Shares representing 10 per cent. of the issued ordinary capital of the Company in issue at the date of passing of the resolution to approve the Purchase Mandate.

PROPOSED AMENDMENTS TO BYE-LAWS

In light of the enactment of the SFO and the amendments to the Listing Rules, the Directors propose that the Company amends its existing bye-laws. In principle, the bye-laws of the Company will be amended, among other things, in the following respects:

- (a) "associate" shall be added to the definition to mean the meaning attributed to it in the rules of the Designated Stock Exchange;
- (b) "clearing house" shall be amended to mean a recognised clearing house by the laws of the jurisdiction in which the Shares are listed or quoted on a stock exchange in such jurisdiction;
- (c) all transfers of shares may be effected by transfer in writing in the usual common form or in a form prescribed by the Designated Stock Exchange or in such other form as the Directors may accept and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time in the form prescribed by the Stock Exchange. All instruments of transfer must be left at the registered office of the Company or at such other place as the Directors may appoint;

LETTER FROM THE BOARD

- (d) the offer to allow Shareholders the chance to elect to receive in place of the complete annual report and accounts of the Group, a summary financial report of the Group and the distribution of corporate communications by electronic means;
- (e) the minimum length of the period during which notice to the Company of the intention to propose a person for election as a director and during which notice to the Company by such person of his willingness to be elected may be given will be at least 7 days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting;
- (f) a director may be removed by an ordinary resolution instead of by a special resolution;
- (g) directors shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and he shall not be counted in the quorum at the relevant board meeting; and
- (h) where any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

A special resolution will be proposed at the SGM to seek the Shareholders' approval of the above amendments to the bye-laws of the Company.

PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The Stock Exchange has made certain amendments to Chapter 17 (Share option schemes) of the Listing Rules since the adoption of the Existing Share Option Scheme. The Company proposes to terminate the Existing Share Option Scheme and adopt a New Share Option Scheme in accordance with Chapter 17 of the Listing Rules, conditional upon:

- (i) the passing of an ordinary resolution by Shareholders to terminate the Existing Share Option Scheme and to approve the New Share Option Scheme at the SGM; and
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the New Share Option Scheme (up to an initial limit of 10 per cent. of the Shares in issue at the date of passing of the resolution to adopt the New Share Option Scheme).

LETTER FROM THE BOARD

On termination of the Existing Share Option Scheme no further options will be granted under the Existing Share Option Scheme but the Existing Outstanding Options shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme, subject to compliance with the Listing Rules and the provisions of the Existing Share Option Scheme will in all other respects remain in force so as to give effect to the Existing Outstanding Options.

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,688,096,230 Shares and that there were no outstanding options granted under the Existing Share Option Scheme. The Board will not grant any further options under the Existing Share Option Scheme during the period from the Latest Practicable Date to the date of the SGM. A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular.

The New Share Option Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the rules of the New Share Option Scheme provide that the Board may determine, at its sole discretion, such terms(s) on the grant of an Option, which decision may vary on a case by case basis. The basis for determination of the Subscription Price is also specified precisely in the rules of the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage the Participants to acquire proprietary interests in the Company.

The Directors consider that it is not appropriate to state the value of all Options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Options' value have not been determined. Such variables include the exercise price, exercise period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

Subject to the approval of the Shareholders of the adoption of the New Share Option Scheme at the SGM and conditional upon the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares or any part thereof that may fall to be issued pursuant to the exercise of the Options, the Directors will have the right to grant Options to the Participants to subscribe for Shares such that the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10 per cent. of the share capital of the Company in issue as at the SGM (such 10 per cent. shall represent 268,809,623 Shares on the basis that the issued Shares as at the SGM will be 2,688,096,230) unless the Company obtains a fresh approval from the Shareholders to refresh such 10 per cent. limit but provided always that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 30 per cent. of the share capital of the Company in issue from time to time.

LETTER FROM THE BOARD

REASONS FOR THE NEW SHARE OPTION SCHEME

The Directors consider that the adoption of the New Share Option Scheme in compliance with the revised Listing Rules is in the interests of the Company and the Shareholders as a whole because it enables the Company to reward and provide incentives to its employees and other groups of Participants as provided under the New Share Option Scheme.

APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for granting the listing of, and permission to deal in, the Shares falling to be issued upon exercise of the Options to be granted under the New Share Option Scheme.

RE-ELECTION OF DIRECTORS

According to Bye-Law 109 of the bye-laws of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation at every annual general meeting of the Company. A retiring Director shall be eligible for re-election.

In accordance with Bye-Law 109 of the bye-laws of the Company, Mr. Hu Jun, Mr. Xiao Chuan Guo and Ms. Chiang Su Hui shall retire from office by rotation at the AGM. Being eligible, each of Mr. Hu Jun, Mr. Xiao Chuan Guo and Ms. Chiang Su Hui will offer himself/herself for re-election as Directors. At the AGM, ordinary resolution will be proposed to re-elect Mr. Hu Jun, Mr. Xiao Chuan Guo and Ms. Chiang Su Hui as Directors.

Particulars relating to Mr. Hu Jun, Mr. Xiao Chuan Guo and Ms. Chiang Su Hui are set out in Appendix III to this circular.

SPECIAL GENERAL MEETING

A notice convening the SGM is set out on pages 24 to 33 of this circular. A proxy form for use at the SGM is enclosed herein. Whether or not you intend to attend the SGM, you are requested to complete the proxy form and return it to the head office and principal place of business of the Company at Room 1801-03, Hutchison House, 10 Harcourt Road, Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the SGM. Completion and return of a proxy form will not prevent Shareholders from attending and voting in person at the SGM if you so wish.

POLL PROCEDURES

Bye-laws 78 to 82 of the bye-laws of the Company sets out the procedures under which a poll may be demanded.

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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 by:

- (i) the chairman of the meeting; or
- (ii) not less than three members present in person or by proxy and entitled to vote; or
- (iii) a member or members present in person 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) a member or members present in person 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 the shares conferring that right.

A demand for a poll may be withdrawn only with the consent of the chairman of the meeting before the close of the meeting or the taking of the poll, whichever is the earlier. Unless a poll is demanded and not withdrawn, a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is demanded and not withdrawn, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote. In case of any dispute as to the admission or rejection of any vote the chairman of the meeting shall determine the same, and such determination shall be final and conclusive.

A poll demanded on the election of a chairman or on a question of adjournment shall take forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the chairman may direct. No notice need to be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

RECOMMENDATION

The Directors believe that all the above-mentioned resolutions to be proposed at the SGM are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions as set out in the notice of SGM.

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DOCUMENT AVAILABLE FOR INSPECTION

A copy of each of the New Share Option Scheme and the bye-laws of the Company is available for inspection during business hours at the Company's principal place of business in Hong Kong at Room 1801-03, Hutchison House, 10 Harcourt Road, Central, Hong Kong from the date of this circular up to the date of the SGM. Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Kenny Poon Kwong Wai
Company Secretary

The following is a summary of the principal terms of the New Share Option Scheme.

1. The purpose of the New Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
2. The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect shall be final and binding on all parties.
3. The categories of the Participant under the New Share Option Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Group and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the Board considers, in its sole discretion, have contributed or shall have contributed to the Group.
4. Each grant of Options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates shall be subject to the prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is the proposed Grantee of the Option or an associate thereof). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1 per cent. (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll) on which all connected persons of the Company shall abstain from voting in favour but (for the avoidance of doubt), any connected person may without affecting the validity of the relevant resolution vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

5. The Board shall not offer the grant of an Option to any Participant within the period of one month preceding the earlier of (i) the date of the board meeting (as such date is notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.
6. The maximum number of Shares which may be issued upon exercise of all outstanding options granted to the Grantees and yet to be exercised under the New Share Option Scheme and other share option schemes of the Company shall not exceed 30 per cent. of Shares in issue from time to time ("New Share Option Scheme Limit").
- (i) The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company shall not exceed 10 per cent. of Shares in issue on the date of approval of the New Share Option Scheme (the "New Share Option Scheme Mandate Limit"). Option lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the New Share Option Scheme Mandate Limit.
- (ii) The New Share Option Scheme Mandate Limit referred to in paragraph 6(i) may be refreshed at any time subject to prior Shareholders' approval but in any event shall not exceed 10 per cent. of Shares in issue as at the date of approval of the renewal of the New Share Option Scheme Mandate Limit. Option previously granted under the New Share Option Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed New Share Option Scheme Mandate Limit.
- (iii) The Company may grant Options beyond the New Share Option Scheme Mandate Limit to Participants if:
- (a) the Company has first sent a circular to Shareholders containing a generic description of the specified Participants in question, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose and other information as required under rule 17.02(2)(d) and 17.02(4)) of the Listing Rules; and
- (b) separate Shareholder's approval has been obtained.

7. The maximum number of Shares issued and to be issued upon exercise of all options granted and to be granted to a specifically identified single Grantee under the New Share Option Scheme and any other share option scheme(s) of the Company shall not in any 12-month period exceed 1 per cent. of the Shares in issue (the “Individual Limit”). The Company may grant Options beyond the Individual Limit to a Participant at any time if:
- (i) the Company has first sent a circular to Shareholders containing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and other information as required under rule 17.02(2)(d) and 17.02(4) of the Listing Rules); and
 - (ii) separate Shareholder’s approval has been obtained in general meeting with the proposed relevant Grantee (as the case may be) and his associates, as defined in the Listing Rules, abstaining from voting.
8. The Option Period is a period to be notified by the Board to each Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant.
9. On and subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include (i) a minimum period for which an Option must be held before it can be exercised and/or (ii) a performance target that must be reached, before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.
10. An Offer shall be deemed to have been accepted and an Option shall be deemed to have been granted and accepted and shall take effect when the duplicate letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable. An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant.
11. The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greatest of:
- (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant;

- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and
 - (iii) the nominal value of a Share.
12. The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum of association and bye-laws of the Company for the time being in force and shall rank *pari passu* in all respects with the fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders thereof to participate in all dividends or other distributions paid or made after the date on which Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.
13. Subject to the provisions of the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options shall be offered or granted but the provisions of the New Share Option Scheme shall remain in full force and effect in all other respects insofar as to give effect to the outstanding Options granted. Options granted during the life of the New Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.
14. In the event of the Grantee ceasing to be a Participant by reason of his death, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within the period of 12 months following his death provided that where any of the events set out in paragraphs 18, 19, 20 and 21 occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option within such of the various periods respectively set out in such paragraphs provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph 22(f) which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option;
15. In the event of a Grantee who is an employee or a director of the Company or another member of the Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph 22(f), the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment (which date shall be the last actual working day with the

Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall cease to be exercisable provided that the Board may within one month from the date of such cessation otherwise determine that the Option (or such remaining part thereof) shall become exercisable within such period as the Board may determine following the date of such cessation;

16. In the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation;
17. In the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph 22(f) and the Grantee has exercised the Option in whole or in part pursuant to the New Share Option Scheme, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option;
18. If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 19 below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option at any time within such period as shall be notified by the Board;
19. If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Board) exercise the Option;
20. In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option;

21. In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 19 above, between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the Option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option;
22. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:
- (a) the expiry of the Option Period (subject to the provisions of paragraphs 2.4 and 13 of the New Share Option Scheme);
 - (b) the expiry of the periods referred to in paragraphs 14-21;
 - (c) the expiry of the period referred to in paragraph 18 provided that if any court of competent jurisdiction makes an order the effect of which is to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date;
 - (d) subject to the scheme of arrangement (referred to in paragraph 19) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 19;
 - (e) the date of the commencement of the winding-up of the Company;
 - (f) the date on which the Grantee (if an employee or director of the Company or another member of the Group) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 22(f) shall be conclusive;
 - (g) the date on which the Grantee commits a breach of paragraph 23; and

- (h) subject to paragraph 15, the date the Grantee ceases to be a Participant for any other reason.
23. An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee without incurring any liability on the part of the Company.
24. In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company, other than any alternation in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, such corresponding alterations (if any) shall be made in:
- (a) the number or nominal amount of Shares subject to the Option so far as unexercised; and
- (b) the Subscription Price,
- as the Auditors or the independent financial adviser to the Company shall at the request of the Company certify in writing to the Board either generally or as regards any particular Grantee to be in their opinion fair and reasonable provided that any such adjustments give a Grantee the same proportion of equity capital of the Company as to which that Grantee was previously entitled but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the independent financial adviser to the Company shall be borne by the Company.
25. The Company by ordinary resolution in general meeting or by resolution of the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect. Options which are granted during the life of the New Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the New Share Option Scheme.
26. Those specific provisions of the New Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Board in relation to any alteration of

the terms of the New Share Option Scheme shall be made, without the prior approval of Shareholders in the general meeting. Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must also be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

27. Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the Grantee provided such new Options fall within the limits prescribed by paragraph 6 and otherwise comply with the terms of the New Share Option Scheme.
28. Notwithstanding any other provision of the New Share Option Scheme, the Board shall be entitled at its absolute discretion at any time and from time to time to cancel any Option, either in whole or in part, after notice of exercise thereof has been given by the Grantee but before the Company has issued and allotted any Shares pursuant to the exercise of that Option, by giving notice in writing to the Grantee stating that such Option is thereby cancelled.
29. If any Option shall be cancelled pursuant to paragraph 28, the Grantee shall, subject as provided in the New Share Option Scheme, be entitled to be paid by the Company a refund of the Subscription Price paid on exercise of such Option together with an additional payment in cash to compensate him for such cancellation, calculated in accordance with the formula below. Such refund and payment shall be made within 14 business days of the Company giving notice of such cancellation and once such refund and payment has been made by the Company, the Grantee shall have no other claim against the Company in connection with any Option so cancelled. The amount of payment shall be calculated by reference to the following formula:

$$(A \times B) - C$$

where

- A is the number of Shares that would have been issued on exercise of the Option (the “Applicable Shares”);
- B is the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days on which the Stock Exchange is open for business last preceding the date the Company receives notice of exercise of the Option; and
- C is the aggregate Subscription Price for the Applicable Shares,

provided that if the calculation shall result in a negative figure it shall be deemed to be zero.

This section includes an explanatory statement required by the Stock Exchange to be presented to Shareholders concerning the Purchase Mandate proposed to be granted to the Directors.

1. STOCK EXCHANGE RULES FOR PURCHASES OF SHARES

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

The Listing Rules provide that all proposed purchases of shares by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the shares to be purchased must be fully paid up.

2. FUNDING OF PURCHASES

Any purchase will be made out of funds which are legally available for the purpose in accordance with the memorandum and bye-laws of the Company and the Companies Act 1981 of Bermuda. As compared with the financial position of the Company as at 31st December, 2003 (being the date of its latest audited accounts), the Directors consider that there will not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period.

The Directors do not propose to exercise the purchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing ratio which in the opinion of the Directors are from time to time appropriate for the Company.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,688,096,230 Shares.

Subject to the passing of the relevant ordinary resolutions to approve the general mandates to issue and purchase Shares (the “Purchase Proposal”) and on the basis that no further Shares are issued or purchased between the Latest Practicable Date and the SGM, the Company would be allowed under the Purchase Proposal to purchase a maximum of 268,809,623 Shares.

4. REASONS FOR PURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to purchase Shares on the market. Such purchases may, depending on market conditions and funding arrangements

at the time, lead to an enhancement of the net asset value of the Company and/or its earning per Share and will only be made when the Directors believe that such purchases will benefit the Company and the Shareholders.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the purchase mandate in accordance with the Listing Rules, the applicable laws of Bermuda and in accordance with the memorandum and bye-laws of the Company.

6. EFFECT OF THE TAKEOVERS CODE

If as a result of a purchase 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 purpose of the Takeovers Code. As a result, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, 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 and based on the register required to be kept by the Company under Part XV of the SFO, Ming Yuan Investments Group Limited (a wholly-owned subsidiary of Ming Yuan Holdings Limited, of which 50 per cent. is held by Mr. Yao Yuan, the Executive Chairman of the Company) ("Ming Yuan") held 1,359,929,075 Shares, representing approximately 50.59 per cent. of the entire issued share capital of the Company and was the only ultimate substantial shareholder holding 10 per cent. or more of the issued share capital of the Company. In the event that the Directors should exercise in full the power to purchase Shares which is proposed to be granted pursuant to the resolution, the interests of Ming Yuan would increase to approximately 56.21 per cent. of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. Save as aforesaid and as at the Latest Practicable Date, the Directors are not aware of any consequence which the exercise in full of the purchase mandate would have under the Takeovers Code.

7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the proposed purchase mandate is approved by the Shareholders, to sell Shares to the Company. No connected person of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company nor has he/she/it undertaken not to sell any of the Shares held by him/her/it to the Company in the event that the Company is authorised to make purchases of Shares.

8. SHARE PURCHASE MADE BY THE COMPANY

No purchase of Shares has been made by the Company in the preceding six months (whether on the Stock Exchange or otherwise) ending on the Latest Practicable Date.

9. SHARE PRICE

The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the previous twelve months immediately prior to the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
May 2003	0.199	0.165
June 2003	0.265	0.035
July 2003	0.410	0.242
August 2003	0.380	0.345
September 2003	0.530	0.350
October 2003	0.710	0.500
November 2003	0.680	0.600
December 2003	0.670	0.600
January 2004	0.710	0.590
February 2004	0.750	0.610
March 2004	0.740	0.580
April 2004	0.620	0.495

The details of the Directors who will retire from office by rotation at the AGM and being eligible, will offer themselves for re-election at the AGM, are set out below:

1. Mr. Hu Jun

Mr. HU, aged 62, has been an Executive Director of the Company since 30th August, 2002. Mr. Hu has over 35 years of business management experience and had held senior managerial positions in governmental organizations in the PRC. Mr. Hu has been a director of Shanghai Maya Group Company Limited (美亞集團公司) since 2000 and has contributed to the success of its subordinate Shanghai Maya Online Broadband Technology Company Limited (上海美亞在線寬頻網絡有限公司), the largest broadband content provider in the PRC.

Mr. Hu does not have any relationship with any other Directors, senior management or substantial shareholders of the Company and does not have any interest in shares of the Company within the meaning of Part XV of the SFO. Neither Mr. Hu has entered into a service contract with the Company or any of the subsidiary nor did he receive emoluments from the Company or any of its subsidiaries for the year ended 31st December, 2003.

2. Mr. Xiao Chuan Guo

Mr. XIAO, aged 48, has been an Independent Non-Executive Director of the Company since 31st October, 2003. Mr. Xiao is also the chairman and professor of the Department of Urology in Union Hospital of Tongji Medical University, the chairman of the Institute of Urology of the Tongji Medical College of Huazhong University of Science and Technology and the associate professor of the Department of Urology of New York University School of Medicine.

Mr. Xiao does not have any relationship with any other Directors, senior management or substantial shareholders of the Company and does not have any interest in shares of the Company within the meaning of Part XV of the SFO. Neither Mr. Xiao has entered into a service contract with the Company or any of the subsidiary nor did he receive emoluments from the Company or any of its subsidiaries for the year ended 31st December, 2003.

3. Ms. Chiang Su Hui, Susie

Ms. CHIANG, aged 56, has been an Independent Non-Executive Director of the Company since 15th September, 2002. Ms. Chiang is also the Chairman of Asian Cultural Center (香江文化交流中心) and the Chairman of Xian Ji Consultancy Company Limited (香積顧問有限公司). Ms. Chiang holds a bachelor degree of laws in Taiwan and has over 30 years of extensive experience in journalism, cultural and media-related professions. Currently she is also a respected writer of articles and books in political and cultural areas.

Ms. Chiang does not have any relationship with any other Directors, senior management or substantial shareholders of the Company and does not have any interest in shares of the Company within the meaning of Part XV of the SFO. Neither Ms. Chiang has entered into a service contract with the Company or any of the subsidiary nor did she receive emoluments from the Company or any of its subsidiaries for the year ended 31st December, 2003.

NOTICE OF THE SPECIAL GENERAL MEETING

SHANGHAI MING YUAN HOLDINGS LIMITED

上海銘源控股有限公司*

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Shanghai Ming Yuan Holdings Limited (the “Company”) will be held 2:35 p.m. (or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned) at The Ritz-Carlton Chater Room II & III, The Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on 31st May, 2004 for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions and special resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the authorised share capital of the Company be and is hereby increased from HK\$150,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 new shares of HK\$0.05 each of the Company.”
2. “**THAT:**
 - (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to issue, allot and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval granted in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period.
 - (c) the aggregate nominal amount of the share capital to be issued, allotted and dealt with or agreed conditionally or unconditionally to be issued, allotted and dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to the following events, shall not exceed twenty per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution:
 - (i) a Rights Issue (as defined in paragraph (d) below);
 - (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities including bonds and debentures which are convertible into shares of the Company;

* For identification only

NOTICE OF THE SPECIAL GENERAL MEETING

(iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the Directors, officers and employees of the Company and/or its subsidiaries of shares or rights to acquire shares in the Company; or

(iv) any scrip dividend or similar arrangement providing for the issue and allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company (as amended from time to time);

and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended from time to time) or any other applicable laws to be held; and
- (iii) the date of any revocation or variation of the authority given under this resolution by an ordinary resolution of the members of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to the holders of shares of the Company or any class thereof whose names appear on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any relevant jurisdiction applicable to the Company.”

3. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to repurchase such securities are subject to and in accordance with all applicable laws, be and is hereby, generally and unconditionally approved;

NOTICE OF THE SPECIAL GENERAL MEETING

- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to repurchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of share capital of the Company repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution; and

- (d) for the purposes of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended from time to time) or any other applicable laws to be held; and
- (iii) the date of any revocation or variation of the authority given under this resolution by an ordinary resolution of the members of the Company in general meeting.”

4. “**THAT** conditional upon the passing of the ordinary resolutions numbered 2 and 3 in the notice convening a meeting of the Company dated 7th May, 2004, the aggregate nominal amount of the shares in the capital of the Company which are repurchased by the Company pursuant to and in accordance with the said resolution numbered 3 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the resolution numbered 2 set out in that notice of meeting dated 7th May, 2004.”

5. “**THAT** conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval for the listing of and permission to deal in the shares of the Company representing 10 per cent. of the issued share capital of the Company as at the date of passing this resolution to be issued pursuant to the exercise of any options (the “Options”) to be granted under the share option scheme of the Company (the “New Share Option Scheme”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification:

- (i) the existing share option scheme of the Company adopted on 3rd September, 1999 (the “Existing Share Option Scheme”) be terminated; and

NOTICE OF THE SPECIAL GENERAL MEETING

- (ii) the New Share Option Scheme be approved and adopted and the directors of the Company be and are hereby authorised, at their absolute discretion, to grant Options and to allot and issue shares of the Company pursuant to the exercise of the Options and to do all such acts, deeds and things as they may, in their absolute discretion, deem necessary, desirable or appropriate to effect and implement the New Share Option Scheme.”

SPECIAL RESOLUTION

6. **“THAT** the following amendments to the bye-laws of the Company be and are hereby approved:

- (a) by adding the following definitions after the definition of “Secretary” and before the definition of “Auditors”:

“associate” the meaning attributed to it in the Listing Rules;

“electronic” shall mean relating to technology having electrical, digital, magnetic, wireless, optical electromagnetic or similar capabilities and such other meanings as given to it in the Electronic Transactions Act 1999 of Bermuda as may be amended from time to time;

“Listing Rules” shall mean the rules governing the listing of securities made by The Stock Exchange of Hong Kong Limited (as amended from time to time);

- (b) by adding the following definition after the definition of “call” and before the definition of “Seal”:

“Designated Stock Exchange” a stock exchange which is an appointed stock exchange for the purposes of the Companies Act in respect of which the shares of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company;

- (c) by deleting the definition of “clearing house” in its entirety and replacing it with the following definition:

“clearing house” a clearing house recognised by the laws of the jurisdiction in which the shares are listed or quoted on a stock exchange in such jurisdiction;

- (d) by adding the following words after the words “non-transitory form” at the end of the definition “writing” or “printing”:

“, including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Members’ election comply with all applicable statutes, rules and regulations;”

NOTICE OF THE SPECIAL GENERAL MEETING

- (e) by adding the following words on the second and third lines of bye-law 38 immediately after the words “in the usual or common form or” and before the words “in such other form as the Board may accept”:

“in a form prescribed by the Designated Stock Exchange”

- (f) by amending the reference of the existing bye-law 85 to bye-law 85(1) and adding the following new bye-law 85(2) immediately after bye-law 85(1):

“Where any Member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”

- (g) by deleting the words “a special” in bye-law 107(A)(vii) and replacing it with the words “an ordinary”.

- (h) by deleting the word “special” in bye-law 115 and replacing it with the word “ordinary”.

- (i) by deleting the existing bye-law 114 in its entirety and replacing with the following new bye-law 114:

“No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (j) by deleting the existing bye-law 108(B)(ii) in its entirety and replacing with the following new bye-law 108(B)(ii):

“108. (B)(ii) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (a) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;

NOTICE OF THE SPECIAL GENERAL MEETING

- (b) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (c) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (d) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (e) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder other than a company in which the Director or his associate(s) is/are beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
 - (f) any proposal concerning the adoption, modification or operation of a share option or share incentive scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associates(s) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;”
- (k) by adding the following new bye-laws 108(E), (F) and (G) after the existing bye-law 108(D):

“(E) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or

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custodian trustee and in which he or any of them has/have no beneficial interest, any shares comprised in a trust in which the interests of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.

- (F) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (G) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”
- (I) by adding the following new bye-laws 172A and 172B after the existing bye-law 172:

“172A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 172 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company’s annual accounts and the directors’ report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon. Furthermore, the summary financial statements must be accompanied by an auditor’s report and a notice informing the person how to notify the Company that he elects to receive the full financial statements. The summary financial statements, notice and auditor’s

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report must be sent not less than twenty-one days before the general meeting to those persons that have consented and elected to receive the summary financial statements.

172B. The requirement to send to a person referred to in Bye-law 172 the documents referred to in that provision or a summary financial report in accordance with Bye-law 172A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 172 and, if applicable, a summary financial report complying with Bye-law 172A, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents."

(m) by deleting the existing bye-law 176 in its entirety and replacing with the following new bye-law 176:

"176 Any Notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website or the website of the Designated Stock Exchange, and giving to the Member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders."

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- (n) by deleting the existing bye-law 178 in its entirety and replacing it with the following new bye-law 178:

“178. Any Notice or other document:

- (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;
- (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company’s website or the website of the Designated Stock Exchange, is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;
- (c) if served or delivered in any other manner contemplated by these Bye-laws, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch, transmission or publication; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the fact and time of such service, delivery, despatch, transmission or publication shall be conclusive evidence thereof; and
- (d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.”

By Order of the Board
Kenny Poon Kwong Wai
Company Secretary

Hong Kong, 7th May, 2004.

NOTICE OF THE SPECIAL GENERAL MEETING

Principal place of business in Hong Kong:

Room 1801-03, Hutchison House,
10 Harcourt Road,
Central,
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to Room 1801-03, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share any one of such joint holder may vote, either in person 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 any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, 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 the joint holding.
6. A form of proxy for use at the special general meeting is enclosed herewith.

SHANGHAI MING YUAN HOLDINGS LIMITED

上海銘源控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 233)

Form of proxy for use at the Special General Meeting to be held on 31 May 2004 or any adjournment thereof

I/We ^(Note 1) _____
of _____
being the registered holder(s) of _____ shares ^(Note 2)
of HK\$0.05 each in the share capital of the above-named Company (the "Company"), **HEREBY APPOINT THE CHAIRMAN OF
THE MEETING** ^(Note 3) or _____
of _____
and/or _____ of _____

as my/our proxy to attend at the Special General Meeting of the Company (the "Meeting") to be held at 2:35 p.m. (or so soon after the annual general meeting of the Company to be held at the same place and on the same date shall have been concluded or adjourned) at The Ritz-Carlton Chater Room II & III, The Function Room Level, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on 31 May 2004 and at any adjournment thereof for the purposes of considering and, if thought fit, passing the resolutions as set out in the notice convening the said Meeting and at such Meeting (and at any adjournment thereof) to vote for me/us and in my/our name(s) in respect of the resolutions as indicated below ^(Note 4).

	RESOLUTIONS	FOR	AGAINST
1.	To approve the increase in the authorised share capital of the Company.		
2.	To give a general mandate to the Directors to issue, allot and deal with additional shares not exceeding 20% of the issued share capital of the Company at the date of passing this resolution.		
3.	To give a general mandate to the Directors to purchase shares not exceeding 10% of the total nominal amount of the issued share capital of the Company at the date of passing this resolution.		
4.	To extend the general mandate granted to the Directors to issue shares by adding the number of shares repurchased by the Company pursuant to the passing of the Resolution 3.		
5.	To adopt a new share option scheme of the Company and to terminate the existing share option scheme.		
6.	To approve the amendments to the Bye-laws of the Company.		

Dated this _____ day of _____ 2004 Signature ^(Note 5): _____

Notes:

1. Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares of the Company registered in your name(s).
3. If any proxy other than the Chairman is preferred, strike out "**THE CHAIRMAN OF THE MEETING**" here inserted and insert the name and address of the proxy desired in the space provided. A member of the Company who is the holder of two or more shares may appoint more than one proxy to attend and vote on his behalf at the Meeting provided that if more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. **IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS PROXY. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, TICK THE APPROPRIATE BOXES MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK THE APPROPRIATE BOXES MARKED "AGAINST"**. Failure to complete any or all the boxes will entitle your proxy to cast his votes at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either executed under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.
6. On a show of hands every member of the Company present in person or by proxy or being a corporation, is present by its duly authorised representative, shall have one vote and on a poll every member of the Company present in person or by proxy or, in the case of a member of the Company being a corporation, by its duly authorised representative, shall have one vote for every fully paid share for which he is the holder.
7. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.
8. To be valid, this form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited to the Secretary of the Company at the Company's principal place of business at the Company's office at Room 1801-03, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
9. The proxy need not be a member of the Company but must attend the Meeting in person to represent you.
10. Completion and delivery of the form of proxy will not preclude you from attending and voting in persons at the Meeting if you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

* For identification purpose only