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CHINA ORIENTAL GROUP COMPANY LIMITED
中國東方集團控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 581)

**PROPOSALS FOR ADOPTION OF THE NEW SHARE OPTION SCHEME
AND GRANT OF OPTIONS TO
A SUBSTANTIAL SHAREHOLDER
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the special general meeting of China Oriental Group Company Limited to be held at 2:00 p.m. on Monday, 20 December 2010 at Suites 901-2 & 10, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong is set out on pages 24 to 26 of this circular. Shareholders are advised to read the notice. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you are able to attend the special general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

* For identification purposes only

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Abstained Shareholders”	Mr. Han Jingyuan and his associates, Wellbeing Holdings Limited and Chingford Holdings Limited, and all the connected persons (having the meaning ascribed thereto under the Listing Rules) of the Company, who will abstain from voting in favour in the resolution to approve the grant of options to Mr. Han Jingyuan.
“Auditors”	the auditors for the time being of the Company
“Board”	the board of directors of the Company
“business day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“Bye-laws”	Bye-laws of the Company
“Company”	China Oriental Group Company Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Stock Exchange
“Date of Grant”	the date on which the Directors resolves to make an offer to grant an option under the New Share Option Scheme to an Eligible Person
“Directors”	the director(s) of the Company
“Eligible Persons”	all directors (whether executive or non-executive and whether independent or not), any employees (whether full-time or part-time) of any company in the Group or any Invested Entity (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), and any person considered by the Directors to have contributions to any company in the Group or any Invested Entity
“Grantee”	any Eligible Person who accepts an offer of the grant of an option in accordance with the terms of the New Share Option Scheme, or any person who is entitled to any such option
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising three independent non-executive Directors, Mr. Gao Qingju, Mr. Yu Tung Ho and Mr. Wong Man Chung, Francis
“Independent Shareholders”	Shareholders excluding Mr. Han Jingyuan and his associates and all connected persons (having the meaning ascribed thereto under the Listing Rules) of the Company
“Invested Entity”	any entity in which any member of the Group holds an equity interest
“Latest Practicable Date”	26 November 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	a new share option scheme proposed to be adopted by the Company at the SGM, a summary of its principal terms is set out in Appendix I to this circular
“SGM” or “Special General Meeting”	the special general meeting of the Company to be held at 2:00 p.m. on Monday, 20 December 2010 at Suits 901-2 & 10, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, a notice of which is set out on pages 24 to 26 of this circular
“Share(s)”	shares(s) in the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)) of the Company

DEFINITIONS

“2006 Share Option Scheme”	the share option scheme adopted by the Shareholders at the annual general meeting held on 17 May 2006
“%”	per cent

LETTER FROM THE BOARD



CHINA ORIENTAL GROUP COMPANY LIMITED
中國東方集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 581)

Executive Directors:

Mr. Han Jingyuan
(Chairman and Chief Executive Officer)
Mr. Zhu Jun
Mr. Liu Lei
Mr. Shen Xiaoling
Mr. Zhu Hao
Mr. Muktesh Mukherjee

Non-executive Directors:

Mr. Ondra Otradovec
Mr. Jean-Paul Georges Schuler

Independent Non-executive Directors:

Mr. Gao Qingju
Mr. Yu Tung Ho
Mr. Wong Man Chung, Francis

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business in
Hong Kong:*

Suites 901-2 & 10
9th Floor, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

1 December 2010

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR ADOPTION OF THE NEW SHARE OPTION SCHEME
AND GRANT OF OPTIONS TO A SUBSTANTIAL SHAREHOLDER**

INTRODUCTION

The Board proposes to seek the approval of (a) the Shareholders for the adoption of the New Share Option Scheme and (b) the Independent Shareholders for the grant of options to a substantial shareholder of the Company under the 2006 Share Option Scheme.

* For identification purposes only

LETTER FROM THE BOARD

The purpose of this circular is to provide you further details of the above-mentioned proposal and to convene a Special General Meeting to consider and, if thought fit, approve the resolutions necessary for the proposals to be implemented. This circular contains all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the Special General Meeting.

PROPOSAL FOR ADOPTION OF THE NEW SHARE OPTION SCHEME

New Share Option Scheme

A summary of the rules of the New Share Option Scheme is set out in Appendix I to this circular.

Reason for the Proposal for Adoption of the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide incentives to the Eligible Persons who are regarded as valuable human resources of the Group or who have contributed to the growth and success of the Group with their performance and other factors (e.g. their years of service with the Company and/or work experience and/or knowledge in the industry etc.) to contribute further to the Company. The Directors believe that the New Share Option Scheme may provide the Eligible Persons with the opportunity of participating in the growth of the Company by acquiring shares in the Company which may in turn assist in the attraction and retention of the Eligible Persons. To ensure achieving the purpose of granting options to the Eligible Persons, the rules of the New Share Option Scheme do not specify any minimum holding period and/or performance targets as a condition for the exercise of an option but subject to the rules of the New Share Option Scheme the Board is empowered with the authority to determine granting of an option on a case by case basis taking into account of the relevant factors as the Board in its sole discretion considers appropriate. Hence, in view of the uniqueness of and the specific contributions to the Group by each Eligible Person, it is not intended to set rigid rules and requirements for the New Share Option Scheme for granting of an option. The Board believes that the authority given to it under the New Share Option Scheme to determine any minimum holding period and/or performance targets as conditions for exercise of options and to decide the minimum subscription price as well as to select the appropriate Eligible Persons pursuant to the rules of the New Share Option Scheme will serve to protect the value of the Company as well as to achieve the purposes of the New Share Option Scheme.

The differences between the New Share Option Scheme and the 2006 Share Option Scheme are as follows:

- The definition of the Eligible Persons in the New Share Option Scheme does include “any person considered by the Directors to have contributions to any company in the Group or any Invested Entity” while the 2006 Share Option Scheme does not.
- The limit of the allotment and issue of the Shares under the New Share Option Scheme is 5% while the limit of the allotment and issue of the Shares under the 2006 Share Option Scheme is 10%.

LETTER FROM THE BOARD

- The conditions of lapse of options under the New Share Option Scheme do extend to include “the date on which the Grantee, if an employee of any Invested Entity, ceases to be an employee of such Invested Entity for whatever reasons.”

Although the 2006 Share Option Scheme has not been expired, the Directors are of the view that adoption of the New Share Option Scheme can allow the Directors to grant options to any person not necessarily be an employee of the Group or any Invested Entity but providing contributions to the Group or any Invested Entity.

The Directors consider that the adoption of the New Share Option Scheme is in the interests of the Company and the Shareholders as a whole because it enables the Company to provide incentives to and to retain its employees and other classes of persons who contributed or may contribute to the growth and development of the Group.

Conditions Precedent of the New Share Option Scheme

The New Share Option Scheme is conditional upon (i) the passing of an ordinary resolution approving the adoption of the New Share Option Scheme by the Shareholders at the Special General Meeting and authorizing the Directors to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to exercise of any options granted under the New Share Option Scheme; and (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares representing 5% of the Shares in issue as at the date of Special General Meeting to be issued and allotted pursuant to the exercise of the options granted under the New Share Option Scheme.

The Directors will seek approval of the Shareholders at the Special General Meeting for the adoption of the New Share Option Scheme in accordance with the Listing Rules and the allotment and issue of the Shares, not exceeding 5% of the Shares in issue as at the date of the Special General Meeting, which may fall to be allotted and issued upon exercise of the options granted under the New Share Option Scheme.

Upon satisfaction of the above conditions, the Board will have the right to grant the Grantee options to subscribe for Shares under the New Share Option Scheme, representing up to 5% of the Shares in issue as at the date of the Special General Meeting. 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 exceed 30% of the total numbers of Shares in issue from time to time.

Application will be made to the Listing Committee of the Stock Exchange for approval of the listing of, and permission to deal in, the Shares representing 5% of the Shares in issue as at the date of Special General Meeting which may be issued and allotted pursuant to the exercise of the options to be granted under the New Share Option Scheme.

LETTER FROM THE BOARD

Value of the options that can be granted under the New Share Option Scheme

The Directors consider that it is inappropriate to value the options that can be granted under the New Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determinating factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to certain extent would be misleading to the Shareholders if the value of the options is calculated based on a set of speculated assumptions such as those relating to the exercise price, exercise period, any lock-up period, any performance targets set and other relevant variables. However, the value of the options granted in any financial period will be calculated by adopting either the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology and disclosed to the Shareholders in the relevant interim or annual report of the Company.

Information on options granted under the 2006 Share Option Scheme and the New Share Option Scheme

The Company has previously adopted the 2006 Share Option Scheme. The number of Shares issuable pursuant to the 2006 Share Option Scheme on the date of its adoption were 290,500,000 Shares, representing 10% of the then issued share capital of the Company. Regarding options granted by the Board to eligible participants pursuant to the 2006 Share Option Scheme, as at the Latest Practicable Date, there are a total of 169,150,000 outstanding options (excluding the proposed grant of 6,000,000 options to Mr. Han Jingyuan (“Mr. Han”) which is subject to and conditional upon the obtainment of Independent Shareholders’ approval at the SGM), representing approximately 5.77% of the issued share capital of the Company.

Besides the 2006 Share Option Scheme, there is no other subsisting share option scheme of the Company as at the Latest Practicable Date. The Board confirms that prior to the Special General Meeting, it will not grant any further options under the 2006 Share Option Scheme after the Latest Practicable Date.

The 2006 Share Option Scheme shall continue to be valid and remain in full force and the adoption of the New Share Option Scheme will not in any event affect the terms of grant of the 2006 Share Option Scheme.

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,929,725,000 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares issuable pursuant to the New Share Option Scheme on the date of its adoption will be 146,486,250 Shares, i.e. 5% of the Shares in issue.

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PROPOSAL FOR GRANT OF OPTIONS TO MR. HAN JINGYUAN

On 26 November 2010, the Board had conditionally resolved to grant 6,000,000 options to Mr. Han, an executive Director and a substantial Shareholder, under the 2006 Share Option Scheme, representing approximately 0.20% of the Shares in issue as at the Latest Practicable Date. The proposed grant of options to Mr. Han would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to him in the 12-month period representing in aggregate over 0.1% of the Shares in issue. Pursuant to Rule 17.04(1) of the Listing Rules, the grant of 6,000,000 options to Mr. Han has been approved by all the independent non-executive Directors on 26 November 2010 subject to and conditional upon the Independent Shareholders' approval of the options to be granted to Mr. Han and details of which are set out in the paragraph headed "Implication under the Listing Rules" below.

Terms of the Options

Subject to the Independent Shareholders' approval for grant of options to Mr. Han to be obtained by the Company at the SGM in accordance with the Listing Rules, the options will be granted in accordance with the rules of the 2006 Share Option Scheme and summary of the principal terms of the options to be granted thereunder are set out below:

(a) Duration and condition

The options are exercisable during the following periods:

- (i) up to 33% of the options granted to Mr. Han on or after the date of the approval of the grant of options to him by the Independent Shareholders at the SGM;
- (ii) up to 66% of the options granted to Mr. Han on or after 1 year from the date of the approval of the grant of options to him by the Independent Shareholders at the SGM;
- (iii) all the remaining options granted to Mr. Han on or after 2 years from the date of the approval of the grant of options to him by the Independent Shareholders at the SGM;

and in each case, not later than 16 May 2016.

The Shares that fall to be issued upon exercise of the options shall rank *pari passu* with the Shares then existing in all respects, including the entitlement of receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Shares.

(b) Subscription Price

In compliance with Rule 17.03(9) of the Listing Rules and the rules of the 2006 Share Option Scheme, the options are exercisable at the subscription price of HK\$3.00 per Share, which is the highest of (i) HK\$0.1, being the nominal value of a Share; (ii) HK\$3.00, being

LETTER FROM THE BOARD

the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of options, and (iii) HK\$2.994, being the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange from 19 November 2010 to 25 November 2010, both dates inclusive (being the five business days immediately preceding the date of the grant of options).

(c) Performance Target

There is no performance target which must be achieved before the options can be exercised.

(d) Reasons and consideration for the grant of the options

Mr. Han is the executive Director and a substantial Shareholder and the options are proposed to be granted to him in recognition of his contribution to the growth of the Group in the past and as an incentive for his continuing commitment and contribution to the Group in the future. The consideration payable on acceptance of all of the options is HK\$1.00. The Directors (including the independent non-executive Directors) consider that the terms of the options are fair and reasonable.

IMPLICATION UNDER THE LISTING RULES

(i) Proposals for adoption of the New Share Option Scheme

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme or other schemes of the Company must not exceed 30% of the Shares in issue from time to time.

As at the Latest Practicable Date, there are options carrying rights to subscribe for 6,925,000 Shares (excluding the proposed grant of 6,000,000 options to Mr. Han which is subject to and conditional upon the obtainment of Independent Shareholders' approval at the SGM) yet to be granted under the 2006 Share Option Scheme, representing 0.24% of the Shares in issue. Assuming that the New Share Option Scheme is approved by the Shareholders at the Special General Meeting and no options granted under the 2006 Share Option Scheme are cancelled or lapsed from the Latest Practicable Date up to the date of the Special General Meeting, 169,150,000 Shares (excluding the proposed grant of 6,000,000 options to Mr. Han which is subject to and conditional upon the obtainment of Independent Shareholders' approval at the SGM) which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2006 Share Option Scheme together with the 146,486,250 Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme will not result in the limit of 30% of the Shares in issue being exceeded.

At the SGM, no Shareholders shall abstain from voting on the relevant resolution to approve the adoption of New Share Option Scheme.

LETTER FROM THE BOARD

(ii) Proposal for grant of the option to Mr. Han Jingyuan

According to Rule 17.04(1) of the Listing Rules, as Mr. Han is an executive Director and a substantial Shareholder, the grant of the options to Mr. Han under the 2006 Share Option Scheme must be approved by independent non-executive Directors. Pursuant to the meeting of the Board held on 26 November 2010, the proposed grant of options has been approved by all the independent non-executive Directors. In addition, as the grant of the options to Mr. Han will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to him in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value in excess of HK\$5 million, such grant of options to Mr. Han must also be approved by the Independent Shareholders in general meeting by way of poll with all connected persons (having the meaning ascribed thereto under the Listing Rules) of the Company abstaining from voting in favour of the relevant resolution at the general meeting of the Company.

In this regard, Mr. Han holding 2,800,000 Shares representing approximately 0.10% of the Shares in issue, his associates Wellbeing Holdings Limited (which is 63.15% owned by Mr. Han) and Chingford Holdings Limited (which is wholly-owned by Mr. Han) in aggregate holding 1,317,502,849 Shares representing approximately 44.97% of the Shares in issue, the Directors, amongst them, Mr. Zhu Jun holding 2,400,000 representing approximately 0.08% of the Shares in issue, Mr. Liu Lei holding 2,400,000 representing approximately 0.08% of the Shares in issue, Mr. Shen Xiaoling holding 2,400,000 representing approximately 0.08% of the Shares in issue and Mr. Gao Qingju holding 1,686,000 Shares representing approximately 0.06% of the Shares in issue, and the substantial Shareholder, ArcelorMittal Holdings AG, holding 867,711,151 Shares representing approximately 29.62% of the Shares in issue as at the Latest Practicable Date, will abstain from voting in favour of the relevant resolution at the SGM.

Further, the total number of Shares issued and to be issued upon exercise of the options to be granted to Mr. Han in 12-month period does not exceed 1% of the Shares in issue, such grant need not be separately approved by Shareholders in the general meeting with Mr. Han and his associates abstaining from voting under Rule 17.03(4) of the Listing Rules.

INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors is or is proposed to act as a trustee of the 2006 Share Option Scheme and the New Share Option Scheme or has a direct or indirect interest in such trustee. There is no trustee of the 2006 Share Option Scheme and the New Share Option Scheme.

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SGM

A notice convening the Special General Meeting to be held at 2:00 p.m. on Monday, 20 December 2010 at Suits 901-2 & 10, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong is set out on pages 24 to 26 to this circular.

A form of proxy for the Special General Meeting is also enclosed with this circular. Whether or not you are able to attend the Special General Meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Special General Meeting (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting should you so wish.

Regarding the approval for the proposal for adoption of the New Share Option Scheme, no Shareholders shall abstain from voting on the resolution at the SGM.

Regarding the approval for granting of options to Mr. Han under the 2006 Share Option Scheme, the Abstained Shareholders will abstain from voting in favour of and have no intention to vote against the resolution to approve the grant of the options to Mr. Han at the SGM.

To the extent that the Company is aware having made all reasonable enquiries, as at the date of the Latest Practicable Date, there is:

- i. no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon each of the Abstained Shareholders; and
- ii. no obligation or entitlement of each of the Abstained Shareholders as at the Latest Practicable Date, whereby it had or may have temporarily or permanently passed control over the exercise of the voting right in respect of its shareholding in the Company to a third party, either generally or on a case-by-case basis.

So far as is known to the Directors, as at the Latest Practicable Date, there was no discrepancy between beneficial shareholding interest in the Company of each of the Abstained Shareholders as disclosed in this circular and the number of Shares in respect of which each of them will control or will be entitled to exercise control over the voting rights at the SGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at the Special General Meeting must be taken by poll. An announcement on the poll results will be published by the Company on the date of the Special General Meeting in the manner as prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Suites 901-2 & 10, 9th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day for the period from 1 December 2010 to 19 December 2010 (inclusive of both dates) and at the SGM:

- (i) the Bye-laws of the Company; and
- (ii) the New Share Option Scheme.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, that there are no other matters the omissions of which would make any statement herein or this circular misleading.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising of Mr. Yu Tung Ho, Mr. Gao Qingju and Mr. Wong Man Chung, Francis has been formed to advise the Independent Shareholders as to whether the terms of the proposed grant of options to Mr. Han under the 2006 Share Option Scheme and the transactions contemplated thereunder are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. The letter of advice from the Independent Board Committee is set out on page 14 of this circular.

RECOMMENDATION

Having considered the proposal of the New Share Option Scheme and the recommendation of the Independent Board Committee to the Independent Shareholders as to voting in respect of the proposal for grant of options to Mr. Han under the 2006 Share Option Scheme, all the Directors considered the adoption of the New Share Option Scheme and the grant of options to Mr. Han under the 2006 Share Option Scheme are in the best interest of the Company as well as the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders and the Independent Shareholders (as the case may be) to vote in favour of the respective ordinary resolutions to be proposed at the Special General Meeting as set out in the notice of the Special General Meeting.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

By Order of the Board
China Oriental Group Company Limited
Han Jingyuan
Chairman and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINA ORIENTAL GROUP COMPANY LIMITED
中國東方集團控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: 581)

1 December 2010

To the Independent Shareholders

Dear Sir or Madam,

PROPOSAL FOR GRANT OF OPTIONS TO MR. HAN

We refer to the circular dated 1 December 2010 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalized terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires. We have been appointed as the members of the Independent Board Committee to consider the proposal for grant of options to Mr. Han under the 2006 Share Option Scheme and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the terms of such proposal for grant of options to Mr. Han under the 2006 Share Option Scheme and the transactions contemplated thereunder are fair and reasonable and whether they are in the interests of the Company and the Shareholders as a whole.

We consider that the proposal for grant of options to Mr. Han under the 2006 Share Option Scheme and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the grant of options to Mr. Han under the 2006 Share Option Scheme and the transactions contemplated thereunder.

Yours faithfully,

Mr. Yu Tung Ho
Mr. Gao Qingju
Mr. Wong Man Chung, Francis
Independent Board Committee

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

This Appendix summaries the principal terms of the New Share Option Scheme but does not form part of, nor is it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the Special General Meeting to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material aspects with the summary in this Appendix.

The following is a summary of the principal terms of the New Share Option Scheme which is proposed to be adopted by the Company as a share incentive scheme for the Company at the Special General Meeting.

(a) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

(b) Administration of the New Share Option Scheme

The New Share Option Scheme shall be subject to the administration by the Board, and the decision of the Board shall be final and binding on all parties. The Board shall have the right to (i) interpret and construe the provisions of the New Share Option Scheme, (ii) determine the persons who will be offered options under the New Share Option Scheme, and the number of Shares and subscription price of the options, (iii) to make such appropriate and equitable adjustments to the terms of options granted under the New Share Option Scheme as it deems necessary, and (iv) make such other decisions or determinations as it shall deem appropriate in relation to the grant of options and/or the administration of the New Share Option Scheme. The interpretation and administration of the New Share Option Scheme by the Board must be in accordance with Chapter 17 of the Listing Rules and any amendments to or alteration of the New Share Option Scheme referred to in paragraph (w) below must comply with the requirements referred to in paragraph (w) below.

(c) Who may join

The Board may at any time within ten years after the adoption date of the New Share Option Scheme make an offer to any Eligible Person, as the Board may in its absolute discretion select, to take up an option pursuant to which such Eligible Person may, during the period of the option, subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with (d) below. A Date of Grant of option shall be a business day.

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(d) Price of Shares

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Eligible Person in the offer but shall be no less than the highest of:

- (i) the closing price of the Share as stated in the daily quotations sheet 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 5 business days immediately preceding the Date of Grant; and
- (iii) the nominal value of a Share on the Date of Grant.

(e) Maximum number of Shares

- (i) The overall limit on the 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 other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time (“Scheme Limit”).
- (ii) The Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and other share option schemes of the Company shall not in aggregate exceed 10% of the Shares in issue upon adoption of the New Share Option Scheme (the “Scheme Mandate Limit”). Options lapsed in accordance with the terms of the relevant scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.
- (iii) The Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the New Share Option Scheme, and other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the relevant scheme or exercised options) shall not be counted for the purpose of calculating the limited as refreshed. A circular must be sent to Shareholders containing information in connection with the meeting at which their approval will be sought.
- (iv) The Company may also seek separate Shareholders’ approval for granting options beyond the Scheme Mandate Limit to Eligible Persons specifically identified by the Company before the aforesaid Shareholders’ meeting where such approval is sought. A circular must be sent to Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the options to be granted, the purpose of granting options to the specifically identified Eligible Persons, and an explanation as to how the terms of these options serve such purpose.

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- (v) The total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each Eligible Person or Grantee (as the case may be) (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue (the “Individual Limit”). Any further grant of options to each Eligible Person or Grantee (as the case may be) results in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Person or Grantee (as the case may be) (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of such further grants in excess of the Individual Limit shall be subject to Shareholders’ approval with such Eligible Person or Grantee (as the case may be) and his associates (as such term is defined in the Listing Rules) abstaining from voting. A circular must be sent to the Shareholders disclosing the identity of the Eligible Person or Grantee (as the case may be) and the number and terms of the options granted and to be granted. The number and terms (including the subscription price) of options to be granted to such Eligible Persons or Grantee, as the case may be, shall be fixed before Shareholders’ approval is sought and the date of the Board meeting for proposing such further grant shall be taken as the Date of Grant of an option for the purpose of calculating the subscription price.

(f) Grant of options to connected persons

The grant of options to any Director, chief executive or substantial shareholder of the Company or their respective associates shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the option). Where any grant of options to a substantial shareholder (as that term is defined in the Listing Rules) or an independent non-executive Director, 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 and 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% 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 each grant, in excess of HK\$5 million,

such further grant of options shall be approved by the Shareholders (voting by way of poll). All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting, except that any connected person may 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.

(g) Time of exercise of option

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Board in writing to each Grantee but may not be exercised after the expiry of ten years from the Date of Grant

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(and failing such determination by the Board, such period shall be ten years from the Date of Grant). The Board may provide restrictions on the exercise of an option during the period an option may be exercised.

(h) Rights personal to Grantee

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.

(i) Rights on cessation of employment by death

If the Grantee who is an employee of the Group or a Director, dies before exercising the option in full and none of the events which would be a ground for termination of his or her employment/appointment under (k) below then exists, the Option shall lapse on the date of the death of such employee/Director and not be exercisable unless the Board otherwise determines in which event the Option shall be exercisable to the extent and within such period as the Board may determine.

(j) Rights on cessation of employment for reasons other than death and dismissal

If the Grantee who is an employee of the Group or Director, ceases to be an employee of the Group or a Director for any reason other than on his or her death or the termination of his or her employment or directorship on one or more of the grounds specified in (k) below, the option shall lapse on the date of cessation of such employment or directorship and not be exercisable unless the Board otherwise determines in which event the option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment or directorship shall be the last actual working day (if earlier than the date of termination of employment or directorship) on which the Grantee was physically at work with the Company or the relevant Subsidiary, whether salary is paid in lieu of notice or not.

(k) Rights on cessation of employment by dismissal

If a Grantee who is an employee or Director, ceases to be an employee of the Group or a Director by reason of the termination of his or her employment or directorship on the grounds that he or she 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 or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or, in the case of the employment of any employee or an executive director, on any other ground on which an employer would be entitled to terminate his or her employment summarily, his or her option will lapse and not be exercisable on the date of termination of his or her employment or directorship.

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(l) Cancellation of options

Any option granted but not exercised may be cancelled if the Grantee so agrees and new options may be granted to the same Grantee provided such new options are granted under a share option scheme with available unissued options (excluding the cancelled options) within the limits mentioned in paragraph (e) above and otherwise comply with the terms of the relevant scheme pursuant to which such new options are granted.

(m) Effects of alterations to share capital

(i) In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the New Share Option Scheme remains in effect, and such event arises from a capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, then, in any such case the Company shall instruct the Auditors or an independent financial adviser to the Company to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

(aa) the number or nominal amount of Shares subject to option(s) already granted and to the New Share Option Scheme (insofar as it is/they are unexercised); and/or

(bb) the subscription price of any option(s),

and an adjustment as so certified by the Auditors or the independent financial adviser to the Company shall be made, provided that:

(A) any such adjustment must be in compliance with the relevant provisions of the Listing Rules and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time and the Auditors or independent financial adviser shall confirm to the Directors in writing that the adjustment (other than any made on a capitalization issue) satisfies the requirements set out in the Listing Rules and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time;

(B) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and

(C) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.

(ii) If there has been any alteration in the capital structure of the Company as referred to in paragraph (i) above, and if the Company has not yet informed the Grantees of any necessary adjustments to be made to their options in accordance with the certificate of the Auditors or the independent financial adviser to the Company, the Company shall, upon receipt of a notice from a Grantee, inform the Grantee

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the Auditors or the independent financial adviser to the Company obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors or the independent financial adviser to the Company as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph (i) above.

(n) Rights on a general offer

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being 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 either to its full extent or to the extent notified by the Company at any time within such period as shall be notified by the Company.

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders 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 Company) exercise the option either to its full extent or to the extent notified by the Company.

(o) Rights on voluntary winding-up

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 either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three business 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.

(p) Rights on compromise or arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement in connection with a general offer mentioned in paragraph (n) 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 first give notice 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 either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible

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and in any event no later than three business 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.

(q) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the memorandum of association and bye-laws of the Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company. Prior to the Grantee being registered on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions of any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the option.

The Shares issued on exercise of the options will on issue be identical to the then existing issued Shares of the Company.

(r) Amount payable on acceptance

The amount payable on acceptance of an option is HK\$1.00. The offer of the option shall be accepted by the Eligible Person within 14 days from the date of the offer, otherwise the offer shall lapse.

(s) Minimum period or performance target

Subject to any terms specifically imposed by the Board, there is no minimum period for which an option must be held before it can be exercised and no performance target which must be achieved before the options can be exercised.

(t) Period of the New Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption. After the expiry of the ten-year period, no further options will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in force and effect in respect of options granted under the New Share Option Scheme but not yet exercised at the time of its termination. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the New Share Option Scheme and which remain unexpired immediately prior to the end of the ten-year period shall continue to be exercisable thereafter.

(u) Termination of the New Share Option Scheme

The Company by ordinary resolution in general meeting or 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 in respect of options granted under the

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

New Share Option Scheme but not yet exercised at the time of its termination. Options complying with the provision of Chapter 17 of the Listing Rules which are granted during the life of the New Share Option Scheme and which remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be exercisable thereafter.

(v) Lapse of option

An option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the periods referred to in paragraph (i), (j) or (o) respectively;
- (iii) subject to any court of competent jurisdiction not making an order the effect of which is to prohibit the offeror from acquiring the remaining shares in the general offer, the expiry of the period referred to in paragraph (n) above;
- (iv) subject to the scheme of arrangement referred to in paragraph (n) or paragraph (p) above becoming effective, the expiry of the period for exercising an option relating thereto;
- (v) the date of the commencement of the winding-up of the Company;
- (vi) the date on which the Grantee who is an employee (including an executive director but excluding a non-executive director) of the Group or a non-executive director ceases to be an employee or director by reason of the termination of his or her employment or directorship on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (vii) in respect of a Grantee other than an employee (including an executive director but excluding a non-executive director) of the Group or a non-executive director, the date on which the Directors shall at their absolute discretion determine that (A) the Grantee or his associate has committed any breach of any contract entered into between the Grantee or his associate on the one part and any member of the Group or any Invested Entity on the other part; or (B) the Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally or (C) the Grantee could no longer make any contribution to the growth and development of any member of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever;
- (viii) the date on which the Grantee, if an employee of any Invested Entity, ceases to be an employee of such Invested Entity for whatever reasons; and

APPENDIX I PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

- (ix) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to the option in breach of the New Share Option Scheme.

(w) Alterations to the New Share Option Scheme

The alteration of the New Share Option Scheme are governed by Chapter 17 of the Listing Rules and cannot be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of an ordinary resolution of the Company in general meeting. Furthermore, the provisions in the New Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules must not be altered except with the prior approval of the Shareholders in general meeting. Any alteration to the terms and conditions of the New Share Option Scheme which are of a material nature or any change in the terms of options granted or any change to the authority of the Board must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. Any amended terms of the New Share Option Scheme or the options under such scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(x) Conditions

The New Share Option Scheme is conditional upon (a) the passing of a resolution by the Shareholders in the Special General Meeting to approve the adoption of the New Share Option Scheme; and (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares representing 5% of the Shares in issue as at the date of passing the resolution of the Shareholders in the Special General Meeting to be issued and allotted pursuant to the exercise of the options granted under the New Share Option Scheme.

NOTICE OF SPECIAL GENERAL MEETING



CHINA ORIENTAL GROUP COMPANY LIMITED 中國東方集團控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 581)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of China Oriental Group Company Limited (the “Company”) will be held at 2:00 p.m. on Monday, 20 December 2010 at Suits 901-2 & 10, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions, as Ordinary Resolutions of the Company:

Ordinary Resolutions

- (1) **“THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval of the listing of, and permission to deal in, the shares of the Company to be issued and allotted pursuant to the exercise of options granted under the new share option scheme of the Company (the “New Share Option Scheme”), the rules of which are contained in the document marked “AA” produced to the meeting and for the purposes of identification signed by the Chairman thereof, the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorized to do all acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, including without limitation:
 - (i) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for the shares of the Company, including but not limited to determining and granting the options in accordance with the terms of the New Share Option Scheme;
 - (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange;

* For identification purposes only

NOTICE OF SPECIAL GENERAL MEETING

- (iii) to issue and allot from time to time such number of shares of the Company as may be required to be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;
 - (iv) to make application at appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in, any shares of the Company which may hereafter from time to time be issued and allotted pursuant to the exercise of options under the New Share Option Scheme; and
 - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme.”
- (2) “**THAT** the grant of options to Mr. Han Jingyuan (details of which are included in the circular to the shareholders of the Company dated 1 December 2010) pursuant to the 2006 Share Option Scheme which will entitle Mr. Han Jingyuan to subscribe for 6,000,000 shares of the Company in excess of 0.1% of the shares of the Company in issue at the date of passing this resolution and with an aggregate value of over HK\$5 million be and is hereby confirmed, approved and ratified and that the directors of the Company be and are hereby authorized to issue and allot shares of the Company to Mr. Han Jingyuan pursuant to the exercise of such options and to do all such acts and things and to execute all such documents and deeds as they in their absolute discretion consider necessary, desirable or expedient to give effect to the foregoing.”

By Order of the Board
China Oriental Group Company Limited
Han Jingyuan
Chairman and Chief Executive Officer

Hong Kong, 1 December 2010

Notes:

- (1) A member of the Company entitled to attend and vote at the special general meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not be a member of the Company but must attend the special general meeting in person to represent the member who/which appointed it. If more than one proxy is so appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is so appointed.
- (2) To be valid, the form of proxy together with the authorization letter or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 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, or any adjournment thereof.
- (3) Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the special general meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF SPECIAL GENERAL MEETING

- (4) Where there are joint holders of any share of the Company, any one of such holders 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 holders be present at the special general meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (5) Voting of the ordinary resolution set out in this notice will be by way of poll.