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

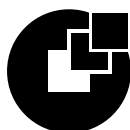
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**If you are in any doubt** about this document or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Shenyin Wanguo (H.K.) Limited, you should at once hand this document and the accompanying form of proxy to the purchaser or to the bank or stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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**SHENYIN WANGUO (H.K.) LIMITED**  
**申銀萬國（香港）有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 218)**

**PROPOSALS INVOLVING  
AMENDMENTS TO ARTICLES OF ASSOCIATION  
RE-ELECTION OF DIRECTORS  
AND  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

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A notice convening the Annual General Meeting of the Company to be held at the Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Friday, 19 May 2006 at 9:00 a.m. is included in the 2005 Annual Report. Whether or not you are able to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's registered office at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion of the proxy form will not preclude you from attending and voting at the meeting if you so wish.

19 April 2006

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## DEFINITIONS

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*In this document, unless the context otherwise requires, the following expressions have the following meanings:—*

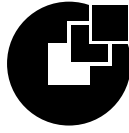
“Annual General Meeting”	the annual general meeting of the Company to be held at the Dragon Room, The Hong Kong Bankers Club at 43rd Floor, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on 19 May 2006 at 9:00 a.m.
“Articles of Association”	the Articles of Association of the Company
“Board”	the Directors from time to time of the Company or (as the context may require) the majority of Directors present and voting at a meeting of the Directors
“Company”	Shenyin Wanguo (H.K.) Limited, whose shares are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Director(s)”	Director(s) of the Company
“General Mandate”	the general authority to the Directors to allot, issue and deal with shares in accordance with the terms set out in Ordinary Resolutions 6 and 8 in the notice convening the Annual General Meeting dated 19 April 2006
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region.
“Latest Practicable Date”	12 April 2006, being the latest practicable date prior to the printing of this document
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Repurchase Mandate”	the authority to the Directors to exercise all the powers of the Company to repurchase shares of the Company in accordance with the terms set out in Ordinary Resolution 7 in the notice convening the Annual General Meeting dated 19 April 2006

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Share(s) of HK\$0.50 each in the capital of the Company
“Shareholder(s)”	Holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers



**SHENYIN WANGUO (H.K.) LIMITED**  
**申銀萬國（香港）有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 218)**

*Directors:*

**Executive**

Feng Guorong (*Chairman*)

Lu Wenqing

Lee Man Chun Tony (*Chief Executive Officer*)

Guo Chun

Ying Niankang

*Registered Office:*

28th Floor

Citibank Tower

Citibank Plaza

3 Garden Road

Central

Hong Kong

**Non-executive**

Chang Pen Tsao

Qu Zihai (Resigned on 31 December 2005 )

Huang Gang (Appointed on 31 December 2005)

**Independent Non-executive**

Ng Wing Hang Patrick

Kwok Lam Kwong Larry

Zhuo Fumin

19 April 2006

*To the Shareholders*

Dear Sirs or Madam

**PROPOSALS INVOLVING  
AMENDMENTS TO ARTICLES OF ASSOCIATION  
RE-ELECTION OF DIRECTORS  
AND  
GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

**INTRODUCTION**

The purpose of this circular is to give you information regarding the following resolutions to be proposed at the Annual General Meeting to enable the Shareholders to make an informed decision on whether to vote for or against the resolutions.

The resolutions include (i) approving the proposed amendments to the Articles of Association (ii) re-election of Directors; (iii) granting to the Directors a general and unconditional mandate (a) to issue further shares representing up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the resolution, and (b) to issue shares not exceeding the aggregate nominal amount of share capital repurchased pursuant to the Repurchase Mandate; and (iv) granting to the Directors the Repurchase Mandate.

## **AMENDMENTS TO ARTICLES OF ASSOCIATION**

The Code of Best Practice in Appendix 14 of the Listing Rules have been replaced by a new Code on Corporate Governance Practices (the “**CG Code**”) as from January 1, 2005. The directors propose to make amendments to the Articles of Association of the Company to align them with the CG Code.

With a view in compliance with the requirements of the CG Code, a special resolution will be proposed for approval at the forthcoming Annual General Meeting to amend the following Articles of the Articles of Association. Set out below is the background and summary of the proposed amendments to the Articles of Association:–

- |                     |   |
|---------------------|---|
| (1) Article 81      | Empowering a proxy representing a member who is being an individual to vote on a show of hands.   |
| (2) Article 95      | All directors appointed to fill a casual vacancy or as an addition to the Board should be subject to election by shareholders at the first general meeting after their appointment. |
| (3) Article 104 (A) | Every director should be subject to retirement by rotation at least once every three years.   |

A full text of the proposed amendments to the Articles of Association was contained in resolution number 3 in the notice of the Annual General Meeting set out on pages 92 to 93 of the 2005 Annual Report.

## RE-ELECTION OF DIRECTORS

Subject to the amendments to the Articles of Association of the Company and in accordance with the new Article 95 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first general meeting of the Company after appointment and shall then be eligible for re-election. In case the aforesaid first general meeting of the Company is an annual general meeting, he or she shall not be taken into account in determining the number of Directors to retire at that meeting pursuant to Article 104(A).

Accordingly, Mr. Huang Gang, being a Non-executive Director appointed by the Board on 31 December 2005 in replacement of Mr. Qu Zihai , shall hold office until the forthcoming Annual General Meeting and he is eligible for re-election pursuant to Article 95 of the Articles of Association.

Subject to the amendments to the Articles of Association of the Company and in accordance with the Article 104(A) of the Articles of Association, at each Annual General Meeting, 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 less than one- third , shall retire from office by rotation , provided that every director shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. Ying Niankang, Mr. Ng Wing Hang Patrick and Mr. Kwok Lam Kwong Larry shall retire at the conclusion of the Annual General Meeting and are eligible for re-election.

Brief biography, as at the Latest Practicable Date, of each of the Directors to be re-elected at the Annual General Meeting is set out below:

**Mr. Huang Gang**, aged 39, is a Non-executive Director of the Company. He graduated from Xian Jiatong University and holds a Master's Degree in Economics conferred by Shanghai University of Finance and Economics. He has over 13 years' management experiences with enterprises. From 1993 to 1999, he worked with Agricultural Bank of China (Shanghai Branch) as Assistant General Manager. In 2000, Mr. Huang joined Shanghai Industrial Investment (Holdings) Company Limited as Assistant General Manager. He also presently holds directorships in certain wholly owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited.

Mr. Huang does not have any relationship with any other Director, senior management or substantial shareholder of the Company.

Mr. Huang does not have interests in the Shares of the Company within the meaning of Part XV of the SFO. In addition, there is no service contract between the Company and Mr. Huang. Mr. Huang did not receive any remuneration in respect of his directorship in the Company for the year ended 31 December 2005.

In relation to the re-election of Mr. Huang as director, there is no information to be disclosed pursuant to any of the requirements of rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save as disclosed above, there are not any other matters that need to be brought to the attention of the Shareholders.

**Ying Niankang**, aged 54, was appointed as an Executive Director of the Company in August 1997. He was a Deputy General Manager of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. and has more than 10 years' experience in corporate finance. He was the Chief of Division of Technology & Economics, Department of Project Management, College of Civil Engineering, in Shanghai between 1983 and 1991. He holds a Master's Degree and a Bachelor's Degree from the Department of Industrial Economics at Shanghai University of Finance and Economics.

Mr. Ying also holds directorships in certain wholly owned subsidiaries of the Company. Save as disclosed above, he does not have any relationship with any other Director, senior management or substantial shareholder of the Company.

Mr. Ying does not have interests in the Shares of the Company within the meaning of Part XV of the SFO. In addition, there is no service contract between the Company and Mr. Ying. Mr. Ying did not receive any remuneration in respect of his directorship in the Company for the year ended 31 December 2005.

In relation to the re-election of Mr. Ying as director, there is no information to be disclosed pursuant to any of the requirements of rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save as disclosed above, there are not any other matters that need to be brought to the attention of the Shareholders.

**Ng Wing Hang Patrick**, aged 53, is an Independent Non-executive Director of the Company. He is a practicing Certified Public Accountant in Hong Kong and is the sole proprietor of his certified public accountants firm, Messrs. Patrick Ng & Company. He also serves on the boards of several listed companies in Hong Kong.

Mr. Ng does not have any relationship with any other Director, senior management or substantial shareholder of the Company.

Mr. Ng does not have interests in the Shares of the Company within the meaning of Part XV of the SFO. In addition, there is no service contract between the Company and Mr. Ng. The emoluments of the Directors are determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions. Mr. Ng received a sum of HK\$100,000 being remuneration in respect of his directorship in the Company for the year ended 31 December 2005.

In relation to the re-election of Mr. Ng as director, there is no information to be disclosed pursuant to any of the requirements of rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save as disclosed above, there are not any other matters that need to be brought to the attention of the Shareholders.

**Kwok Lam Kwong Larry, J.P.**, aged 50, is an Independent Non-executive Director of the Company. He is a practicing solicitor in Hong Kong and is also qualified to practice as a solicitor in Australia, England and Singapore. He is also qualified as an accountant in Hong Kong and Australia. He graduated from the University of Sydney, Australia with Bachelor's Degrees in Economics and Laws as well as a Master's Degree in Laws. He is currently the Vice-Chairman of the Consumer Council, a member of the Hospital Governing Committee of Kwai Chung Hospital / Princess Margaret Hospital, the Traffic Accident Victims Assistance Advisory Committee, the Trade and Industry Advisory Board, the Insurance Claims Complaints Panel and The Telecommunications (Competition Provisions) Appeal Board in Hong Kong. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Mr. Kwok does not have any relationship with any other Director, senior management or substantial shareholder of the Company.

Mr. Kwok does not have interests in the Shares of the Company within the meaning of Part XV of the SFO. In addition, there is no service contract between the Company and Mr. Kwok. The emoluments of the Directors are determined by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions. Mr. Kwok received a sum of HK\$100,000 being remuneration in respect of his directorship in the Company for the year ended 31 December 2005.



In relation to the re-election of Mr. Kwok as director, there is no information to be disclosed pursuant to any of the requirements of rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save as disclosed above, there are not any other matters that need to be brought to the attention of the Shareholders.

## **GENERAL MANDATE TO ISSUE SHARES**

At the Annual General Meeting, it will be proposed that the Directors be granted a general mandate to allot, issue and deal with Shares not exceeding 20 per cent of the issued share capital of the Company as at the date when the relevant ordinary resolution is passed. The total number of Shares subject to the General Mandate will be increased by the addition thereto of any Shares repurchased by the Company under the proposed Repurchase Mandate.

## **REPURCHASE MANDATE**

The Repurchase Mandate will enable the Directors to exercise all the powers of the Company to repurchase its own Shares at any time until the earlier of the conclusion of the next annual general meeting (unless the mandate is renewed at such meeting), the expiration of the period within which the next annual general meeting is required by the Articles of Association or by law to be held, and the revocation or variation of the authority given under the Repurchase Mandate by an ordinary resolution of Shareholders in general meeting. The total number and description of Shares which may be repurchased pursuant to the Repurchase Mandate is limited to a maximum of 10 per cent of the issued share capital of the Company as at the date when the Repurchase Mandate is granted.

### **Exercise of The Repurchase Mandate**

As at the Latest Practicable Date, the issued share capital of the Company was 530,759,126 Shares.

Subject to the passing of the ordinary resolution to approve the Repurchase Mandate, and on the basis that no further Shares will be issued or repurchased prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to purchase a maximum of 53,075,912 Shares.

## **Reasons for Repurchases**

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share of the Company and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

## **Funding of Repurchases**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and Articles of Association and the laws of Hong Kong.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group. However, there might be an adverse impact on the working capital requirements of the Company (as compared with the position disclosed in its latest published audited consolidated financial statements) in the event that the Repurchase Mandate is exercised in full.

## Share Prices

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in the previous twelve months from 1 April 2005 to 31 March 2006 were as follows:

Share Price	Highest (HK\$)	Lowest (HK\$)
<b>2005</b>		
April	0.79	0.65
May	0.70	0.57
June	0.73	0.63
July	0.70	0.62
August	0.76	0.65
September	0.72	0.64
October	0.71	0.53
November	0.66	0.55
December	0.62	0.56
<b>2006</b>		
January	0.89	0.57
February	0.88	0.74
March	0.82	0.70

## Disclosure of Interests

- (a) As at the Latest Practicable Date, the following interests of 5% or more of the issued Shares were recorded in the register kept by the Company pursuant to Sections 336 (1) and (2) of the SFO:—

Name of Shareholder	Number of Shares held	
	Direct	Indirect
Shenyin Wanguo Holdings (B.V.I.) Limited	268,334,875	—
Venture-Some Investments Limited	—	268,334,875*
Shenyin Wanguo (H.K.) Holdings Limited	—	268,334,875*
Shenyin & Wanguo Securities Co., Ltd.	2,045,000	268,334,875*

\* These companies had interests in 268,334,875 Shares by virtue of their equity interests in Shenyin Wanguo Holdings (B.V.I.) Limited.

Save for the foregoing Shareholders, as at the Latest Practicable Date, no other person or company was recorded in the register kept by the Company pursuant to Sections 336 (1) and (2) of the SFO as having an interest in 5% or more of the issued Shares and short positions.

- (b) None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) has any present intention to sell Shares to the Company in the event that the Repurchase Mandate is approved by the Shareholders.
- (c) No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell the Shares to the Company, or have undertaken not to do so in the event that the Repurchase Mandate is approved by the Shareholders.

### **Directors' Undertaking**

The Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the Listing Rules and the laws of Hong Kong.

### **Share Repurchases made by the Company**

No repurchases of the Shares were made by the Company, whether on the Stock Exchange or otherwise, in the previous six months.

### **Takeovers Code Consequences**

If, as a result of a repurchase of the 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, 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.

In the event that the Repurchase Mandate is exercised in full, the same block of interests of Shenyin Wanguo Holdings (B.V.I.) Limited, Venture-Some Investments Limited and Shenyin Wanguo (H.K.) Holdings Limited in the issued Shares would rise to approximately 56.17% as compared with 50.56% as at the Latest Practicable Date and the interest of Shenyin & Wanguo Securities Co. Ltd. would increase from 50.94% to 56.6% approximately. Therefore, none of the aforesaid Shareholders shall by themselves be subject to any obligations under Rule 26 of the Takeovers Code. The Directors are not aware of any Shareholder, or any group of Shareholders acting in concert, who may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power to repurchase Shares pursuant to the Repurchase Mandate.

### **RIGHT TO DEMAND A POLL**

Pursuant to Article 75 of the Articles of Association, 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:–

- (a) by the Chairman of the meeting; or
- (b) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

## **RECOMMENDATION**

The Directors believe that the amendments to the Articles of Association, the re-election of Directors, the General Mandate and the Repurchase Mandate are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of all the relevant resolutions to be proposed in the Annual General Meeting as they intend to do themselves in respect of the Shares controlled by them.

Yours faithfully  
On behalf of the Board  
**Feng Guorong**  
*Chairman*