
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Trauson Holdings Company Limited, you should at once hand this document to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**TRAUSON HOLDINGS COMPANY LIMITED****創生控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 325)

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES
AND
RE-ELECTION OF RETIRING DIRECTORS
AND
ADOPTION OF SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of Trauson Holdings Company Limited (the “Company”) to be held at Regus Business Centre, 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 27 May 2011 at 10:00 a.m. is set out on pages 27 to 32 of this circular. A form of proxy for use at the annual general meeting is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 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 meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting if they so wish.

26 April 2011

DEFINITIONS

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

“Adoption Date”	the date on which the Share Option Scheme is adopted by resolution of the shareholders of the Company at the Annual General Meeting
“Annual General Meeting”	the annual general meeting of the Company to be held at Regus Business Centre, 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 27 May 2011 at 10:00 a.m. or any adjournment thereof and notice of which is set out on pages 27 to 32 of this circular
“Articles of Association”	the articles of association of the Company conditionally adopted on 10 June 2010 and became effective on the Listing Date, as amended or supplemented from time to time
“associate”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“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
“Cayman Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company”	Trauson Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability on 27 January 2010, with its shares listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	<ul style="list-style-type: none">(i) any full-time or part-time employees, executives or senior officers of the Company or any of its Subsidiaries;(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its Subsidiaries; or(iii) any advisers, consultants, suppliers, customers, agents and other persons who in the sole discretion of the Board have contributed or will contribute to the Company or any of its Subsidiaries.

DEFINITIONS

“General Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue and/or deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting the General Mandate
“Grantee”	any Eligible Participant who accepts the grant of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled under the Share Option Scheme to exercise any such Option in accordance with the provisions of the Share Option Scheme
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	18 April 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Date”	29 June 2010, being the date of listing of the Company’s Shares on the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Option(s)”	an option or options to subscribe for Shares granted to (and subject to acceptance by) an Eligible Participant pursuant to the Share Option Scheme
“PRC” or “China”	the People’s Republic of China
“Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution granting the Repurchase Mandate
“Securities and Future Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

DEFINITIONS

“Share Option Scheme”	the share option scheme proposed to be adopted at the Annual General Meeting, the principal terms of which are set out in Appendix III
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the same meaning ascribed to it in the Listing Rules
“substantial shareholder”	has the same meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

LETTER FROM THE BOARD



TRAUSON HOLDINGS COMPANY LIMITED

創生控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 325)

Executive Directors:

Qian Fu Qing
Ren Feng Mei
Cai Yong

Registered office:

PO Box 309 Ugland House
Grand Cayman KY1-1104
Cayman Islands

Non-executive Directors:

Xu Yan Hua
Ng Ming Chee James

Principal place of business

in Hong Kong:

8th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Chan Yuk Tong
Lu Bing Heng
Zhao Zi Lin

26 April 2011

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES
AND
RE-ELECTION OF RETIRING DIRECTORS
AND
ADOPTION OF SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you the notice of Annual General Meeting and the following proposals to be put forward at the Annual General Meeting: (i) the grant to the Directors of the General Mandate to issue Shares and the Repurchase Mandate to repurchase Shares; (ii) the re-election of the retiring Directors; and (iii) the adoption of the Share Option Scheme.

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility and give discretion to the Directors, in the event that it becomes desirable to issue any Shares, approval is to be sought from the Shareholders, pursuant to the Listing Rules, for the General Mandate to issue Shares. At the Annual General Meeting, an ordinary resolution no. 5(A) will be proposed to grant the General Mandate to the Directors to exercise the powers of the Company to allot, issue and deal with the additional Shares in the share capital of the Company up to 20 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the resolution in relation to the General Mandate. As at the Latest Practicable Date, the issued share capital of the Company comprised 774,328,625 Shares. Subject to the passing of ordinary resolution no. 5(A) and on the basis that no further Shares are issued or repurchased after the Latest Practicable Date and up to the Annual General Meeting, the Company will be allowed to issue a maximum of 154,865,725 Shares.

In addition, subject to a separate approval of ordinary resolution no. 5(C), the number of Shares purchased by the Company under ordinary resolution no. 5(B) will also be added to extend the 20 per cent limit of the General Mandate as mentioned in ordinary resolution no. 5(A) provided that such additional amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of the General Mandate and Repurchase Mandate. The Directors wish to state that they have no immediate plans to issue any new Shares pursuant to the General Mandate.

REPURCHASE MANDATE TO REPURCHASE SHARES

In addition, an ordinary resolution will be proposed to approve the granting of the Repurchase Mandate to the Directors to exercise the powers of the Company to repurchase Shares representing up to 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the resolution in relation to the Repurchase Mandate.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed Repurchase Mandate is set out in Appendix II to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

RE-ELECTION OF RETIRING DIRECTORS

In accordance with the Articles of Association of the Company, Mr Qian Fu Qing, Ms Ren Feng Mei, Mr Cai Yong, Ms Xu Yan Hua, Mr Ng Ming Chee James, Mr Chan Yuk Tong, Dr Lu Bing Heng and Mr Zhao Zi Lin shall hold office until the Annual General Meeting and being eligible, offer themselves for re-election at the Annual General Meeting.

Details of the above named Directors who are subject to re-election at the Annual General Meeting are set out in Appendix I to this circular in accordance with the relevant requirements of the Listing Rules.

LETTER FROM THE BOARD

ADOPTION OF SHARE OPTION SCHEME

Principal terms of the Share Option Scheme

The Directors proposed to adopt the Share Option Scheme, the principal terms of which are set out in Appendix III.

Conditions of the Share Option Scheme

Adoption of the Share Option Scheme is conditional upon (i) the passing by the Shareholders at the Annual General Meeting of an ordinary resolution to approve and adopt the Share Option Scheme and the allotment and issuance of the Shares, which may be allotted and issued upon the exercise of the Option(s); and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any Shares which fall to be issued pursuant to the exercise of the Options under the Share Option Scheme.

Reasons for adopting the Share Option Scheme

The Company currently has no share option scheme in place. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the Eligible Participants have made or may have made to the Group. The Directors consider that the Share Option Scheme will offer Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

In view of the uniqueness of and the specific contributions to the Group by each Eligible Participant, it is not intended to set rigid rules and requirements for the Share Option Scheme for granting an Option. Hence, the rules of the Share Option Scheme do not specify any minimum holding period for which an Option must be held before it can be exercised. The minimum exercise price of an Option and the possible imposition of performance targets that must be achieved before an Option can be exercised will serve the purpose of the Share Option Scheme.

There were no outstanding options, warrants nor convertible securities to subscribe for Shares as at the Latest Practicable Date.

Maximum number of Shares

As at the Latest Practicable Date, the issued share capital of the Company comprised 774,328,625 Shares. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the Adoption Date, the number of Shares issuable pursuant to the Share Option Scheme on the Adoption Date will be 77,432,862 Shares, representing 10 per cent of the Shares in issue.

LETTER FROM THE BOARD

Value of the Options

The Directors consider that it is not appropriate to disclose in this circular the value of all the Options that can be granted under the Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the approval of the Share Option Scheme since the variables which are crucial for the calculation of the value of such Options cannot be determined. Such variables include but are not limited to the exercise price, exercise period and the conditions, if any, that an Option is subject to. The Directors believe that any calculation of the value of the Options based on a number of speculative assumptions would not be meaningful and would be misleading to Shareholders.

APPLICATION FOR LISTING

Application will be/has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued and allotted pursuant to the Share Option Scheme.

INTEREST OF DIRECTORS

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

NOTICE OF ANNUAL GENERAL MEETING

Set out on pages 27 to 32 of this circular is the notice of Annual General Meeting at which, *inter alia*, ordinary resolutions will be proposed to the Shareholders to consider and approve the grant to the Directors of the General Mandate to issue Shares, the Repurchase Mandate to repurchase Shares, the re-election of the retiring Directors and the adoption of the Share Option Scheme.

The Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules, and the adoption of the Share Option Scheme is subject to the approval of the Shareholders at the Annual General Meeting by an ordinary resolution. To the extent the Directors are aware, having made all reasonable enquiries, none of the Shareholders is required to abstain from voting the said resolution.

FORM OF PROXY

A form of proxy is enclosed for use at the Annual General Meeting. Such form of proxy is also published on the website of the Stock Exchange (www.hkexnews.hk). Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the holding of the Annual General Meeting. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting at the Annual General Meeting if they so wish.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to article 13.6 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a poll.

On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the register. A Shareholder entitled to more than one vote is under no obligation to cast all his votes in the same way.

The results of the poll will be published by way of an announcement on the Company's website and website of the Stock Exchange in accordance with the requirements of the Listing Rules.

GENERAL

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

The English text of this circular, the notice of the Annual General Meeting and the form of proxy for use at the Annual General Meeting shall prevail over the Chinese text in case of inconsistency.

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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider that the proposed resolutions for the granting to the Directors of the General Mandate to issue Shares, the Repurchase Mandate to repurchase Shares, the re-election of the retiring Directors and the adoption of the Share Option Scheme are in the interests of the Group and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

LETTER FROM THE BOARD

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the rules of the Share Option Scheme is available for inspection at the Company's principal place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting.

Yours faithfully
By order of the Board
Trauson Holdings Company Limited
Qian Fu Qing
Chairman

APPENDIX I DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION

The following are the particulars of the Directors (as required by the Listing Rules) proposed to be re-elected at the Annual General Meeting.

As at the Latest Practicable Date and save as disclosed herein, each of the following Directors, did not have any interest in Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed herein, no Director holds any position with the Company or any other members of the Group, nor has any directorships in other listed public companies in the last three years.

In addition, save as disclosed herein, no Director has any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders (having the same meaning ascribed to it in the Listing Rules) of the Company.

Save as disclosed in this circular, there is no other matter in relation to the following Directors that needs to be brought to the attention of the Shareholders and there is no other information relating to the following Directors which is required to be disclosed pursuant to any of the requirements of rule 13.51(2) (h) to (v) of the Listing Rules.

Mr Qian Fu Qing (錢福卿先生), aged 56, is the founder, chairman and chief executive officer of the Group. He was appointed as the chairman and an executive Director of the Company on 27 January 2010 and has assumed the role of chief executive officer since 10 June 2010. Mr Qian is also a director of the principal subsidiaries of the Company. Mr Qian is primarily responsible for the overall corporate strategies, planning and business development of the Group. He has extensive experience in the research, development, manufacture and sale of orthopaedic products and related instruments in the PRC. Mr Qian was the deputy chairman of the first and the second Orthopaedic Implant Experts Committee of China Association for Medical Devices Industry (“CAMDI”), respectively, and has been the honorary chairman of the Orthopaedic Implant Experts Committee of CAMDI since 2007. He was also appointed the deputy committee chairman of Changzhou Medical Quality Management Association (常州市醫藥質量管理協會) in 2007. Mr Qian is the spouse of Ms Xu Yan Hua, a non-executive Director of the Company, and is the uncle-in-law of Ms Li Ya Wen, a member of senior management.

The Company had entered into a service contract with Mr Qian for a term of three years with effect from 10 June 2010, subject to re-election in accordance with the Articles of Association and the Listing Rules. Pursuant to his service contract, Mr Qian is entitled to receive director’s fee and allowance of in a total sum of RMB4,290,000 per annum, which is determined by reference to his experience, responsibilities and prevailing market standards.

As at the Latest Practicable Date, Mr Qian is deemed to be interested in 477,945,000 Shares held by Luna Group Holdings Limited, being the interest of his spouse within the meaning of Part XV of the Securities and Futures Ordinance.

Ms Ren Feng Mei (任鳳妹女士), aged 46, has been an executive Director of the Company since 10 June 2010. She initially joined the Group in December 2004 and became the chief operating officer of the Group in May 2009. Ms Ren is primarily responsible for overseeing the production activities of the Group. Between 1983 and 2002, Ms Ren was a director of the orthopaedic products testing office of the Tianjin Medical Devices Supervision and Testing Centre (天津市醫療器械質量監督檢驗中心), one of the ten national medical devices supervision and testing centres under State Food and Drug Administration (國家食品藥品監督管理局), mainly responsible for product testing, supervision and random inspection of the domestic orthopaedic product quality and formulating and amending basic orthopaedic industry standards. Between 1999 and 2002, Ms Ren was also the secretariat of the National Technical Committee on the Standardisation of Surgical Implants and Orthopaedic Devices (全國外科植入物和矯形器械標準化技術委員會). She is currently the secretariat of the Surgical Implant Committee of China Association of Medical Devices (中國醫療器械行業協會外科植入物專業委員會).

The Company had entered into a service contract with Ms Ren for a term of three years with effect from 10 June 2010, subject to re-election in accordance with the Articles of Association and the Listing Rules. Pursuant to her service contract, Ms Ren is not entitled to receive any director's fee.

Mr Cai Yong (蔡勇先生), aged 36, has been an executive Director of the Company since 10 June 2010. He joined the Group in 2003 and has been the research and development director of the Group since October 2005. Mr Cai is primarily responsible for the research and development of new products of the Group and the collaboration with university research centres and surgeons on new product research. Mr Cai is a senior engineer (高級工程師) with extensive experience in design, research and development. Mr Cai obtained a junior college qualification jointly granted by Nanjing University (南京大學) and Dongnan University (東南大學) in 2001.

The Company had entered into a service agreement with Mr Cai for a term of three years with effect from 10 June 2010, subject to re-election in accordance with the Articles of Association and the Listing Rules. Pursuant to his service agreement, Mr Cai is not entitled to receive any director's fee.

Ms Xu Yan Hua (徐燕華女士), aged 55, has been a non-executive Director of the Company since 27 January 2010. Ms Xu is also the controlling shareholder of the Company and a director of a number of Subsidiaries of the Company. In 1991, Ms Xu completed a course on township industry economics and management (鄉鎮工業經濟管理) at Nanjing Normal University (南京師範大學). Ms Xu is the spouse of Mr Qian Fu Qing, the chairman and chief executive officer of the Company, and the aunt-in-law of Ms Li Ya Wen, a member of senior management.

The Company had entered into a letter of appointment with Ms Xu for a term of three years with effect from 10 June 2010, subject to re-election in accordance with the Articles of Association and the Listing Rules. Pursuant to her letter of appointment, Ms Xu is not entitled to receive any director's fee.

As at the Latest Practicable Date, Ms Xu is deemed to be interested in 477,945,000 Shares held by Luna Group Holdings Limited within the meaning of Part XV of the Securities and Futures Ordinance.

APPENDIX I DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION

Mr Ng Ming Chee James (黃晞華先生), aged 45, has been the Company’s non-executive Director since 24 August 2010. He started his career as an auditor with Coopers & Lybrand in Kuala Lumpur, Malaysia and continued to work with a number of multinationals, occupying senior finance roles. Mr Ng has over 20 years of experience in finance and accounting. He obtained a master’s degree in business administration from Brunel University, England in 2003, and a bachelor’s degree in commerce from the University of Western Australia in 1987. He is also a member of CPA Australia.

Mr Ng has been appointed as a non-executive Director for the period commencing from 24 August 2010 to 30 September 2011 (the “**Term**”). Pursuant to his appointment letter entered into between Mr Ng and the Company, he is entitled to a director’s fee of RMB200,000 for the Term, which is determined with reference to his experience, responsibilities and prevailing market standards.

Mr Chan Yuk Tong (陳育棠先生), aged 48, was appointed as independent non-executive Director of the Company on 10 June 2010. Mr Chan graduated from the University of Newcastle in Australia with a bachelor’s degree in commerce in 1985, and from the Chinese University of Hong Kong with a master’s degree in business administration in 2005. Mr Chan is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has over 20 years of experience in audit, accounting, management consulting and financial consulting services. His directorships held with publicly listed companies currently and in the last three years are as follows:

Listed Company	Role	Period
Asia Cassava Resources Holdings Limited	Executive director	July 2008 to June 2010
Vitop Bioenergy Holdings Limited	Non-executive director	February 2008 to present
	Executive director	December 2006 to February 2008
Anhui Conch Cement Company Limited	Independent non-executive director	June 2007 to present
Ausnutria Dairy Corporation Ltd	Independent non-executive director	September 2009 to present
BYD Electronic (International) Company Limited	Independent non-executive director	November 2007 to present
Daisho Microline Holdings Limited	Independent non-executive director	September 2004 to present

APPENDIX I DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION

Listed Company	Role	Period
Global Sweeteners Holdings Limited	Independent non-executive director	June 2008 to present
Great Wall Motor Company Limited	Independent non-executive director	May 2010 to November 2010
Thunder Sky Battery Limited (formerly known as Jia Sheng Holdings Limited and Carico Holdings Limited)	Independent non-executive director	November 2006 to present
Kam Hing International Holding Limited	Independent non-executive director	March 2004 to present
Xinhua Winshare Publishing and Media Co., Ltd (formerly known as Sichuan Xinhua Winshare Chainstore Co Ltd)	Independent non-executive director	April 2006 to present
China Pipe Group Limited (formerly known as World Trade Bun Kee Ltd)	Independent non-executive director	January 2007 to July 2007 <i>(Note)</i>

Note: Mr Chan Yuk Tong resigned as an independent non-executive director in July 2007 due to the change of management and controlling shareholders of China Pipe Group Limited.

The Company had entered into a letter of appointment with Mr Chan for a term of three years with effect from 10 June 2010, subject to re-election in accordance with the Articles of Association and the Listing Rules. Pursuant to his letter of appointment, Mr Chan is entitled to receive a director's fee of HK\$200,000 per annum, which is determined with reference to his experience, responsibilities and prevailing market standards.

Dr Lu Bing Heng (盧秉恒博士), aged 66, was appointed as independent non-executive Director of the Company on 10 June 2010. Dr Lu is currently the vice-president of the Chinese Mechanical Engineering Society and the president of the Rapid Prototype & Manufacturing Technology Sub-Council of the China Association of Machinery Manufacturing Technology. Dr Lu obtained a master's degree of mechanical engineering and a PhD from Xi'an Jiaotong University (西安交通大學) in 1982 and 1986, respectively, and has been a part of the teaching faculty of Xi'an Jiaotong University since 1986. Dr Lu is also an academician of the Chinese Academy of Engineering. He has been serving as an independent director of Luoyang Bearing Science and Technology Co., Ltd, a company listed on the Shenzhen Stock Exchange, since November 2007.

APPENDIX I DETAILS OF DIRECTORS PROPOSED FOR RE-ELECTION

The Company had entered into a letter of appointment with Dr Lu for a term of three years with effect from 10 June 2010, subject to re-election in accordance with the Articles of Association and the Listing Rules. Pursuant to his letter of appointment, Dr Lu is entitled to receive a director's fee of HK\$200,000 per annum, which is determined by reference to his experience, responsibilities and prevailing market standards.

Mr Zhao Zi Lin (趙自林先生), aged 62, was appointed as independent non-executive Director of the Company on 10 June 2010. Mr Zhao is the standing deputy general director of China Association of Medical Equipment (中國醫學裝備協會) ("CAME"), a non-profit academic and legal entity approved by and registered with the Ministry of Civil Affairs (民政部) in the PRC and directly supervised by the Ministry of Health. Mr Zhao has more than 20 years' experience in working with a number of departments of the Ministry of Health. Before he took up his current position in CAME, Mr Zhao was the director-general of the Department of Planning and Finance of the Ministry of Health from 2005 to 2010 and the deputy director-general of the same department from 1998 to 2005.

The Company had entered into a letter of appointment with Mr Zhao for a term of three years with effect from 10 June 2010, subject to re-election in accordance with the Articles of Association and the Listing Rules. Pursuant to his letter of appointment, Mr Zhao is entitled to receive a director's fee of HK\$200,000 per annum, which is determined by reference to his experience, responsibilities and prevailing market standards.

The following is an explanatory statement required to be sent to the Shareholders under the Listing Rules in connection with the proposed Repurchase Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 774,328,625 Shares of nominal value of HK\$0.10 each. Subject to the passing of the resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 77,432,862 Shares which represent 10 per cent of the issued share capital of the Company during the period ending on the earlier 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 to be held under any applicable laws or the Articles of Association; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

REASONS AND FUNDING OF REPURCHASES

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

Repurchases of Shares will be financed out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. The Company may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the Repurchase Mandate was to be exercised in full, it may have a material adverse impact on the working capital or the gearing position of the Company, as compared with the positions disclosed in the audited consolidated financial statements of the Company as at 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Company were made up. The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors or any of their associates have any present intention to sell any Shares to the Company or its Subsidiaries, if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

TAKEOVERS CODE

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), 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. Saved as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchase of Shares pursuant to the Repurchase Mandate.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, Ms Xu Yan Hua through her wholly owned company, Luna Group Holdings Limited was interested in 477,945,000 Shares, representing an approximate of 61.72 per cent of the existing issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares under the Repurchase Mandate, Ms Xu's interests in the Company through Luna Group Holdings Limited would be increased to approximately 68.58 per cent of the issued share capital of the Company. The Directors are not aware of such increase would give rise to an obligation to make a mandatory offer under the Takeovers Code.

The Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25 per cent (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The Directors do not propose to repurchase Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares (whether on the Stock Exchange or otherwise) have been made by the Company from the Listing Date to the Latest Practicable Date.

SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during the period from the Listing Date to the Latest Practicable Date were as follows:

Month	Highest price <i>HK\$</i>	Lowest price <i>HK\$</i>
2010		
June (since the Listing Date)	3.96	3.57
July	3.69	3.21
August	3.87	3.40
September	3.75	3.44
October	3.78	3.32
November	4.30	3.38
December	4.08	3.50
2011		
January	4.00	3.56
February	3.76	2.77
March	3.33	2.91
April (up to the Latest Practicable Date)	3.43	3.15

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The Company currently has no share option scheme in place. The purpose of the Share Option Scheme is to recognise and acknowledge the contributions the Eligible Participants have made or may have made to the Group. The Directors consider that the Share Option Scheme will offer Eligible Participants an opportunity to have a personal stake in the Company with a view to achieving the following objectives:

- (i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attracting and retaining or otherwise maintaining on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Who may join

The Board may, at its discretion, on the basis of contribution or potential contribution to the development and growth of the Company or any of its Subsidiaries offer to grant an Option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to:

- (i) any full-time or part-time employees, executives or senior officers of the Company or any of its Subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its Subsidiaries; or
- (iii) any advisers, consultants, suppliers, customers, agents and other persons who in the sole discretion of the Board have contributed or will contribute to the Company or any of its Subsidiaries.

(c) Acceptance of an offer for the grant of an Option

An offer for the grant of an Option shall be made to an Eligible Participant by letter in such form as the Board may from time to time determine and shall remain open for acceptance by such Eligible Participant for a period of 28 days from the date of the delivery of the offer (the "Acceptance Period"). An Option shall be deemed to have been granted and accepted by the Grantee when the duplicate letter comprising acceptance of the Option duly signed by the Grantee is received by the Company before the

expiry of the Acceptance Period. Upon acceptance of the Option, the Grantee shall pay HK\$1 to the Company in consideration of the grant.

Any offer for the grant of an Option may be accepted in respect of less than the number of Shares to which it is offered provided that it is accepted in such number of Shares representing a board lot for the purpose of trading on the Stock Exchange or an integral multiple thereof and such number of Shares is clearly stated in the duplicate letter comprising acceptance of the Option.

An offer for the grant of an Option shall be deemed to have been irrevocably rejected if the same has not been accepted in accordance with the above-mentioned method before the expiry of the Acceptance Period.

Subject to the restrictions under (k), (l), (m), (n) and (o) below, a Grantee may exercise an Option in whole or in part by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. The exercise of an Option, other than in respect of all the Shares thereunder, has to be made in respect of such number of Shares representing an integral multiple of a board lot for the time being for the purpose of trading on the Stock Exchange. Each such notice must be accompanied by a remittance for the full amount of the total exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance (if applicable) and, where appropriate, receipt of the certificate of the Company's auditors or the Company's independent financial adviser (as the case may be), the Company shall allot and issue the relevant Shares to the Grantee credited as fully paid and issue the share certificates of the relevant shares to the Grantee.

(d) Maximum number of Shares

- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10 per cent of the Shares in issue as at the date of approval of the Share Option Scheme (which will be 77,432,862 Shares). Options lapsed in accordance with the terms of the Share Option Scheme (or other option scheme of the Company) will not be counted for the purpose of calculating the 10 per cent limit.
- (ii) Provided that a relevant circular is issued and Shareholders' approval is obtained at a general meeting and/or in compliance with other requirements as stipulated in the Listing Rules from to time, the Board may:
 - (i) refresh the 10 per cent limit under the Share Option Scheme to be the 10 per cent of the Shares in issue as at the date of such Shareholders' approval of the limit;
 - (ii) grant Options beyond the 10 per cent limit provided the Options in excess of the limit are granted only to Eligible Participants specifically identified by the Board before the Shareholders' approval is sought. The aforementioned circular shall contain a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

- (iii) Notwithstanding the above and subject to paragraph (q) below, the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30 per cent of the Shares in issue from time to time. No options may be granted under any schemes (including the Share Option Scheme) of the Company if this will result in the limit being exceeded. If the Company's capital structure has any change as stated in paragraph (q) below (whether as a result of merger, rights issue, split or decreasing the Company's capital), the limit of shares in relation to the Options that could be granted shall be adjusted by a method confirmed by the Company's auditor or recognised independent financial adviser as appropriate, fair and reasonable, provided that in all cases the limit as stipulated in this paragraph cannot be exceeded.

(e) The maximum entitlement of each Eligible Participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1 per cent of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the Shares in issue, such further grant must be separately approved by the Shareholders of the Company at general meeting with such Eligible Participant and his associates abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted to such Eligible Participant), the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the exercise price) of Options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to rule 17.03(9) of the Listing Rules.

(f) Price of Shares

Subject to any adjustment as stated in paragraph (q) below, the exercise price for Shares under the Share Option Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) 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 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 per cent of the Shares in issue or such percentage as stipulated in the Listing Rules from time to time; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of each grant, in excess of HK\$5 million or such amount as stipulated in the Listing Rules from time to time,

a circular shall be issued and such further grant of Options must be approved by the Shareholders (voting by way of poll). All connected persons (having the same meaning ascribed to it in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting, and/or comply with any other requirements as stipulated in the Listing Rules from time to time.

The aforementioned circular issued to the Shareholders shall contain the following information:

- (i) the number and terms of the Options to be granted to the Eligible Participants;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a Grantee) on whether or not to vote in favour of the proposed grant;
- (iii) the information required under rule 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules; and
- (iv) the information required under rule 2.17 of the Listing Rules.

(h) Rights are personal to Grantees

An Option is personal to the Grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do. Upon contravention of the above by a Grantee, the Company has the right to cancel any Options granted to such Grantee to the extent not already exercised or any part thereof.

(i) Time of exercise of Option and duration of the Share Option Scheme

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted (the "Option Period"). No Option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company at general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(j) Performance target

The exercise of Option may or may not be subject to the achievement of performance targets which may be determined by the Board at its absolute discretion on a case by case basis upon the grant of the relevant Option. Save as determined by the Board in its absolute discretion, there is no performance target which must be achieved before any of the Options can be exercised. Should there be any performance target, it will be stated in the offer of grant of such Option.

(k) Rights on ceasing employment or death

If the Grantee of an Option ceases to be an employee of the Company or any of its Subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the Grantee may exercise the Option up to the entitlement of the Grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the Option within a period of 12 months from such cessation,

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, failing which it will lapse.

(l) Rights of dismissal

If the Grantee of an Option ceases to be an employee of the Company or any of its Subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (having the meaning ascribed to it in the Takeovers Code)) and such offer becomes or is declared unconditional during the Option Period of the relevant Option, the Grantee of an Option shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to all Grantees and thereupon, each Grantee (or his personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than 2 business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the Grantee credited as fully paid.

(o) Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the Grantees on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any Grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company not later than two business days prior to the proposed meeting), exercise the Option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee as holder thereof.

With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective Options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) Ranking of Shares

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

(q) Effect of alternations of capital

In the event of any alteration in the capital structure of the Company whilst any Option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any Options so far as unexercised and/or the subscription price per Share of each outstanding Option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a Grantee shall have the same proportion of the issued share capital of the Company for which any Grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any Option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of the Company;

- (v) the date on which the Grantee ceases to be an Eligible Participant by reason of such Grantee's resignation from his employment in the Company or any of its Subsidiaries or the termination of his employment or contract on any one or more of the grounds that he has been guilty of serious misconduct, has been convicted of any criminal offence involving his integrity or honesty, or becomes insolvent or bankrupt or has made an arrangement with any of his creditor(s), or in the case of a Grantee who is an employee of the Group (if so determined by the Board) ceases to be an employee of the Company or any of its Subsidiaries on any other ground which the Company or any of its Subsidiaries would be entitled to terminate his employment at common law or pursuant to any applicable laws or under such Grantee's service contract with the Group. 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 shall be conclusive; or
- (vi) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph (h) above or the Options are cancelled in accordance with paragraph (t) below.

(s) Alternation of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) in respect of the matters contained in rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted,

shall first be approved by the Shareholders at general meeting provided that if the proposed alteration shall adversely affect any Option granted or agreed to be granted prior to the date of alteration, and shall be further approved by the Grantees in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders at general meeting.

(t) Cancellation of Options

Subject to paragraph (h) above, any cancellation of Options granted but not exercised must be approved by the Grantees of the relevant Options in writing. For the avoidance of doubt, such approval shall not be required for any cancellation in accordance with paragraph (l) above.

(u) Termination of the Share Option Scheme

The Company may by resolution at general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further Option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of Options to be granted under the Share Option Scheme; and
- (ii) the approval of the rules of the Share Option Scheme by the Shareholders at the Annual General Meeting.

(x) Disclosure in annual and interim reports

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of Options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

NOTICE OF ANNUAL GENERAL MEETING



TRAUSON HOLDINGS COMPANY LIMITED

創生控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 325)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Trauson Holdings Company Limited (the “Company”) will be held at Regus Business Centre, 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 27 May 2011 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolutions:

Ordinary business

1. To receive and adopt the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended 31 December 2010.
2. To declare a final dividend for the year ended 31 December 2010.
3. a. To re-elect the following retiring directors of the Company:
 - (i) Mr Qian Fu Qing
 - (ii) Ms Ren Feng Mei
 - (iii) Mr Cai Yong
 - (iv) Ms Xu Yan Hua
 - (v) Mr Ng Ming Chee James
 - (vi) Mr Chan Yuk Tong
 - (vii) Dr Lu Bing Heng
 - (viii) Mr Zhao Zi Lin
- b. To authorise the board of directors to fix the remuneration of the directors of the Company.
4. To re-appoint Deloitte Touche Tohmatsu as auditors of the Company and authorise the board of directors to fix their remuneration.

NOTICE OF ANNUAL GENERAL MEETING

5. To consider and, if thought fit, to pass, with or without modification, the following resolutions as ordinary resolutions:

(A) **“That:**

- (i) subject to paragraph (iii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company during the Relevant Period pursuant to paragraph (i) above, otherwise than pursuant to (1) a Rights Issue (as hereinafter defined); or (2) the grant or exercise of any option under the option scheme of the Company or any other option scheme or similar arrangements for the time being adopted for the grant or issue to the directors, officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (3) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (4) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into shares of the Company, shall not exceed the aggregate of 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the approval shall be limited accordingly;

NOTICE OF ANNUAL GENERAL MEETING

- (iv) for the purpose of this resolution:
 - (a) “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (1) conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required to be held under the applicable laws or the articles of association of the Company; and
 - (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and
 - (b) “Rights Issue” means an offer of shares in the capital of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the capital of the Company whose names appear on the register of shareholders on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company 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, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company).”

(B) “That:

- (i) subject to paragraph (ii) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission and the Stock Exchange under the Hong Kong Code on Share Repurchases and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on the Stock Exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of the shares of the Company, which may be repurchased pursuant to the approval in paragraph (i) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly;

NOTICE OF ANNUAL GENERAL MEETING

(iii) subject to the passing of each of paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the directors and which are still in effect be and are hereby revoked; and

(iv) for the purpose of this resolution:

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

- a. the conclusion of the next annual general meeting of the Company;
- b. the expiration of the period within which the next annual general meeting of the Company is required to be held under the applicable laws and the articles of association of the Company; and
- c. the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) **“That** conditional upon the resolutions numbered 5(A) and 5(B) set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with additional shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the ordinary resolution numbered 5(A) set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the ordinary resolution numbered 5(B) set out in the notice convening this meeting, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the resolution.”

NOTICE OF ANNUAL GENERAL MEETING

6. “**That** subject to and conditional upon the Listing Committee of 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 any Options granted under the share option scheme of the Company (the “Share Option Scheme”), the rules of which are contained in the document marked “A” produced to this meeting and for the purposes of identification signed by the Chairman thereof, the Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised to do all such 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 Share Option Scheme, including without limitation:
- (i) to administer the Share Option Scheme under which options will be granted to participants eligible under the 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 Share Option Scheme;
 - (ii) to modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the 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;
 - (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 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 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 Share Option Scheme.”

By order of the Board of Directors
Trauson Holdings Company Limited
Qian Fu Qing
Chairman

Hong Kong, 26 April 2011

NOTICE OF ANNUAL GENERAL MEETING

Registered office:
PO Box 309 Ugland House
Grand Cayman KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
8th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her; a proxy need not be a shareholder of the Company.
- (ii) 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 vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the persons so present whose name stands first on the register of shareholders in respect of such share shall alone be entitled to vote in respect thereof.
- (iii) In order to be valid, a form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notorially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) The transfer books and register of shareholders will be closed from Wednesday, 25 May 2011 to Friday, 27 May 2011, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2011.
- (v) In respect of ordinary resolution numbered 3 above, Mr Qian Fu Qing, Ms Ren Feng Mei, Mr Cai Yong, Ms Xu Yan Hua, Mr Ng Ming Chee James, Mr Chan Yuk Tong, Dr Lu Bing Heng and Mr Zhao Zi Lin shall retire at the above meeting and being eligible, offer themselves for re-election. Details of the above retiring directors are set out in Appendix I to the accompanied circular dated 26 April 2011.
- (vi) In respect of the ordinary resolution numbered 5(A) above, the directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the shareholders of the Company as a general mandate for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange.
- (vii) In respect of the ordinary resolution numbered 5(B) above, the directors wish to state that they will exercise the powers conferred by the general mandate to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of shareholders. The Explanatory Statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the accompanied circular dated 26 April 2011.
- (viii) The ordinary resolution numbered 5(C) will be proposed to the shareholders for approval provided that the ordinary resolutions numbered 5(A) and 5(B) are passed by the shareholders of the Company.