
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Application has been made to the Stock Exchange (as defined herein) for the listing of, and permission to deal in, the Bonus Warrants (as defined herein) and new Shares (as defined herein) falling to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants. Dealings in the Bonus Warrants are expected to commence from 9:30 a.m. on 24 May, 2004.

Subject to (inter alia) the granting of the listing of, and permission to deal in, the Bonus Warrants and the new Shares falling to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants on the Stock Exchange, the Bonus Warrants and any new Shares that may fall to be issued upon the exercise of the subscription rights attached to the Bonus Warrants will be accepted as eligible securities by HKSCC (as defined herein) for deposit, clearance, and settlement in CCASS (as defined herein) with effect from the commencement date of dealings in the Bonus Warrants on the Stock Exchange or such other date as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

The Stock Exchange and HKSCC take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of this document has also been filed with the Registrar of Companies in Bermuda. The Securities and Futures Commission, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of this document.



PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

PROPOSED ISSUE OF BONUS WARRANTS PROPOSED AMENDMENTS TO THE BYE-LAWS GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES

A notice convening the Annual General Meeting of the Company to be held at Centenary Room III, G/F., The Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 14 May, 2004 at 9:00 a.m. at which the above proposals will be considered, is contained in pages 32 to 38 of this document. Whether or not you are able to attend the Annual General Meeting, you are requested to complete and return the form of proxy enclosed with this document, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the Annual General Meeting to the Hong Kong branch share registrars of the Company, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. Completion of the form of proxy shall not preclude you from attending and voting at the Annual General Meeting should you so wish.

19 March, 2004

* For identification purpose only

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RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules (as defined herein) for the purpose of giving information with regard to the proposed issue of the Bonus Warrants by Playmates Holdings Limited, proposed amendments to its Bye-laws and general mandates to issue and to repurchase Shares. The Directors collectively and individually accept full responsibility for the accuracy of the information in this document and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this document misleading.

EXPECTED TIMETABLE

2004

Latest time recommended for lodging relevant document(s) by the 2002
Warrantheolders and transferees of 2002 Warrants to qualify
for the Bonus Issue (*Note*) Wednesday, 4:00 p.m. 7 April

Latest time for dealings in Shares cum entitlements to the
Bonus Issue Wednesday, 4:00 p.m. 5 May

First day of dealings in Shares ex entitlements to the
Bonus Issue Thursday, 9:30 a.m. 6 May

Latest time for lodging Share transfers to qualify for the
Bonus Issue Friday, 4:00 p.m. 7 May

Register of members closed (both days inclusive)
from Monday, 10 May
to Friday, 14 May

Latest time for lodging proxy forms for the Annual
General Meeting Wednesday, 9:00 a.m. 12 May

Record date for determination of entitlements to the
Bonus Issue Friday, 14 May

Annual General Meeting Friday, 9:00 a.m. 14 May

Warrant Certificates expected to be despatched on or before Thursday, 20 May

Dealings in Bonus Warrants on
the Stock Exchange commence on Monday, 9:30 a.m. 24 May

Note: 2002 Warrantheolders and transferees of 2002 Warrants are reminded that if they wish to be entitled to the Bonus Warrants, they should allow sufficient time for Shares to be issued upon exercise of the subscription rights attaching to their 2002 Warrants as it may take up to 21 business days according to the terms of the 2002 Warrant Instrument. In order to qualify for the entitlement of the Bonus Issue, 2002 Warrantheolders and transferees of 2002 Warrants are reminded that they are recommended to lodge completed 2002 Warrant Subscription Forms, together with the relevant 2002 Warrant certificates, and in the case of the transferees of 2002 Warrants, the relevant transfer documents, with the office of the Registrars not later than 4:00 p.m. on Wednesday, 7 April, 2004. 2002 Warrantheolders and transferees of 2002 Warrants should note that, in case the relevant completed 2002 Warrant Subscription Forms and other relevant documents are not lodged at or before 4:00 p.m. on Wednesday, 7 April, 2004, they may not be entitled to the Bonus Issue.

DEFINITIONS

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 Centenary Room III, G/F., The Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on 14 May, 2004 at 9:00 a.m., notice of which is set out on pages 32 to 38 of this document
“Bonus Issue”	the proposed issue by the Company of the Bonus Warrants on the basis of one Bonus Warrant for every 5 existing Shares held by the Shareholders, excluding Overseas Shareholders, on the Record Date upon and subject to the terms and conditions set out in this document and the Bonus Warrant Instrument
“Bonus Warrant(s)”	not less than 309,955,551 warrants constituted by the Bonus Warrant Instrument to be issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from the date on which trading in the Bonus Warrants commences on the Stock Exchange and expiring one year thereafter (which is currently expected to be 23 May, 2005), both days inclusive, up to an aggregate amount of approximately \$440,136,882 (before expenses) for new Shares at the Exercise Price
“Bonus Warrant Instrument”	The deed poll constituting the Bonus Warrants to be executed by the Company, a summary of the principal terms of which is set out in Appendix I to this document
“Bye-laws”	bye-laws of the Company, as amended from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Playmates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Exercise Price”	\$1.42 per Share (subject to adjustments) in respect of each Bonus Warrant
“Group”	the Company and its subsidiaries (a subsidiary has the meaning ascribed to it by section 2(4) of the Companies Ordinance)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Issue Mandate”	the general mandate to the Directors to exercise the powers of the Company to issue Shares during the relevant period up to a maximum of 20 per cent. of the issued share capital of the Company as at the date of passing of the relevant resolution at the Annual General Meeting
“Latest Practicable Date”	16 March, 2004, being the latest practicable date prior to the printing of this document for ascertaining certain information for inclusion in this document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose address(es), as shown on the register of members of the Company at the close of business on the Record Date, are outside Hong Kong
“Qualifying Shareholder(s)”	Shareholder(s), excluding Overseas Shareholder(s), whose name(s) appear on the register of members of the Company in Hong Kong as at the close of business on the Record Date
“Record Date”	14 May, 2004, being the record date for the determination of entitlements to the Bonus Issue
“Registrars”	Abacus Share Registrars Limited, the branch share registrars of the Company in Hong Kong at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Repurchase Mandate”	the general mandate to the Directors to exercise the powers of the Company to repurchase fully paid Shares during the relevant period up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of passing of the relevant resolution at the Annual General Meeting

DEFINITIONS

“Share Options”	the outstanding share options granted by the Company pursuant to a share option plan and a share option scheme adopted on 4 May, 1998 and 28 June, 2002 respectively
“Share(s)”	share(s) of \$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant Certificate(s)”	certificate(s) to be issued by the Company to Warrantholder(s) to evidence the holding of the Bonus Warrants
“Warrantholder(s)”	holder(s) of Bonus Warrants
“\$” and “cents”	Hong Kong dollars and cents, respectively, being the lawful currency of Hong Kong
“2002 Warrant Instrument”	the deed poll dated 7 May, 2002 constituting the 2002 Warrants
“2002 Warrants”	201,811,101 warrants constituted by the 2002 Warrant Instrument issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from 13 May, 2002 and expiring 2 years thereafter, both days inclusive, up to an aggregate amount of approximately HK\$60,543,330 (before expenses) for new Shares at the exercise price of \$0.30 per Share in respect of each warrant
“2002 Warrant Subscription Form(s)”	the subscription form(s) contained in the warrant certificate(s) to the 2002 Warrants
“2002 Warrantholder(s)”	holder(s) of 2002 Warrants

LETTER FROM THE BOARD



PLAYMATES HOLDINGS LIMITED

彩星集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Chan Chun Hoo, Thomas (*Chairman*)

Mr. To Shu Sing, Sidney

Non-executive Directors:

Mr. Ip Shu Wing, Charles

Mr. Lee Peng Fei, Allen[#]

Mr. Lo Kai Yiu, Anthony[#]

Mr. Tsim Tak Lung (*Deputy Chairman*)

Mr. Yu Hon To, David[#]

[#] *Independent Non-executive Directors*

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal Office:

21/F., The Toy House

100 Canton Road

Tsimshatsui

Kowloon

Hong Kong

19 March, 2004

To the Qualifying Shareholders,

2002 Warrantholders and holders of the Share Options,

and for information only, the Overseas Shareholders

Dear Sir or Madam,

**PROPOSED ISSUE OF BONUS WARRANTS
PROPOSED AMENDMENTS TO THE BYE-LAWS
GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES**

1. INTRODUCTION

It was announced on 27 February, 2004 that the Directors are proposing to seek the approvals of the Shareholders in relation to:

- (a) the making of the Bonus Issue to Qualifying Shareholders whose names appear on the Company's register of members at the close of business on the Record Date;
- (b) the amendments to the Bye-laws; and
- (c) the granting of the Issue Mandate and the Repurchase Mandate.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this document is to provide you with further details in respect of the proposed issue of the Bonus Warrants, the proposed amendments to the Bye-laws and the granting of the Issue Mandate and the Repurchase Mandate, and seek your approval of the same at the Annual General Meeting.

2. BONUS ISSUE OF BONUS WARRANTS

The Directors have recommended, subject to the terms and conditions set out below, the Bonus Issue on the basis of one Bonus Warrant for every 5 existing Shares held by the Shareholders, excluding Overseas Shareholders, registered as such on the register of members of the Company on the Record Date.

Subject to the terms and conditions mentioned below, the Bonus Warrants will be issued in registered form and will be exercisable at any time from the date of commencement of dealings in the Bonus Warrants on the Stock Exchange (which is currently expected to be on 24 May, 2004) and expiring one year thereafter, both days inclusive.

Each Bonus Warrant will entitle the holder thereof to subscribe in cash for one Share at an initial Exercise Price of \$1.42 per Share, subject to adjustments. Please refer to the section headed "Adjustments to Exercise Price" in Appendix I of this document for the events which may result in an adjustment to the Exercise Price, and the relevant adjustment mechanisms. Any subscription rights not exercised on or before the expiry date or such earlier date as provided in the Bonus Warrant Instrument will lapse. Shares issued pursuant to the exercise of the Bonus Warrants will rank *pari passu* in all respects with the then Shares in issue on the relevant subscription dates and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant subscription date upon due exercise of the subscription rights attaching to the Bonus Warrants.

Full exercise of the Bonus Warrants would result in the issue of a total of 309,955,551 new Shares on the basis of 1,549,777,757 Shares in issue as at the Latest Practicable Date and on the assumptions that (i) no outstanding 2002 Warrants will be exercised prior to its expiry date on 12 May, 2004; (ii) no outstanding Share Options will be exercised prior to the Record Date; and (iii) no further Shares will be issued or repurchased prior to the Record Date, representing 20 per cent. of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.67 per cent. of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of new Shares upon full exercise of the Bonus Warrants.

If all outstanding 2002 Warrants are fully exercised prior to its expiry date on 12 May, 2004 and all outstanding Share Options eligible to be exercised prior to the Record Date are fully exercised, full exercise of the Bonus Warrants would result in the issue of a total of 317,021,822 new Shares, representing 20 per cent. of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of such new Shares upon full exercise of the 2002 Warrants and the outstanding Share Options which are eligible to be exercised prior to the Record Date, and approximately 16.67 per cent. of the issued share capital of the Company, as enlarged by the allotment and issue of such new Shares upon full exercise of the 2002 Warrants, the outstanding Share Options which are eligible to be exercised prior to the Record Date, and the Bonus Warrants.

LETTER FROM THE BOARD

Fractional entitlements to the Bonus Issue will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. The proceeds of such sale will be retained for the benefit of the Company.

A summary of the principal terms and conditions of the Bonus Warrants, including the circumstances under which the Exercise Price may be adjusted, is set out in Appendix I to this document.

3. EXERCISE PRICE

The initial Exercise Price of \$1.42 per Share represents:

- (a) a premium of approximately 9% to the closing price of \$1.30 per Share, as quoted on the Stock Exchange on 27 February, 2004, being the date of the announcement of the Bonus Issue;
- (b) a premium of approximately 15% to the average closing price of approximately \$1.24 per Share for the 10 consecutive trading days up to and including 27 February, 2004;
- (c) a premium of approximately 17% to the average closing price of approximately \$1.21 per Share for the 20 consecutive trading days up to and including 27 February, 2004;
- (d) a premium of approximately 14% to the closing price of \$1.25 per Share, as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 13% to the average closing price of approximately \$1.26 per Share for the 10 consecutive trading days up to and including the Latest Practicable Date.

4. OVERSEAS SHAREHOLDERS

Overseas Shareholders have been sent a copy of this document for their information only.

The Directors are of the view that the grant of the Bonus Warrants to Shareholders with addresses outside Hong Kong would or might, in the absence of compliance with relevant registration or other special formalities in other territories, be unlawful or impracticable. Accordingly, no allotment of Bonus Warrants will be made to Overseas Shareholders pursuant to the Bonus Issue. Arrangements will be made for the Bonus Warrants which would otherwise be issued to Overseas Shareholders to be sold in the market as soon as practicable after dealings in the Bonus Warrants commence if a premium, net of expenses, can be obtained. Any proceeds of sale, after deduction of expenses, will be distributed in Hong Kong currency to Overseas Shareholders at their own risk pro rata to their respective shareholding unless the amount falling to be distributed to any Overseas Shareholder shall be less than \$100, in which case such amount will not be distributed but will be retained for the benefit of the Company.

LETTER FROM THE BOARD

5. 2002 WARRANTS (STOCK CODE 1119)

As at the Latest Practicable Date, according to the register of 2002 Warrantholders, there are 8,873,954 outstanding 2002 Warrants the subscription rights of which are eligible to be exercised on or before 12 May, 2004 at the exercise price of \$0.30 per Share (the net asset value per Share by reference to the audited consolidated results of the Group for the year ended 31 December, 2003 is \$0.57). In order to exercise in whole or in part the subscription rights attaching to the 2002 Warrants, a 2002 Warrantholder must complete and sign the 2002 Warrant Subscription Form (which is irrevocable) and deliver the 2002 Warrant certificate (and, if the 2002 Warrant Subscription Form used is not the form endorsed on the 2002 Warrant certificate, the separate 2002 Warrant Subscription Form duly completed) to the Registrars, together with a remittance for the whole or the relevant portion of the exercise moneys, being the amount of \$0.30 per Share for the Shares in respect of which the subscription rights are being exercised. Pursuant to the relevant terms of the 2002 Warrant Instrument, Shares falling to be issued upon exercise of the subscription rights attaching to the 2002 Warrants would be allotted and issued not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the date on which such subscription rights are exercised. 2002 Warrantholders and transferees of 2002 Warrants are therefore reminded that if they wish to be entitled to the Bonus Warrants, they should allow sufficient time for Shares to be issued upon exercise of the subscription rights attaching to their 2002 Warrants as it may take up to 21 business days according to the terms of the 2002 Warrant Instrument. In order to qualify for the entitlement of the Bonus Issue, 2002 Warrantholders and transferees of 2002 Warrants are reminded that they are recommended to lodge completed 2002 Warrant Subscription Forms, together with the relevant 2002 Warrant certificates, and in the case of the transferees of 2002 Warrants, the relevant transfer documents, with the office of the Registrars not later than 4:00 p.m. on Wednesday, 7 April, 2004. 2002 Warrantholders and transferees of 2002 Warrants should note that, in case the relevant completed 2002 Warrant Subscription Forms and other relevant documents are not lodged at or before 4:00 p.m. on Wednesday, 7 April, 2004, they may not be entitled to the Bonus Issue.

6. CONDITIONS TO THE BONUS ISSUE

The Bonus Issue is conditional upon the following:

- (a) the passing by Shareholders at the Annual General Meeting of an ordinary resolution to approve the creation and issue of the Bonus Warrants and the issue of new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Bonus Warrants, and any Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants.

7. LISTING, DEALINGS AND CERTIFICATES

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Warrants and any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants. No Share or Bonus Warrant is listed or dealt in, or on which the listing and permission to deal is being or is proposed to be sought, on any stock exchange other than the Stock Exchange.

LETTER FROM THE BOARD

The proposed board lot for trading in the Bonus Warrants on the Stock Exchange is 40,000 units carrying aggregate subscription rights of \$56,800 at an initial Exercise Price of \$1.42 per Share, subject to adjustments. Dealings in the Bonus Warrants on the Stock Exchange are expected to commence from 9:30 a.m. on Monday, 24 May, 2004.

Conditional upon the satisfaction of the conditions referred to in paragraph 6 above, it is expected that certificates for the Bonus Warrants will be issued in board lots of 40,000 Bonus Warrants (so far as practicable) and posted to the persons entitled thereto at their own risk on or before Thursday, 20 May, 2004. In the case of a joint holding, the certificates for the Bonus Warrants will be posted to the address of the person whose name stands first on the register of members of the Company on the Record Date.

Subject to satisfaction of the conditions referred to above and subject to compliance with the stock admission requirements of HKSCC, the Bonus Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS from the commencement date of dealings in the Bonus Warrants on the Stock Exchange or such other date(s) as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Bonus Warrants to be admitted into CCASS.

You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

8. CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements of Shareholders to the Bonus Issue, the register of members of the Company will be closed from Monday, 10 May, 2004 to Friday, 14 May, 2004, both days inclusive, during which period no transfer of Shares can be registered.

The last day for dealings in Shares cum entitlements to the Bonus Issue will be Wednesday, 5 May, 2004. **In order to qualify for the Bonus Issue, transferees of Shares are reminded that they must lodge completed transfer forms, together with the relevant share certificates, with the office of the Registrars not later than 4:00 p.m. on Friday, 7 May, 2004.**

9. TAXATION AND EXPENSES

Dealings in Bonus Warrants will be subject to Hong Kong stamp duty. Shareholders are recommended to consult their professional advisers as to the tax implications of the Bonus Issue, in particular, whether the Bonus Issue would be regarded as a transaction of an income or capital nature or make such Shareholders liable to taxation.

It is emphasised that taxation implications of the Bonus Issue, and the holding and exercise of the Bonus Warrants, are a matter for Shareholders themselves and neither the Company nor any of its Directors accept any responsibility for any tax effect on, or liabilities of, its Shareholders.

LETTER FROM THE BOARD

The Stock Exchange charges a trading fee of 0.005%, and the Securities and Futures Commission also charges a transaction levy of 0.005% and investor compensation levy of 0.002%, in respect of each transaction effected on the Stock Exchange, payable by each of the seller and the buyer and is calculated on the value of consideration for the relevant securities. In addition, member brokers charge brokerage against both buyers and sellers and such brokerage is required to be no less than 0.25% of the value of the purchase or sale (calculated on the value of the consideration for the relevant securities).

10. INFORMATION OF THE GROUP

The Group is principally engaged in the creation, design, development, marketing and distribution of toys and family entertainment activity products. The Group is also engaged in property investment and management business.

11. AMENDMENTS TO THE BYE-LAWS

Appendix 3 of the Listing Rules has been amended recently (which shall come into effect on 31 March, 2004), which amendments are (i) the minimum period for lodgement by Shareholders of the notice to nominate a director; (ii) a director abstaining from voting at the board meeting on any matter in which any of his associates has a material interest and (iii) a Shareholder's vote shall not be counted if that Shareholder has voted in contravention of the requirement on abstaining from voting on any resolution or being restricted to vote only for or against any resolution. Following such amendments to Appendix 3, the Directors has proposed to make corresponding amendments to the Bye-laws of the Company in order to bring the Bye-laws in line with these amendments to the Listing Rules.

Listed below are the proposed amendments to be made to the existing Bye-laws pursuant to the special resolution set out in the notice of the Annual General Meeting:

- (A) Clause 76 be deleted in its entirety and be replaced by the following new clause 76:

“76. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

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

- (B) Clause 88 be deleted in its entirety and be replaced by the following new clause 88:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his

LETTER FROM THE BOARD

intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such Notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

(C) Clause 103 be deleted in its entirety and be replaced by the following new clause 103:

- “103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is to his knowledge materially interested, but this prohibition shall not apply to any of the following matters namely:
- (i) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associate(s) or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or any of his associates is/are beneficially

LETTER FROM THE BOARD

interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his/their interest or that of any of his associates is derived) provided that the indirect interest in such company through his or his associates' interest in the Company shall be disregarded; or

- (vi) any proposal or arrangement concerning the benefit of employees of the Company or of any of its subsidiaries including the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, their respective associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associate(s) (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associate(s) is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

LETTER FROM THE BOARD

12. GRANTING OF THE ISSUE MANDATE AND THE REPURCHASE MANDATE

Three ordinary resolutions numbered 6C, 6D and 6E in the notice of the Annual General Meeting will be proposed in relation to the Issue Mandate and the Repurchase Mandate.

To facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Directors will seek the approval of the Shareholders for the grant of the Issue Mandate at the Annual General Meeting.

The Directors would also seek the approval of the Shareholders for the grant of the Repurchase Mandate in accordance with the requirements set out in the Listing Rules. Pursuant to the requirements of the Listing Rules, Appendix II to this document serves as an explanatory statement in providing you with the requisite information reasonably necessary to enable you to make an informed decision in considering the voting on the grant of the Repurchase Mandate.

13. ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is set out in Appendix III to this document. At the Annual General Meeting, ordinary resolutions will be proposed to approve the Bonus Issue, the Issue Mandate and the Repurchase Mandate, and a special resolution will be proposed to approve the proposed amendments to the Bye-laws.

A form of proxy for use at the Annual General Meeting is enclosed with this document. 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 Registrars at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the Annual General Meeting if they so wish.

14. RECOMMENDATIONS

The Directors believe that the proposed issue of the Bonus Warrants will enhance the return on investment for Shareholders as well as the equity base of the Company, and improve the liquidity position of its Shares in the market.

Assuming that the subscription rights attaching to all the 309,955,551 Bonus Warrants are exercised in full at the initial Exercise Price of \$1.42 per Share, it will provide the Group with additional general working capital of approximately \$440,136,882, before expenses, for its operation and future expansion, in particular, for potential acquisition opportunities for its core business. However, as the amount that may be raised from the Bonus Warrants is uncertain, and the Company has not identified any specific acquisition target at the time, the Directors therefore have not earmarked any amount for any specific purposes. The Directors believe that the proposed issue of the Bonus Warrants is beneficial to the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors believe that the granting of the Issue Mandate and the Repurchase Mandate, as well as the approving of the proposed amendments to the Bye-laws, are in the best interests of the Company and its Shareholders as a whole.

The Directors recommend you to vote in favour of each of the ordinary resolutions and the special resolution in respect of the above proposals on the terms set out in the notice of the Annual General Meeting.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours from the date of this document up to and including the date of the Annual General Meeting.

- (a) the memorandum of association of the Company and the Bye-laws; and
- (b) an advance draft (subject to modifications) of the Bonus Warrant Instrument constituting the Bonus Warrants.

16. ADDITIONAL INFORMATION

Your attention is drawn to Appendix I to this document which sets out a summary of the principal terms of the Bonus Warrants and Appendix II to this document which sets out information relating to the Repurchase Mandate.

Yours faithfully,
For and on behalf of the Board
Chan Chun Hoo, Thomas
Chairman

The Bonus Warrants will be issued subject to and with the benefit of the Bonus Warrant Instrument, which will be executed by the Company by way of deed poll. The Bonus Warrants will be issued in registered form and will form one class and rank pari passu in all respects with each other.

The principal terms and conditions of the Bonus Warrants will be set out in the Warrant Certificates and will include provisions to the effect set out below. Warrantheolders will be entitled to the benefit of, be bound by and be deemed to have notice of, all terms and conditions to, and all provisions of, the Bonus Warrant Instrument, copies of which will be available from the Registrars.

1. SUBSCRIPTION RIGHTS

- (a) The registered holder for the time being of a Bonus Warrant will have the right (the “**Subscription Right**”), which may be exercised in whole or in part but not in respect of any fraction of a Share, to subscribe in cash the whole or part (in units of \$1.42 each, subject to adjustments) of the monetary amount stated on the certificate for such Bonus Warrant as being the monetary amount which such Warrantheolder is entitled to subscribe for Shares upon exercise of the Subscription Rights represented thereby (the “**Exercise Moneys**”), for fully-paid Share(s) at a price (subject to adjustments as described below) of \$1.42 per Share (the “**Exercise Price**”). Any adjustment to the Exercise Price would result in the monetary amount stated on the certificates of the Bonus Warrants be adjusted correspondingly. The Subscription Rights may be exercised at any time after the commencement date of the trading of the Bonus Warrants on the Stock Exchange and expiring one (1) year thereafter (the “**Subscription Period**”). Save as provided below, the date on which such rights or any part thereof are exercised is referred to in these particulars as a “**Subscription Date**”. Any Subscription Rights which have not been duly exercised on or before 4:00 p.m. (Hong Kong time) on the expiry date of the Subscription Period will lapse and the Bonus Warrants and Warrant Certificates will automatically cease to be valid for any purpose whatsoever. References in this summary to “**Shares**” are to the existing Shares and all other (if any) Shares from time to time and for the time being ranking pari passu therewith and references to share capital shall be construed accordingly.
- (b) The entitlement of the Warrantheolders to their Bonus Warrants will be evidenced by the Warrant Certificates. Each Warrant Certificate will contain a subscription form (the “**Subscription Form**”). In order to exercise in whole or in part the Subscription Rights, a Warrantheolder must complete and sign the Subscription Form (which will be irrevocable) and deliver the Warrant Certificate (and, if the Subscription Form used is not the form endorsed on the Warrant Certificate, the separate Subscription Form duly completed) to the Registrars, together with a remittance for the whole or the relevant portion of the Exercise Moneys, being the amount of the Exercise Price for the Shares in respect of which the Subscription Rights are being exercised. In each case, compliance must also be made by the exercising Warrantheolder with any exchange control, fiscal or other laws or regulations for the time being applicable.

- (c) No fraction of a Share will be allotted but, if a Warrantholder remits Exercise Moneys in excess of the aggregate Exercise Price due for the Shares in respect of which he/she/it is exercising his/her/its Subscription Rights, any excess will be retained by the Company for its own benefit, provided always that, for the purpose of determining whether any (and if so what) fraction of a Share arises, if the Subscription Rights represented by any one or more Warrant Certificates are exercised on the same Subscription Date by the same Warrantholder, then the Subscription Rights represented by such Warrant Certificates will be aggregated.
- (d) Shares falling to be issued upon the exercise of the Subscription Rights will be allotted and issued not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the relevant Subscription Date and will rank pari passu with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant Subscription Date, unless an adjustment in respect thereof has been made as described in paragraph 2 below and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made and the record date therefor is before the relevant Subscription Date and notice of the amount and record date has been given to the Stock Exchange prior to the relevant Subscription Date.
- (e) As soon as reasonably practicable after the relevant allotment of Shares (and not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the relevant Subscription Date) there will be issued free of charge to the relevant Warrantholder(s) upon his/her/its exercise of any Subscription Rights:
 - (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);
 - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the Warrant Certificate but remaining unexercised; and
 - (iii) (if applicable) the certificate mentioned in Clause 6(A)(4) of the Bonus Warrant Instrument.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant Certificate (if any) and the certificate mentioned in Clause 6(A)(4) of the Bonus Warrant Instrument (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s), or, in the case of a joint holding, to that one of them whose name stands first in the register of Warrantholders (which shall be deemed to be a sufficient despatch to all of them). If the Company agrees, such certificates may by prior arrangement be retained by the Registrars to await collection by the relevant Warrantholder(s).

2. ADJUSTMENTS TO EXERCISE PRICE

The Bonus Warrant Instrument contains provisions relating to the adjustment of the Exercise Price. The following is a summary of, and is subject to, the adjustment provisions in the Bonus Warrant Instrument:

- (a) The Exercise Price shall (except as mentioned in sub-paragraphs (b), (c) and (d) below) be adjusted (as defined in the Bonus Warrant Instrument) as provided in the Bonus Warrant Instrument in each of the following cases:
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision, as a result of which the Exercise Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), as a result of which the Exercise Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation;
 - (iii) a Capital Distribution (as defined in the Bonus Warrant Instrument) being made by the Company, whether on a reduction of capital or otherwise except pursuant to a purchase by the Company of any Shares, to holders of its Shares in their capacity as such as a result of which the Exercise Price in force immediately prior to such distribution shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the closing price of one Share on the Stock Exchange on the dealing day next preceding the date on which the Capital Distribution is publicly announced or (failing any such announcement) next preceding the date of the Capital Distribution;

and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an Approved Financial Adviser (as defined in the Bonus Warrant Instrument), or the Auditors (as defined in the Bonus Warrant Instrument) (at the option of the Company), of the portion of the Capital Distribution which is attributable to one Share;

- (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries (as defined in the Bonus Warrant Instrument) as a result of which the Exercise Price in force immediately prior to such grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the closing price of one Share on the Stock Exchange on the dealing day next preceding the date on which the grant is publicly announced or (failing any such announcement) next preceding the date of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an Approved Financial Adviser, or the Auditors (at the option of the Company), of the portion of such rights which is attributable to one Share;

- (v) an offer of new Shares to holders of Shares for subscription by way of rights, or a grant to holders of Shares of rights to subscribe for new Shares, at a price per new Share which is less than 90 per cent. of the Market Price (calculated as provided in the Bonus Warrant Instrument) as a result of which Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

A = the number of Shares in issue immediately before the date of such announcement;

B = the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such Market Price (calculated as provided in the Bonus Warrant Instrument);

C = the number of Shares in issue on the date of such announcement plus the aggregate number of Shares being offered for subscription or comprised in the options or warrants being granted;

- (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights to acquire or subscribe for new Shares if in any case the Total Effective Consideration (as defined in the Bonus Warrant Instrument) per new Share is less than 90 per cent. of the Market Price (calculated as provided in the Bonus Warrant Instrument) or the terms of any such issue being altered so that the said Total Effective Consideration is less than 90 per cent. of the Market Price as a result of which the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately prior to the issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A = the number of Shares in issue immediately before the date of the issue of such securities;

B = the number of Shares which the Total Effective Consideration (as defined in the Bonus Warrant Instrument) receivable for the securities issued would purchase at such Market Price (calculated as provided in the Bonus Warrant Instrument);

C = the number of Shares in issue immediately before the date of the issue of such securities plus the maximum number of Shares to be issued upon conversion or exchange of, or the exercise of the acquisition or subscription rights conferred by, such securities at the initial conversion or exchange rate or acquisition or Exercise Price;

- (vii) an issue being made wholly for cash of new Shares, other than pursuant to a rights issue, at a price per new Share which is less than 90 per cent. of the Market Price as a result of which the Exercise Price shall be adjusted by multiplying the Exercise Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such Market Price (calculated as provided in the Bonus Warrant Instrument) and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued;

- (viii) a repurchase by the Company of Shares in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Exercise Price, if in any case the Total Effective Consideration per Share is more than 110% of the closing price of one Share as a result of which the Exercise Price shall be adjusted by multiplying it by the following fraction:

$$\frac{S-T}{S-U}$$

where:

S = the number of Shares in issue immediately before the date of such purchase;

T = the number of Shares which the Total Effective Consideration (as defined in the Bonus Warrant Instrument) would have purchased at such closing price (exclusive of expenses); and

U = the number of Shares so purchased by the Company;

and

- (ix) a repurchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange recognised for such purpose) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Exercise Price on the basis as to fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraphs (a) (ii) to (vii) above will be made in respect of:
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into or exchangeable for Shares or upon the exercise of any rights (including the Subscription Rights) to acquire or subscribe for Shares;
- (ii) an issue by the Company of Shares or other securities of the Company or any subsidiaries which are wholly or partly convertible into or exchangeable for, or otherwise having the rights to subscribe for or otherwise acquire, new Shares to any of the Directors, employees of and/or other persons related to the Company and/or any subsidiaries or their personal representatives pursuant to a Share Option Scheme (as defined in the Bonus Warrant Instrument);
- (iii) an issue by the Company of Shares or by the Company or any subsidiaries of securities which are convertible into or exchangeable for or otherwise having the rights to acquire or subscribe for new Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

- (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Bonus Warrant Instrument) to be established in certain circumstances pursuant to the Bonus Warrant Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into, or otherwise having the rights to acquire or subscribe for Shares); or
 - (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the Market Value (calculated as provided in the Bonus Warrant Instrument) of such Shares is not more than 110 per cent. of the amount of dividends which holders of Shares could elect to or would otherwise receive in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Exercise Price provided for under the said provisions should not be made or should be calculated on a different basis, or that an adjustment to the Exercise Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take place on a different date or with a different time from that provided for under the said provisions, the Directors may appoint an Approved Financial Adviser or the Auditors (both as defined in the Bonus Warrant Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Financial Adviser or Auditors shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) or the adjustment shall take effect from other date and time as shall be certified by such Approved Financial Adviser or Auditors to be in its opinion appropriate.
- (d) Any adjustment to the Exercise Price will be made to the nearest one cent so that any amount under half a cent will be rounded down and any amount of half a cent or more will be rounded up. No adjustment will be made to the Exercise Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required will not be carried forward. No adjustment may be made (except on a consolidation or repurchase of Shares) which would increase the Exercise Price.
- (e) Every adjustment to the Exercise Price will be certified by an Approved Financial Adviser or the Auditors and notice of each adjustment (giving the relevant particulars) will be given to Warranholders. In giving any certificate or making any adjustment hereunder, the Approved Financial Adviser or the Auditors shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, its decision will be conclusive and binding on the Company and the Warranholders and all persons claiming through or under them respectively. Any such certificates of the Approved Financial Adviser and/or Auditors will be available for inspection at the principal place of business for the time being of the Company in Hong Kong, and copies thereof may be obtained without charge.

3. REGISTERED BONUS WARRANTS, TRANSFER AND TRANSMISSION

- (a) The Bonus Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder(s) of any Bonus Warrant as the absolute owner(s) thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Bonus Warrants on the part of any other person, whether or not it has express or other notice thereof.
- (b) The Bonus Warrants will be transferable, in whole amounts or integral multiples of \$1.42, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Company will maintain a register of Warrantholders in Hong Kong accordingly (or such other place as the Directors consider appropriate, having regard to the applicable rules governing the listing of warrants). Transfers of Bonus Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited (or such other company as may from time to time be approved by the Directors for this purpose), the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s) as the case may be. The provisions of the Company's Bye-laws from time to time in force relating (inter alia) to the registration, transfer and transmission of Shares, the maximum number of holders of a Share and the register of members shall, mutatis mutandis and subject to the Bonus Warrant Instrument and the terms and conditions of the Bonus Warrants, apply to the registration, transfer and transmission of the Bonus Warrants, the maximum number of holders of a Bonus Warrant and the register of Warrantholders, save that the Company shall not be obligated (but may if the Directors so resolve) to maintain any branch register of Warrantholders at any place outside Hong Kong.

Persons who hold Bonus Warrants and have not registered the Bonus Warrants in their own names and wish to exercise the Bonus Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Bonus Warrants prior to the transfer or exercise of the Bonus Warrants, in particular during the period commencing 10 business days prior to and including the last day for subscription.

Since the Bonus Warrants will be admitted to CCASS, so far as applicable laws and regulations of relevant regulatory authorities, terms of the Bonus Warrant Instrument and/or circumstances permit, the Company may determine the last dealing date of the Bonus Warrants to be a date at least 3 dealing days before the expiry date of the Bonus Warrants.

4. CLOSURE OF REGISTER OF WARRANTHOLDERS

In accordance with the Bye-laws as they apply to the transfer of warrants, the registration of transfers of Bonus Warrants may be suspended and the register of Warrantholders may be closed for such period as the Directors may from time to time direct, provided that registration may not be suspended or such register of Warrantholders may not be closed for a period of more than 30 days, or, with the approval of an ordinary resolution of a meeting of the Warrantholders (being a resolution passed by simple majority), for a longer period not exceeding 60 days, in any one year. Any transfer or exercise of the Subscription Rights attached to the Bonus Warrants made while the register of Warrantholders is

closed shall, as between the Company and the person claiming under the relevant transfer of Bonus Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his/her/its Bonus Warrant (but not otherwise), be considered as made immediately after the re-opening of the register of Warrantholders.

5. PURCHASE AND CANCELLATION

The Company or any of its subsidiaries may at any time purchase Bonus Warrants:

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty at a price, exclusive of expenses, not exceeding 110 per cent. of the closing price prior to the date of purchase of the Bonus Warrants on the Stock Exchange, but not otherwise.

All Bonus Warrants purchased as aforesaid will be cancelled forthwith and may not be re-issued or re-sold.

6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Bonus Warrant Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Bonus Warrant Instrument) of the provisions of the Bonus Warrant Instrument and/or of the terms and conditions of the Bonus Warrants. At any such meeting two or more persons holding Bonus Warrants and/or being proxies and being or representing in the aggregate the holders of not less than 10 per cent. of the Subscription Rights of all Bonus Warrants for the time being outstanding and exercisable shall (except for the purpose of passing a Special Resolution) form a quorum for the transaction of business. The quorum at any such meeting for the passing of a Special Resolution shall be two or more persons holding Bonus Warrants or being proxies and being or representing in the aggregate holders of not less than one third of the Subscription Rights of all Bonus Warrants for the time being outstanding and exercisable. A Special Resolution duly passed at any such meeting will be binding on all of the Warrantholders, whether present or not. The Bonus Warrant Instrument also contains provisions which incorporate by reference certain provisions of the Company's Bye-laws from time to time in force to regulate (inter alia) the appointment of proxies, attorneys and corporate representatives by Warrantholders, the signing and delivery of instruments appointing the same and the quorum for and voting and rights to speak at meetings of Warrantholders.

- (b) All or any of the rights for the time being attached to the Bonus Warrants (including any of the provisions of the Bonus Warrant Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the conditions of the Bonus Warrants and/or the Bonus Warrant Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect such alteration or abrogation, provided that the same may only be effected by deed poll executed by the Company and expressed to be supplemental to the Bonus Warrant Instrument.
- (c) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warranholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Bonus Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as the clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

7. OVERSEAS WARRANTHOLDERS

The Bonus Warrant Instrument contains provisions restricting the rights of Warranholders who are resident in or nationals of a Restricted Jurisdiction from exercising the Subscription Rights attaching to any Bonus Warrants held by such Warranholders. “**Restricted Jurisdiction**” is defined as the United States of America, any of its territories or possessions, the United Kingdom, Canada, any jurisdiction under the laws of which an exercise of Subscription Rights by a Warranholder who is a national or resident thereof or the performance by the Company of the obligations expressed to be assumed by it under the Bonus Warrant Instrument or the terms and conditions of the Bonus Warrants cannot be carried out lawfully or cannot be carried out lawfully without the Company first having taken any action in such jurisdiction (including complying with any filing, registration or any other special formalities in such jurisdiction) which would in the opinion of the Directors be unduly onerous or impracticable, and any other country, state or territory nominated by the Directors from time to time (Warranholders shall be notified of any such nomination as soon as practicable after it has been made).

8. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the Hong Kong principal place of business of the Registrars (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee (not exceeding such maximum amount as may from time to time be permitted under the Listing Rules) as the Directors may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance shall apply as if shares referred to therein includes the Bonus Warrants.

9. WINDING UP OF THE COMPANY

- (a) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warranholders, or some persons designated by them for such purpose by Special Resolution, will be a party or in conjunction with which a proposal is made to the Warranholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warranholders; and
- (b) In the event a notice is given by the Company to its Shareholders and at the same time to each Warranholder as undertaken by the Company in the Bonus Warrant Instrument to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, every Warranholder shall be entitled by irrevocable surrender of his/her/its Warrant Certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not less than two business days prior to the proposed Shareholders' meeting), to be allotted and issued by the Company, as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, the Shares to be issued pursuant to the exercise of the relevant Subscription Rights. The Company shall give notice to the Warranholders of the passing of such voluntary winding-up resolution within seven days after the passing thereof.
- (c) Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up will lapse and each Warrant Certificate will cease to be valid for any purpose.

10. FURTHER ISSUES OF WARRANTS; DISTRIBUTIONS AND FURTHER ISSUES OF SECURITIES

The Company will be at liberty to issue further subscription warrants to subscribe for Shares in such manner and on such terms as it sees fit. Save as referred to above, Warranholders will not be entitled as of right to participate in any distributions or further issues of securities by the Company prior to exercise of Subscription Rights attached to the Bonus Warrants. However, as referred to above, the Warrant Certificates will incorporate provisions relating to the adjustment of the Exercise Price per Share in such circumstances and certain restrictions on the power of the Company to make such distributions and issues.

11. CALL

If at any time Bonus Warrants which have not been exercised carry rights to subscribe less than 10 per cent. of the aggregate of the amount of Exercise Moneys attached to the aggregate of all the Bonus Warrants issued under the Bonus Warrant Instrument, the Company may, on giving not less than three months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Bonus Warrants will be automatically cancelled without compensation to the Warrantholders.

12. UNDERTAKINGS BY THE COMPANY AND PROTECTION OF THE SUBSCRIPTION RIGHTS

The Company has undertaken in the Bonus Warrant Instrument that, inter alia:

- (a) it shall use its best endeavours to procure that:
 - (i) at all times during the Subscription Period the Bonus Warrants shall be admitted to listing on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Bonus Warrants on the Stock Exchange is withdrawn following an offer for, or scheme of arrangement or similar proposal made available to holders of, all or any of the Bonus Warrants); and
 - (ii) all Shares allotted on exercise of Subscription Rights shall be admitted to listing on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for, or scheme of arrangement or similar proposal made available to holders of, all or any of the Shares where a like offer, scheme or proposal is extended to holders of the Bonus Warrants).
- (b) at all times during the Subscription Period, it will send to each Warrantholder (or, in the case of joint holders, to the first named of them), at the same time as the same are sent to the holders of Shares, its annual audited accounts and interim accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (c) it will pay all Hong Kong stamp duties, registration fees or similar charges in respect of the execution of the Bonus Warrant Instrument, the creation and initial issue of the Bonus Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights (all other duties, fees and charges being for the account of the relevant Warrantholders); and
- (d) it will keep available for issue sufficient Shares to satisfy all rights for the time being outstanding of subscription for or conversion or exchange into new Shares.

13. NOTICES

The Bonus Warrant Instrument contains provisions relating to notices to be given to Warranholders. Every Warranholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warranholder are to be sent and if any Warranholder shall fail to do, notice may be given to such Warranholder by sending the same to his/her/its last known address. All notices with respect to Bonus Warrants standing in the names of joint holders shall be given to whichever such persons is named first in the register of Warranholders and notice so given shall be sufficient notice to all the joint holders of such Bonus Warrants.

14. GOVERNING LAW

The Bonus Warrant Instrument and the Bonus Warrants will be governed by and construed in accordance with the laws of Hong Kong.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate and should be read in conjunction with the Letter from the Board hereinbefore appearing.

1. SHARE CAPITAL

As at the Latest Practicable Date, the entire issued share capital of the Company comprised 1,549,777,757 Shares of \$0.10 each.

Subject to the passing of the ordinary resolution to approve the Repurchase Mandate and on the basis that no further Shares are issued prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 154,977,775 Shares of \$0.10 each.

2. FUNDING OF REPURCHASES

Repurchases would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for the purpose in accordance with the Bye-laws of the Company and the laws of the jurisdiction in which the Company is incorporated.

The Companies Act 1981 of Bermuda provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares or the funds of the Company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of Shares made for the purpose. The amount of premium payable on repurchase may only be paid out of the funds of the Company which would otherwise be available for dividend or distribution or out of the share premium account of the Company.

3. FINANCIAL EFFECT OF REPURCHASES

In the event that the share repurchase proposed to be authorised were to be carried out in full at any time during the proposed repurchase period, there might be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Company's audited accounts for the year ended 31 December, 2003). However, the Directors have no current intention to exercise the Repurchase Mandate to an extent that might result in, having regard to the relevant circumstances, a material adverse impact on the working capital or gearing position of the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in the previous twelve months were as follows:

	Highest	Lowest
	\$	\$
March 2003	0.680	0.440
April 2003	0.530	0.430
May 2003	0.620	0.485
June 2003	0.730	0.570
July 2003	0.880	0.710
August 2003	1.270	0.740
September 2003	1.760	1.140
October 2003	1.790	1.390
November 2003	1.730	1.380
December 2003	1.670	1.210
January 2004	1.410	1.150
February 2004	1.410	1.070

5. GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the ordinary resolution to be proposed at the Annual General Meeting in accordance with the Listing Rules, the Bye-laws of the Company and the applicable laws of Bermuda.

If, on the exercise of the power to repurchase 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 the Hong Kong Code on Takeovers and Mergers ("**Code**").

As a result, a Shareholder, or 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 Code.

As at the Latest Practicable Date, Angers Investments Limited was the beneficial owner of 610,000,000 Shares representing approximately 39.36 per cent. of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares pursuant to the Repurchase Mandate, then the shareholding of Angers Investments Limited would be increased to approximately 43.73%. In the opinion of the Directors, such increase may give rise to a mandatory offer in accordance with Rule 26 of the Code. However, the Directors have no current intention to exercise the Repurchase Mandate to an extent as would result in takeover obligations.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, has any present intention to sell any Shares to the Company under the Repurchase Mandate if such Repurchase Mandate is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

6. SHARE PURCHASES MADE BY THE COMPANY

No share repurchases have been made by the Company on the Stock Exchange in the previous six months.

7. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders as a whole for the Directors to have the power to repurchase Shares pursuant to the Repurchase Mandate. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per share of the Company and will only be made when the Directors believe that such a share repurchase will benefit the Company and its Shareholders as a whole.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Centenary Room III, G/F., The Marco Polo Hongkong Hotel, Harbour City, 3 Canton Road, Kowloon, Hong Kong on Friday, 14 May, 2004 at 9:00 a.m. for the following purposes:–

1. To receive and consider the accounts and the reports of the directors and auditors for the year ended 31 December, 2003;
2. To declare a final dividend;
3. To re-elect the retiring directors;
4. To fix the ordinary remuneration of the directors;
5. To appoint auditors and to authorise the board of directors to fix their remuneration; and
6. As special business to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions and Special Resolution respectively:–

ORDINARY RESOLUTIONS

- A. “**THAT** the maximum number of directors of the Company for the time being be fixed at twenty and that the directors of the Company be authorised to fill any vacancies on the board and to appoint additional directors up to such maximum number in addition to those in office at the close of this meeting.”
- B. “**THAT**, conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting listing of, and permission to deal in, the warrants (in this and the following Resolutions, the “**Bonus Warrants**”) and any shares in the capital of the Company (in this and the following Resolutions “**Shares**”) to be issued upon any exercise of the subscription rights attaching to the Bonus Warrants, the Directors be and are hereby authorised:–
 - (a) to create Bonus Warrants, which shall be in registered form, to subscribe, at the initial Exercise Price of \$1.42 per Share, subject to adjustments and the terms and conditions set out in the warrant instrument (in this Resolution, the “**Bonus Warrant Instrument**”, a copy of a draft of which has been produced to the Meeting and signed for the purpose of identification by the Chairman) and such Bonus Warrants could be exercised during the period from 24 May, 2004 to 23 May, 2005 (both dates inclusive) and to issue the same by way of

bonus to and among the persons who were registered as shareholders of the Company on 14 May, 2004 in the proportion of one Bonus Warrant carrying the right to subscribe at \$1.42 for a Share in the capital of the Company for every 5 Shares held provided that:–

- (i) in the case of persons having registered addresses not in Hong Kong, the relevant Bonus Warrants shall not be issued to such persons but shall be aggregated and sold in the market and the proceeds of sale, after deduction of expenses, distributed pro rata to such persons unless such amount falling to be distributed to any such person is less than \$100 in which case such amount will be retained for the benefit of the Company; and
 - (ii) no fractional entitlements to Bonus Warrants shall be issued aforesaid, but the fractional entitlements shall be aggregated and sold for the benefit of the Company. The net proceeds of the sale will be retained for the benefit of the Company. The directors of the Company shall do all such acts and things as they consider necessary or expedient to give effect to the foregoing arrangements;
- (b) as a specific mandate to the directors of the Company, to allot and issue shares in the capital of the Company arising from the exercise of subscription rights under such Bonus Warrants or any of them;
 - (c) to affix common seal of the Company to and to sign the Bonus Warrant Instrument in accordance with the Bye-laws of the Company; and
 - (d) to do all such acts and things as the directors of the Company consider necessary or expedient to give effect to the transactions contemplated by the Bonus Warrant Instrument.”

C. **“THAT:–**

- (a) the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to repurchase shares of \$0.10 each in the capital of the Company, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares of the Company which may be repurchased by the Company on the Stock Exchange or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the entire issued share capital of the Company on the date of passing this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:–

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company’s Bye-laws to be held; or
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

D. “THAT:–

the granting of an unconditional general mandate to the directors of the Company to issue, allot and deal with unissued shares in the capital of the Company, and to make or grant offers, agreements and options or other rights, and issue warrants and other securities, which would or might require the exercise of such power, subject to the following conditions, be and is hereby generally and unconditionally approved:

- (a) such mandate shall not extend beyond the Relevant Period (as defined below) save that the directors of the Company may during the Relevant Period make or grant offers, agreements and options or other rights, and issue warrants and other securities, which would or might require the exercise of such powers after the expiry of the Relevant Period;
- (b) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the mandate granted under this Resolution otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) any share option plan or similar arrangement of the Company from time to time adopted for the grant or issue to eligible participants under such plan and arrangement of the Company and/or any of its subsidiaries of shares or rights to subscribe or otherwise acquire shares of the Company; (iii) the exercise of the subscription rights attaching to the Bonus Warrants; (iv) any scrip dividend or similar arrangement 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 Bye-laws of the Company; (v) any adjustment, after the date of grant or issue of any options, warrants or other securities referred to above, in the price at which shares shall be subscribed, and/or the number of shares which shall be subscribed, on exercise of relevant rights under such options, rights to subscribe, warrants or other securities, such adjustment being made in

accordance with, or as contemplated by, the terms of such options, warrants or other securities; or (vi) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20 per cent. of the issued share capital of the Company as at the date of passing this Resolution, and the said approval under this Resolution shall be limited accordingly;

(c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Companies Act 1981 of Bermuda or the Company’s Bye-laws to be held; or
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company made to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions 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, any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).”

E. “**THAT**, conditional upon the passing of Resolution No. 6C set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot shares pursuant to Resolution No. 6D set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate, of an aggregate number of shares of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 6C set out in the notice convening this meeting, provided that such number shall not exceed 10 per cent. of the issued share capital of the Company as at the date of passing this Resolution.”

SPECIAL RESOLUTION

F. “**THAT** the following clauses 76, 88 and 103 of the Bye-laws of the Company be replaced in their respective entirety with the following new clauses:

76. No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.

Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

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

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

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

(ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or any of his associates is/are beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his/their interest or that of any of his associates is derived) provided that the indirect interest in such company through his or his associates' interest in the Company shall be disregarded; or
 - (vi) any proposal or arrangement concerning the benefit of employees of the Company or of any of its subsidiaries including the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, their respective associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associate(s) (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associate(s) is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial

interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.

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

By order of the Board
Tracy Fong
Company Secretary

Hong Kong, 27 February, 2004

Notes :

- (1) Every member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be delivered to the Company's branch share registrars, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
- (3) The register of members of the Company will be closed from 10 May, 2004 to 14 May, 2004, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the final dividend and Bonus Warrants, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Abacus Share Registrars Limited at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 7 May, 2004.