
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, 2005.

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)

(Stock code: 0635)

PROPOSED ISSUE OF BONUS WARRANTS
GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES
RE-ELECTION OF DIRECTORS
NOTICE FOR ANNUAL GENERAL MEETING

A notice convening the Annual General Meeting of the Company to be held at Level 3, The Harbour Room, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Thursday, 28 April, 2005 at 9:00 a.m. at which the above proposals will be considered, is contained in pages 32 to 36 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 Registrars, 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.

* For identification purpose only

16 March, 2005

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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 Playmates Holdings Limited, the proposed issue of Bonus Warrants, general mandates to issue and to repurchase Shares and re-election of Directors. 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

2005

Latest time for dealings in Shares cum entitlements to the Bonus Issue	Tuesday, 4:00 p.m. 19 April
First day of dealings in Shares ex entitlements to the Bonus Issue	Wednesday, 9:30 a.m. 20 April
Latest time for lodging Share transfers to qualify for the Bonus Issue	Thursday, 4:00 p.m. 21 April
Register of members closed (both days inclusive) from	Friday, 22 April
to	Thursday, 28 April
Latest time for lodging proxy forms for the Annual General Meeting	Tuesday, 9:00 a.m. 26 April
Record Date for determination of entitlements to the Bonus Issue	Thursday, 28 April
Annual General Meeting	Thursday, 9:00 a.m. 28 April
Latest time for lodging exercise document(s) by the Warranholders 2005 to qualify for the Bonus Issue (<i>Note</i>)	Thursday, 4:00 p.m. 28 April
Warrant Certificates expected to be despatched on or before	Friday, 20 May
Dealings in Bonus Warrants on the Stock Exchange commence on	Tuesday, 9:30 a.m. 24 May

Note: Warranholders 2005 are reminded that if they wish to be entitled to the Bonus Warrants, they should lodge completed Warrant Subscription Forms 2005, together with the relevant Warrant Certificates 2005, with the office of the Registrars not later than 4:00 p.m. on the Record Date. Warranholders 2005 and transferees of Warrants 2005 should note that, in case the relevant completed Warrant Subscription Forms 2005 together with the relevant Warrant Certificates 2005 are not lodged at or before 4:00 p.m. on the Record Date, they will 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 Level 3, The Harbour Room, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Thursday, 28 April, 2005 at 9:00 a.m., notice of which is set out on pages 32 to 36 of this document
“Associate(s)”	shall have the meaning ascribed thereto in the Listing Rules
“Bonus Issue”	the proposed issue by the Company of the Bonus Warrants on the basis of one Bonus Warrant for (i) every 5 existing Shares held by the Shareholders, excluding Overseas Shareholders, on the Record Date and (ii) every 5 Shares to be issued and allotted to Qualifying Warrantholders 2005, upon and subject to the terms and conditions set out in this document and the Bonus Warrant Instrument
“Bonus Warrant(s)”	not less than 314,776,889 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 (which is currently expected to be 24 May, 2005) and expiring 12 months thereafter (which is currently expected to be 23 May, 2006), both days inclusive, up to an aggregate amount of approximately \$638,997,085 (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
“Company”	Playmates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the laws of Hong Kong)
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Exercise Price”	\$2.03 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)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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% 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”	11 March, 2005, 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
“Qualifying Warrantholders 2005”	Warrantholders 2005 who lodge completed Warrant Subscription Forms 2005, together with the relevant Warrant Certificates 2005, with the office of the Registrars not later than 4:00 p.m. on the Record Date and will be issued and allotted with Shares in accordance with the terms of the Warrant Instrument 2005
“Record Date”	28 April, 2005, 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

DEFINITIONS

“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% of the issued share capital of the Company as at the date of passing of the relevant resolution at the Annual General Meeting
“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
“Warrant Certificate(s) 2005”	certificate(s) issued by the Company to Warrantheholders 2005 to evidence the holding of the Warrants 2005
“Warrant Instrument 2005”	the deed poll dated 20 May, 2004 constituting the Warrants 2005
“Warrants 2005”	311,831,475 warrants constituted by the Warrant Instrument 2005 issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from 24 May, 2004 and expiring one year thereafter, both days inclusive, up to an aggregate amount of approximately HK\$442,800,694.50 (before expenses) for new Shares at the exercise price of \$1.42 per Share in respect of each warrant
“Warrant Subscription Form(s) 2005”	the subscription form(s) contained in the warrant certificate(s) to the Warrants 2005
“Warrantholder(s) 2005”	holder(s) of Warrants 2005
“Warrantholder(s)”	holder(s) of Bonus Warrants
“\$” and “cents”	Hong Kong dollars and cents, respectively, being the lawful currency of Hong Kong

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

Independent Non-executive Directors:

Mr. Lee Peng Fei, Allen

Mr. Lo Kai Yiu, Anthony

Mr. Yu Hon To, David

Non-executive Directors:

Mr. Tsim Tak Lung (*Deputy Chairman*)

Mr. Ip Shu Wing, Charles

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal office:

21/F., The Toy House

100 Canton Road

Tsimshatsui

Kowloon

Hong Kong

16 March, 2005

To the Qualifying Shareholders,

*Warrantheolders 2005 and holders of the Share Options,
and for information only, the Overseas Shareholders*

Dear Sir or Madam,

**PROPOSED ISSUE OF BONUS WARRANTS
GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES
RE-ELECTION OF DIRECTORS
NOTICE FOR ANNUAL GENERAL MEETING**

1. INTRODUCTION

It was announced on 23 February, 2005 that the Directors are proposing to seek approval of the Shareholders in relation to 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 and to Qualifying Warrantheolders 2005, who lodge completed Warrant Subscription Forms 2005, together with the relevant Warrant Certificates 2005, with the office of the Registrars not later than 4:00 p.m. on the Record Date.

The purpose of this document is to provide you with further details in respect of the proposed issue of Bonus Warrants and seek your approval at the Annual General Meeting. This document also provides you with details in respect of the granting of the Issue Mandate and the Repurchase Mandate and the re-election of Directors pursuant to the Listing Rules and seek your approval of the same at the Annual General Meeting.

* *For identification purpose only*

LETTER FROM THE BOARD

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, and one Bonus Warrant for every 5 Shares to be issued and allotted to Qualifying Warrantholders 2005. The details and the basis for including the Qualifying Warrantholders 2005 in the Bonus Issue are set out in the paragraph headed “Warrants 2005 (Stock Code 1084)” in this “Letter from the Board”.

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, 2005) and expiring 12 months 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 \$2.03 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 issue and allotment dates and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the 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 314,776,889 new Shares on the basis of 1,573,884,447 Shares in issue as at the Latest Practicable Date and on the assumptions that (i) no outstanding Warrants 2005 will be exercised prior to the Record Date; (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% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% 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 301,677,639 outstanding Warrants 2005 in respect of 301,677,639 Shares are fully exercised prior to the Record Date and all 40,422,900 outstanding Share Options in respect of 40,422,900 Shares 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 383,196,997 new Shares, representing 20% 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 Warrants 2005 and the outstanding Share Options which are eligible to be exercised prior to the Record Date, and approximately 16.67% of the issued share capital of the Company, as enlarged by the allotment and issue of such new Shares upon full exercise of the Warrants 2005, 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 \$2.03 per Share represents:

- (a) a premium of approximately 10% to the closing price of \$1.85 per Share, as quoted on the Stock Exchange on 23 February, 2005, being the date of the announcement of the Bonus Issue;
- (b) a premium of approximately 10% to the average closing price of approximately \$1.84 per Share for the 10 consecutive trading days up to and including 23 February, 2005;
- (c) a premium of approximately 13% to the average closing price of approximately \$1.80 per Share for the 20 consecutive trading days up to and including 23 February, 2005;
- (d) a premium of approximately 11% to the closing price of \$1.83 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 \$1.80 per Share for the 10 consecutive trading days up to and including the Latest Practicable Date.

4. OVERSEAS SHAREHOLDERS

Overseas Shareholders with addresses in the United States, United Kingdom, Canada, New Zealand, Singapore, Malaysia and Macau, holding in aggregate less than 0.05% of the entire issued share capital of the Company, have been sent a copy of this document for their information only.

The Directors, having made enquiries under the laws of the above jurisdictions, are of the view that the grant of the Bonus Warrants to Shareholders with addresses in the above jurisdictions would or might, in the absence of compliance with relevant registration or other special formalities in these jurisdictions, be unlawful or impracticable, and compliance with the registration and other special formalities in these jurisdictions could be both costly and time-consuming, and therefore inexpedient to do so. Accordingly, in view of the likely costs and time involved if overseas compliance were to be observed and the very insignificant shareholdings of the Overseas Shareholders, the costs of overseas compliance would outweigh the benefits which the Company and its Shareholders as a whole would receive by including the Overseas Shareholders in the proposed Bonus Issue, 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. WARRANTS 2005 (STOCK CODE 1084)

As at the Latest Practicable Date, according to the register of Warrantheolders 2005, there are 301,677,639 outstanding Warrants 2005 the subscription rights of which are eligible to be exercised on or before 23 May, 2005 at the exercise price of \$1.42 per Share (the net asset value per Share by reference to the audited consolidated results of the Group for the year ended 31 December, 2004 is \$0.76). In order to exercise in whole or in part the subscription rights attaching to the Warrants 2005, a Warrantheolder 2005 must complete and sign the Warrant Subscription Form 2005 (which is irrevocable) and deliver the Warrant Certificate 2005 (and, if the Warrant Subscription Form 2005 used is not the form endorsed on the Warrant Certificate 2005, the separate Warrant Subscription Form 2005 duly completed) to the Registrars, together with a remittance for the whole or the relevant portion of the exercise moneys, being the amount of \$1.42 per Share for the Shares in respect of which the subscription rights are being exercised. Pursuant to the terms of the Warrant Instrument 2005, Warrantheolders 2005 are entitled to participate in all dividends or other distributions declared, paid or made on or after the date of lodging completed Warrant Subscription Forms 2005, together with the relevant Warrant Certificates 2005, with the office of the Registrars. Warrantheolders 2005 are reminded that if they wish to be entitled to the Bonus Warrants, they should exercise the subscription rights attaching to their Warrants 2005 on or before 4:00 p.m. on the Record Date, though Shares might not have been issued and allotted on or before the Record Date pursuant to such exercise of the subscription rights. In order to qualify for the entitlement of the Bonus Issue, transferees of Warrants 2005 are reminded that they are required to lodge completed Warrant Subscription Forms 2005, together with the relevant Warrant Certificates 2005, with the office of the Registrars not later than 4:00 p.m. on the Record Date, though Shares might not have been issued and allotted on or before the Record Date pursuant to such exercise of the subscription rights. Warrantheolders 2005 and transferees of Warrants 2005 should note that, in case the relevant completed Warrant Subscription Forms 2005 together with the Warrant Certificates 2005 are not lodged at or before 4:00 p.m. on the Record Date, they will 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 Bonus Warrants to the Qualifying Shareholders and the Qualifying Warrantheolders 2005, the exclusion of the Overseas Shareholders, 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.

LETTER FROM THE BOARD

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 the 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.

The proposed board lot for trading in the Bonus Warrants on the Stock Exchange is 40,000 units carrying aggregate subscription rights of \$81,200 at an initial Exercise Price of \$2.03 per Share, subject to adjustments. Dealings in the Bonus Warrants on the Stock Exchange are expected to commence from 9:30 a.m. on Tuesday, 24 May, 2005.

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 Friday, 20 May, 2005. 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 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 Friday, 22 April, 2005 to Thursday, 28 April, 2005, 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 Tuesday, 19 April, 2005. **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 Thursday, 21 April, 2005.**

LETTER FROM THE BOARD

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.

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. 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.

The Issue Mandate relates to 20% of the issued share capital of the Company as at the date of the Annual General Meeting, and the Repurchase Mandate relates to a maximum of 10% of the issued share capital of the Company as at the date of the Annual General Meeting.

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 III to this document serves 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.

LETTER FROM THE BOARD

12. RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 87(1) of the Company's Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that the chairman of the board and/or the managing Director of the Company shall not, whilst holding his office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. However, in the spirit of good corporate governance practices, Mr. Thomas Chan Chun Hoo (*executive Director*) who is the chairman of the Company will voluntarily retire from his office at the Annual General Meeting notwithstanding that he is not required by the Bye-laws to do so. Accordingly, Mr. Thomas Chan Chun Hoo together with Mr. Anthony Lo Kai Yiu (*independent non-executive Director*) and Mr. Tsim Tak Lung (*non-executive Director*), both of whom are subject to retirement by rotation under Bye-law 87(1), will retire at the Annual General Meeting but all of them will be offering themselves for re-election at the same meeting. The biographical details of Mr. Thomas Chan Chun Hoo, Mr. Anthony Lo Kai Yiu and Mr. Tsim Tak Lung are set out in Appendix II of this document.

13. ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is set out in Appendix IV to this document. At the Annual General Meeting, ordinary resolutions will be proposed to approve the Bonus Issue (including the creation and issue of the Bonus Warrants, the exclusion of the Overseas Shareholders, the exclusion of fractional entitlements and the issue and allotment of Shares from the exercise of the subscription rights attaching to the Bonus Warrants), the Issue Mandate and the Repurchase Mandate, the extension of the Issue Mandate to the number of Shares which are repurchased pursuant to the Repurchase Mandate, and the re-election of Directors. No Shareholder or its Associate(s) is considered as having material interests different from other Shareholders in any of the resolutions proposed to be passed at the Annual General Meeting and therefore all Shareholders will be entitled to vote on all resolutions at the Annual General Meeting.

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.

Pursuant to Rule 13.55(3) of the Listing Rules, the procedures for demanding a poll for any resolution at the Annual General Meeting is set out in Appendix V.

14. RECOMMENDATIONS

The Directors believe that the proposed issue of 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. While the Overseas Shareholders are not included in the proposed issue of Bonus Warrants, in view of that the grant of the Bonus Warrants to Overseas Shareholders would or might, in the absence of compliance with relevant registration or other special formalities in the

LETTER FROM THE BOARD

relevant jurisdictions, be unlawful or impracticable, and compliance with such registration and special formalities could be costly and time-consuming. In light that the shareholdings of the Overseas Shareholders are very insignificant, the Directors are of the view that it is impracticable and inexpedient to include the Overseas Shareholders in the proposed issue of Bonus Warrants.

The issue of Bonus Warrants provides an opportunity for the Group to raise funds to strengthen its financial position and capability to develop and expand its business. The proceeds, if all of the Bonus Warrants proposed to be issued are exercised in full, will be approximately HK\$638,997,085, before expenses, which will enhance the working capital and the net asset position of the Company. The Directors believe that the proposed issue of Bonus Warrants is beneficial to the Company and the Shareholders as a whole.

However, as the amount that may be raised from the exercise of the Bonus Warrants proposed to be issued is uncertain, the Directors have not earmarked any amount for any specific purposes.

The Directors believe that the granting of the Issue Mandate and the Repurchase Mandate, as well as the re-election of Directors 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 in respect of the above proposals on the terms set out in the notice of the Annual General Meeting.

15. DOCUMENT AVAILABLE FOR INSPECTION

A copy of an advance draft (subject to modifications) of the Bonus Warrant Instrument constituting the Bonus Warrants will be available for inspection at the office of Deacons at 5/F, 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.

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, Appendix II to this document which sets out the details of the Directors to be re-elected, and Appendix III to this document which sets out information relating to the Repurchase Mandate.

Yours faithfully,
For and on behalf of the board
Thomas Chan Chun Hoo
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. Warrant holders 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 \$2.03 each, subject to adjustments) of the monetary amount stated on the certificate for such Bonus Warrant as being the monetary amount which such Warrant holder 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 \$2.03 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 12 months 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 Warrant holders 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 Warrant holder 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 Warrant holder 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% 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 be purchased at such Market Price (calculated as provided in the Bonus Warrant Instrument); and

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% 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% 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); and
- 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% 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% 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 the 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 the 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 Warrantheolders. 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 Warrantheolders 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 \$2.03, 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 Warrantheolders 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 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 Warrantheolders, save that the Company shall not be obligated (but may if the Directors so resolve) to maintain any branch register of Warrantheolders 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% 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 aggregate the holders of not less than 10% 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 aggregate the 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 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 Warrantholders' 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 Warrantholders who are resident in or nationals of a Restricted Jurisdiction from exercising the Subscription Rights attaching to any Bonus Warrants held by such Warrantholders. “**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 Warrantholder 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 (Warrantholders 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% 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 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.

Pursuant to the Listing Rules, the details of the Directors of the Company who will retire at the Annual General Meeting and offer themselves for re-election are provided below.

MR. THOMAS CHAN CHUN HOO

Mr. Chan, aged 54, joined the Group in 1967. In 1970 he became responsible for sales and was instrumental in developing the Group's global sales and marketing network. Since 1979, he has been actively involved in all aspects of the Group's operations. His decision to take on the promotional toy business in 1985 led to the evolution of the Group from a manufacturing entity into a pure toy development and marketing group. The Group's high level of productivity is attributable to his guiding management principles of creativity, flexibility and simplicity. Mr. Chan was appointed Chairman in 1997. He is an executive Director of all the subsidiary companies of the Group. Apart from the Company, he has not held any directorship in any other listed public companies in the last three years.

Mr. Chan has not been appointed for a specific term. Other than the directorship and beneficial interest in Angers Investments Limited ("AIL"), a substantial shareholder of the Company, he does not have any relationship with any Directors, senior management or substantial or controlling shareholder of the Company.

Pursuant to Part XV of the Securities and Futures Ordinance, as at the Latest Practicable Date, Mr. Chan was deemed to be interested in 610,000,000 Shares and 122,000,000 Warrants 2005 which were beneficially owned by AIL, representing approximately 38.76% and approximately 7.75% of the total issued share capital of the Company as at the Latest Practicable Date.

No service agreement was entered into between the Company and Mr. Chan. His salary in 2004 is HK\$120,000 per annum plus performance bonus of HK\$3,000,000 and other benefits of HK\$68,000, which were determined by the Compensation Committee of the board (established by the board in early 2004).

There are no other matters that need to be brought to the attention of holders of securities of the Company.

MR. ANTHONY LO KAI YIU

Mr. Lo (independent non-executive Director, appointed since 1985), aged 56, resident in Hong Kong is a founder and director of Advantage Limited, the holding company of consumer finance companies under the Prime Credit brandname. Advantage Limited was recently acquired by the Standard Chartered Bank.

Mr. Lo has over 24 years of experience in investment banking and investment management. He worked for a number of well known financial institutions including serving as a managing director for Indosuez Asia Limited, HG Asia Limited and ABN AMRO Asia Limited. In addition, Mr. Lo has served as a director on many private and publicly listed companies and close ended investment funds.

Currently, he is a director of the Taiwan Fund Inc. listed on the New York Stock Exchange and is also a non-executive director on four public companies on the Hong Kong and Singapore Stock Exchanges, including IDT International Limited, IDT Singapore Limited and Tristate Holdings Limited. He is also chairman of the audit committee for two of these companies. Mr. Lo is qualified as an accountant with the Canadian Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

He is a member of the listing committee of The Stock Exchange of Hong Kong Limited since 1998 and was a member of the Takeovers and Mergers Panel and Appeals Committee of the Securities and Futures Commission of Hong Kong from 1994 to 2001.

Mr. Lo has not been appointed for a specific term. He does not have any relationship with any Directors, senior management or substantial or controlling shareholder of the Company.

Pursuant to Part XV of the Securities and Futures Ordinance, as at the Latest Practicable Date, Mr. Lo was deemed to be interested in 1,400,000 Shares, 280,000 Warrants 2005 and 1,000,000 Share Options of the Company.

No service agreement was entered into between the Company and Mr. Lo. His emolument in 2004 includes a director's fee for the year ended 31 December, 2004 of HK\$50,000 plus an amount of HK\$75,000 for committee work, and allowance of HK\$24,000 for meeting attendance based on the number of attendance.

There are no other matters that need to be brought to the attention of holders of securities of the Company.

MR. TSIM TAK LUNG

Mr. Tsim, aged 58, is a consultant on corporate communication and strategic planning. He was appointed as a non-executive Director in 1997. Mr. Tsim is on the boards of several public and private companies in Hong Kong and North America including Far Eastern Polychem Industries Limited which is listed on the GEM board of the Stock Exchange. He was also a director of China Medical Science Limited, a post from which he resigned on 21 October, 2004. Mr. Tsim is a Justice of the Peace, a board member of Hong Kong Sinfonietta Limited and the chairman of Translation Programme Advisory Committee, Hong Kong Baptist University.

Mr. Tsim has not been appointed for a specific term. Apart from being a brother-in-law of Mr. Sidney To Shu Sing, an executive Director of the Company, he does not have any relationship with any other Directors, senior management or substantial or controlling shareholder of the Company.

Pursuant to Part XV of the Securities and Futures Ordinance, as at the Latest Practicable Date, Mr. Tsim was deemed to be interested in 970,000 Shares, 144,000 Warrants 2005 and 250,000 Share Options of the Company.

No service agreement was entered into between the Company and Mr. Tsim. His emolument in 2004 includes a director's fee for the year ended 31 December, 2004 of HK\$50,000 plus an amount of HK\$75,000 for committee work, and allowance of HK\$24,000 for meeting attendance based on the number of attendance.

There are no other matters that need to be brought to the attention of holders of securities of the Company.

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 1,573,884,447 Shares.

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 157,388,444 Shares.

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 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, 2004). 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 2004	1.36	1.14
April 2004	1.35	1.18
May 2004	1.30	0.78
June 2004	1.00	0.73
July 2004	1.17	0.94
August 2004	1.14	0.90
September 2004	1.47	0.92
October 2004	1.54	1.28
November 2004	1.60	1.38
December 2004	1.65	1.41
January 2005	1.94	1.51
February 2005	1.97	1.67

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 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, AIL was the beneficial owner of 610,000,000 Shares representing approximately 38.76% 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 AIL would be increased to approximately 43.06%. 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 Level 3, The Harbour Room, The Ritz-Carlton Hong Kong, 3 Connaught Road Central, Hong Kong on Thursday, 28 April, 2005 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, 2004;
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:–

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 of the Company be and are hereby authorised:–
 - (a) to create Bonus Warrants, which shall be in registered form, to subscribe, at the initial Exercise Price of \$2.03 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,

2005 to 23 May, 2006 (both days inclusive) and to issue the same by way of bonus to and among the persons who were registered as shareholders of the Company on 28 April, 2005 in the proportion of one Bonus Warrant carrying the right to subscribe at \$2.03 for a Share in the capital of the Company for every 5 Shares held, and those holders of warrants of the Company expiring 23 May, 2005 (“Warrants 2005”) who lodge the exercise documents with the branch share registrars of the Company in Hong Kong by 4:00 p.m. on 28 April, 2005 in the proportion of one Bonus Warrant carrying the right to subscribe at \$2.03 for a Share in the capital of the Company for every 5 Shares to be issued and allotted pursuant to such exercise of the subscription right attaching to the Warrants 2005, 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% 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% 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% of the issued share capital of the Company as at the date of passing this Resolution.”

By order of the board
Tracy Fong Yuk Yu
Company Secretary

Hong Kong, 16 March, 2005

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 22 April, 2005 to 28 April, 2005, 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 Thursday, 21 April, 2005.

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

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

A demand by a person as proxy for a member of the Company or in the case of a member of the Company being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member of the Company.