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SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

PROPOSED BONUS ISSUE OF WARRANTS

A letter from the board of directors of Soundwill Holdings Limited is set out on pages 3 to 7 of this circular.

16th August, 2003

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EXPECTED TIMETABLE

2003

Last day of dealings in Shares cum entitlements to the Bonus Warrant Issue	Monday, 18th August
First day of dealings in Shares ex-entitlements to the Bonus Warrant Issue	Tuesday, 19th August
Latest time for lodging transfers of Shares for entitlements to the Bonus Warrant Issue	4:00 p.m. on Wednesday, 20th August
Register closes (both days inclusive)	
from	Thursday, 21st August
to	Tuesday, 26th August
Record Date	Tuesday, 26th August
Register reopens	Wednesday, 27th August
Despatch of the Warrant certificates	Wednesday, 3rd September
Dealings in the Warrants commence	Friday, 5th September

DEFINITIONS

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

“Board”	the board of Directors
“Bonus Warrant Issue”	a bonus issue of Warrants by the Company to its Shareholders (other than Overseas Shareholders) whose names appear on the Register at the close of business on the Record Date on the basis of one Warrant for every five existing Shares held by such Shareholders on that date upon and subject to the terms and conditions referred to in the warrant instrument
“business day”	a day (other than a Saturday) on which banks in the territory where the Stock Exchange is for the time being situate are open for business
“Bye-Laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Soundwill Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) (including independent non-executive directors) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	7th August, 2003, being the latest date prior to the printing of this document for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Options”	the outstanding share options granted by the Company pursuant to the share option schemes adopted on 25th February, 1997 and 22nd July, 2002
“Overseas Shareholders”	Shareholders whose addresses as shown on the Register at the close of business on the Record Date are outside Hong Kong
“Record Date”	Tuesday, 26th August, 2003, being the date by reference to which entitlements to the Bonus Warrant Issue are determined
“Register”	the register of members of the Company, including the branch share register maintained in Hong Kong by the Registrar

DEFINITIONS

“Registrar”	the branch share registrar of the Company in Hong Kong, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the period from the date of issue of the Warrants (which is expected to be on 3rd September, 2003) up to 2nd March, 2006 (both days inclusive)
“Warrants”	warrants to be issued by the Company under the Bonus Warrant Issue entitling the holders to subscribe up to an aggregate of 12,465,608 Shares at an initial subscription price of HK\$2.00 per Share (subject to adjustments) during the Subscription Period in accordance with the terms and conditions contained in the warrant instrument a summary of which is set out in the appendix to this document
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Foo Kam Chu, Grace, *Chairman*
Chan Wai Ling, *Deputy Chairman*
Tse Chun Kong, Thomas, *Executive Director*
Kwan Chai Ming, *Executive Director*
Liu Hanbo, *Non-Executive Vice-Chairman*
Meng Qinghui, *Non-Executive Director*

Independent non-executive Directors:

Wong Tak Leung, Charles
Yuen Hing Man

Registered office:

Clarendon House,
2 Church Street,
Hamilton HM 11
Bermuda

Principal place of business:

21st Floor, Soundwill Plaza,
38 Russell Street,
Causeway Bay,
Hong Kong

16th August, 2003

To the Shareholders and holders of the Options

Dear Sir or Madam,

PROPOSED BONUS ISSUE OF WARRANTS

INTRODUCTION

It was announced on 30th July, 2003 that the Directors proposed to make a bonus issue of Warrants to the Shareholders (other than Overseas Shareholders) whose names appear on the Register at the close of business on the Record Date.

The purpose of this document is to provide you with information regarding the proposed Bonus Warrant Issue.

BONUS WARRANT ISSUE

Basis of Bonus Warrant Issue

The Bonus Warrant Issue will be made on the basis of one Warrant for every five existing Shares held by the Shareholders whose names appear on the Register at the close of business on the Record Date (other than Overseas Shareholders). The Warrants will be issued in registered form and will entitle the holders thereof to subscribe for new Shares at an initial subscription price of HK\$2.00 per Share (subject to adjustments), at any time within the Subscription Period. Any subscription rights not exercised on or before 4:00 p.m. on 2nd March, 2006 will lapse and the Warrants will cease to be valid for any purpose. New Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the Shares then existing on the relevant subscription date.

LETTER FROM THE BOARD

On the basis of 62,328,043 Shares in issue as at the Latest Practicable Date and assuming that none of the Options are exercised and no further Shares will be issued prior to the Record Date, a total number of 12,465,608 Warrants will be issued pursuant to the Bonus Warrant Issue. Based on the above assumptions, exercise in full of the Warrants will result in the issue of 12,465,608 Shares, representing approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by such issue.

Apart from the Options which entitle the holders thereof to subscribe in aggregate 1,464,000 Shares as at the Latest Practicable Date, the Company does not have any other convertible securities.

Subscription price

The initial subscription price of HK\$2.00 per Share represents:

- (a) a premium of approximately 32.45% to the closing price of HK\$1.51 per Share, as quoted on the Stock Exchange on 30th July, 2003, being the date of the announcement of the Bonus Warrant Issue;
- (b) a premium of approximately 33.33% to the average closing price of approximately HK\$1.50 per Share for the 10 consecutive trading days up to and including 30th July, 2003;
- (c) a premium of approximately 33.33% to the closing price of HK\$1.50 per Share, as quoted on the Stock Exchange on the Latest Practicable Date;
- (d) a premium of approximately 34.23% to the average closing price of approximately HK\$1.49 per Share for the 10 consecutive trading days up to and including the Latest Practicable Date;

Fractional entitlements

Fractional entitlements to the Warrants will not be issued to Shareholders but will, where practicable, be aggregated and sold in the market for the benefit of the Company.

OVERSEAS SHAREHOLDERS

This document has not been and will not be registered or filed under the securities or equivalent legislation of any jurisdictions. The Warrant certificate and the relating cover letter to the Shareholders have not been and will not be registered or filed under the securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda. If on the Record Date, a Shareholder's address on the Register is outside Hong Kong, no Warrant will be issued to such Overseas Shareholder as the Directors have determined that the offering of the Warrants by the Company to such Overseas Shareholder would or might, in the absence of compliance with registration or other special formalities in other territories, be unlawful or impracticable.

Arrangements will be made for the Warrants which would otherwise have been issued to the Overseas Shareholders to be sold in the market as soon as practicable after dealings in the Warrants commence on the Stock Exchange, if a premium, net of expenses, can be obtained. Any proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to such Overseas Shareholders in proportion to their shareholdings and remittances thereof will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100, in which case it will be retained for the benefit of the Company.

LETTER FROM THE BOARD

CONDITION OF THE BONUS WARRANT ISSUE

The Bonus Warrant Issue is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Warrants and any new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants.

REASONS FOR THE BONUS WARRANT ISSUE

The Directors believe that the proposed Bonus Warrant Issue will provide Shareholders with an opportunity to participate in the growth of the Company. The Bonus Warrant Issue may also strengthen the equity capital of the Company and increase the Company's working capital if and when the subscription rights attaching to the Warrants are exercised.

The gross proceeds of the proposed Bonus Warrant Issue, if fully subscribed, will be approximately HK\$24,931,216. The Company intends to apply any subscription moneys received as and when the subscription rights attaching to the Warrants are exercised towards the general working capital of the Group depending on its requirements at the relevant time. Accordingly, the Directors believe that the Bonus Warrant Issue is beneficial to the Company and the Shareholders as a whole.

CLOSURE OF REGISTER

The Register will be closed from 21st August, 2003 to 26th August, 2003 (both days inclusive) in order to determine the Shareholders' entitlements to the Bonus Warrant Issue, during which period no transfer of Shares can be registered. The last day of dealings in Shares cum entitlements to the Bonus Warrant Issue will be 18th August, 2003.

To qualify for the Bonus Warrant Issue, all transfers of Shares accompanied by the relevant Share certificates should be lodged with the Registrar for registration by no later than 4:00 p.m. on 20th August, 2003.

In the absence of any specific instruction to the contrary received in writing by the Registrar, certificates in respect of the Warrants will be sent to the persons entitled thereto at their respective addresses shown on the Register, and in the case of joint holders, to the address of the joint holder whose name stands first in the Register in respect of the joint holding.

LISTING AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and any new Shares which may fall to be issued upon exercise of any of the subscription rights attaching to the Warrants. The proposed issue of Warrants will be made in compliance with all the relevant provisions of the Listing Rules. All necessary arrangements have been made to enable the Warrants and any new Shares which may fall to be issued upon exercise of any of the subscription rights attaching to the Warrants to be admitted into CCASS.

It is expected that certificates for the Warrants will be posted on or about 3rd September, 2003 at the risk of the persons entitled thereto at their respective addresses as shown on the Register, and in the case of joint holders, to the address of the joint holder whose name stands first in the Register in respect of the joint holding. Dealings in the Warrants on the Stock Exchange are expected to commence on 5th September, 2003. The Warrants will be traded in board lots of 4,000 Warrants, amounting to an aggregate exercise price of HK\$8,000. So far as possible, certificates for the Warrants will be issued in board lots of Warrants.

LETTER FROM THE BOARD

No part of the share capital of the Company nor any of the Warrants is listed on or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

Dealings in the Warrants and any new Shares which may fall to be issued upon exercise of any of the subscription rights attaching to the Warrants will be subject to Hong Kong stamp duty.

Subject to the granting for the listing of, and permission to deal in, the Warrants and any new Shares which may fall to be issued upon exercise of any of the subscription rights attaching to the Warrants on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Warrants and any new Shares which may fall to be issued upon exercise of any of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date 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.

A summary of the principal terms and conditions of the Warrants, including the circumstances in which the subscription price may be adjusted, is set out in the appendix to this document.

TAXATION

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of, dealing in or exercising the Warrants and, as regards the Overseas Shareholders, their receipt of the net proceeds of sale of the Warrants otherwise falling to be issued to them under the Bonus Warrant Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Bonus Warrant Issue accepts responsibility for any tax effects or liabilities of holders of Shares or the Warrants resulting from the purchase, holding or disposal of, dealing in or exercise of the Warrants or the Shares.

RESPONSIBILITY OF THE DIRECTORS

This document, the issue of which has been approved by the Directors, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained 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 herein misleading.

LETTER FROM THE BOARD

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the head office and the principal place of business of the Company in Hong Kong at 21st Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong during normal business hours throughout the Subscription Period:

- (a) the memorandum of association of the Company and the Bye-Laws; and
- (b) the final draft (subject to any minor modifications which may be approved by the Directors) of the instrument constituting the Warrants and incorporating the terms and conditions thereof.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Kwan Chai Ming
Executive Director

The Warrants, which will be issued on the basis of one Warrant for every five Shares in issue on the Record Date, will be issued subject to and with the benefit of a separate instrument by way of deed poll (the “Instrument”) to be executed by the Company and they 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 Warrants (“Conditions”) will be set out in the Warrant certificates and will include provisions to the effect set out below. The following is a summary of the Conditions and are subject to the detailed provisions of the Instrument. Holder(s) of the Warrant(s) (the “Warranholder(s)”) will be entitled to the benefit of, be bound by, and be deemed to have notice of the Conditions. They will also be entitled to the benefit of, and will be bound by, and be deemed to have notice of the provisions of the Instrument, copies of which will be available from the head office and principal place of business of the Company in Hong Kong.

1. EXERCISE OF SUBSCRIPTION RIGHTS

- (A) Subject to the provisions hereof and to compliance with all fiscal and other laws and regulations applicable thereto, the Warranholder will have the right (the “Subscription Right”), which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time during the Subscription Period, to subscribe in cash for one fully paid Share in respect of each Warrant held by such Warranholder at the subscription price of HK\$2.00 per Share (subject to adjustments) (the “Subscription Price”). After 4:00 p.m. on 2nd March, 2006 any Subscription Rights which have not been exercised will lapse and Warrants and Warrant certificates will cease to be valid for any purpose.
- (B) Each Warrant certificate will contain a subscription form (the “Subscription Form”). In order to exercise in whole or in part the Subscription Rights represented by the Warrant certificate, the Warranholders must complete and sign the Subscription Form (which, once signed and completed, shall be irrevocable) and deliver the same and the Warrant certificate (and, if the Subscription Form used shall not be the form endorsed hereon, the separate Subscription Form duly completed) to the Registrar, together with a remittance for the amount in cash payable in respect of the Shares for which the Warranholder is exercising his Subscription Rights (the “Exercise Moneys”). In each case, compliance must also be made by the exercising Warranholder with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (C) The number of Shares to be allotted on exercise of the Subscription Rights shall be calculated by dividing the amount specified in the relevant Subscription Form and duly remitted as aforesaid by the Subscription Price applicable on the day the Subscription Right represented by such Warrant are duly exercised before the close of business on such day (the “Subscription Date”). No fraction of a Share will be allotted but any balance representing fractions of the Exercise Moneys paid on exercise of the Subscription Rights represented by the Warrant certificate will be paid by the Company to the Warranholders, provided always that for the purpose of determining whether any (and if so what) fraction of a Share arises:
 - (i) if the Subscription Rights represented by the Warrant certificate and any one or more other Warrant certificates are exercised on the same Subscription Date by the same Warranholder then the Subscription Rights represented by such Warrants shall be aggregated; and
 - (ii) regard shall be had, where applicable, to the provisions of Clause 6(C) of the Instrument.

- (D) The Company has undertaken in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights represented by the Warrant certificate will be issued and allotted not later than 10 business days after the relevant Subscription Date and, taking account of any adjustment which may have been made pursuant to Section 2 below, 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 and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.
- (E) As soon as reasonably practicable after the relevant allotment of Shares under this Section (and in any event not later than 10 business days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder(s) to whom such allotment has been made upon his 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 lodged but remaining unexercised; and
 - (iii) (if applicable) a cheque representing fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares as mentioned in paragraph (C) of this Section.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any), a cheque in respect of fractions of the Exercise Moneys in respect of the Warrantholder's fractional entitlement to Shares (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 (which shall be deemed to be a sufficient despatch to all of them). If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder(s).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to the adjustment provisions of Clause 4 of the Instrument:

- (A) The Subscription Price shall (except as mentioned in paragraphs (B) and (C) of this Section) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Shares until the Subscription Right Reserve (as defined in the Instrument) is maintained pursuant to Clause 6 of the Instrument):
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (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);

- (iii) a capital distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of its Shares in their capacity as such;
 - (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 Instrument);
 - (v) an offer of new Shares being made by the Company to the holders of Shares (in their capacity as such) by way of rights or a grant of options or warrants to subscribe for Shares in each case at a price which is less than 90% of the market price (calculated as provided in the Instrument);
 - (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 of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) initially receivable per Share is less than 90% of the market price (calculated as provided in the Instrument), or the terms of any such issue being altered so that the said total Effective Consideration is less than 90% of such market price;
 - (vii) an issue being made wholly for cash of Shares at a price per Share which is less than 90% of the market price (calculated as provided in the Instrument); and
 - (viii) the purchase by the Company of Shares (or securities convertible into, or any rights to acquire, Shares) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (B) Except as mentioned in paragraph (C) of this Section, no such adjustment as is referred to in subparagraphs (ii) to (vii) of paragraph (A) of this Section shall be made in respect of:
- (i) an issue of fully paid Shares upon the exercise of any conversion, exchange or subscription rights attached to securities convertible into or exchangeable for Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iii) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Instrument) (or other profits or reserves) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities convertible into, exchangeable for or carrying rights to acquire Shares);
 - (iv) 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 Instrument) of such Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash;

- (v) an issue by the Company of Shares or by the Company or any Subsidiary of securities convertible into or exchangeable for or carrying rights of subscription for Shares pursuant to a Share Option Scheme (as defined in the Instrument); or
 - (vi) an issue of Shares or securities convertible or exchangeable into Shares by the Company or any of its Subsidiaries to a third party in consideration for services rendered to the Company or any of its Subsidiaries.
- (C) Notwithstanding the provisions referred to in paragraph (A) and (B) of this Section, in any circumstances where the Directors shall consider that an adjustment to the Subscription 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 Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint an approved merchant bank (as defined in the Instrument) or the Auditors (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or the Auditors (as the case may be) 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) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank or the Auditors (as the case may be) to be in its opinion appropriate.
- (D) Any adjustment to the Subscription Price shall be made to the nearest one cent (\$0.005 being rounded up). No adjustment shall be made to the Subscription 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 shall not be carried forward. No adjustment may be made (except on a consolidation of Shares into Shares of a larger nominal amount or upon a repurchase of Shares) which would increase the Subscription Price.
- (E) Every adjustment to the Subscription Price shall be certified to be fair and appropriate by the Auditors or an approved merchant bank and notice of each adjustment (giving the relevant particulars) shall be given to the Warrantheolders. In giving any certificate or making any adjustment hereunder, the Auditors or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, the decision shall be conclusive and binding on the Company and the Warrantheolders and all persons claiming through or under them respectively. Any such certificate of the Auditors and/or approved merchant bank will be available for inspection at the principal place of business for the time being of the Company in Hong Kong, where copies may be obtained.

3. REGISTERED WARRANTS

The Warrants are issued in registered form. The Company shall be entitled to treat the registered holders of any Warrant as the absolute owners thereof and accordingly shall 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 Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

The Subscription Rights represented by the Warrant certificate are transferable, in multiples of such units of Warrants carrying Subscription Rights entitling the holder(s) thereof to subscribe for one whole Share in accordance with the terms hereof, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors or, where the transferor or transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose) the instrument of transfer may be executed under the hand of authorised person(s) or by machine imprinted signature(s).

The Company shall maintain a register of Warranholders accordingly. The register of Warranholders may be closed for such period as the Directors may from time to time direct, provided that the same be not closed for a period, or for periods together, of more than 60 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the register is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warranholder who has so exercised the Subscription Rights to his Warrants (but not otherwise), be considered as made immediately after the reopening of the Register. Transfers of Warrants must be executed by both the transferor and the transferee. The Instrument contains provisions relating to, inter alia, the registration, transmission and transfer of the Warrants.

Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Warrant should note that they may incur additional costs and expenses in connection with any expedited re-registration of Warrants prior to the transfer or exercise of Warrants, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period, being 2nd March, 2006.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, the terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before 2nd March, 2006.

5. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries may at any time purchase Warrants:

- (i) in the open market or by tender (available to all Warranholders alike) at any price; or
- (ii) by private treaty at a price per Warrant, exclusive of expenses, not exceeding 110% of the closing price of the Warrants on the Stock Exchange prior to the date of purchase thereof,

but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (A) The Instrument contains provisions for convening meetings of Warranholders to consider any matter affecting the interests of the Warranholders, including the modification by a Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or the Conditions. A Special Resolution duly passed at any such meeting shall be binding on the Warranholders, whether present or not.

- (B) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the 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 these Conditions and/or the Instrument) and the sanction of a Special Resolution of the Warrantholders shall be necessary to effect such alteration or abrogation.
- (C) At any meeting of Warrantholders, two or more persons holding Warrants and/or being proxies and being or representing in the aggregate the holders of not less than five per cent of the Subscription Rights of all Warrants for the time being outstanding and exercisable shall form a quorum.
- (D) Where a 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 authorize such person or persons as it thinks fit to act as its representative(s) or its proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorized, the authorization must specify the number of Warrants in respect of which each such person is so authorized. The person so authorized will be entitled to exercise the same power on behalf of the recognized clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

7. 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 principal place of business of the Registrar in Hong Kong 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 the maximum fee as may from time to time be permitted by the Stock Exchange as the Company 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 (Chapter 32 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included Warrants.

8. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

9. CALL

If at any time the aggregate number of outstanding Warrants is equal to or less than 10% of the total amount of Warrants issued under the Instrument, the Company may, on giving not less than three months' notice, require Warrantholders either to exercise their Subscription Rights or to allow the Warrants held by them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to Warrantholders.

10. FURTHER ISSUES

The Company shall be at liberty to issue further warrants or other securities convertible into, exchangeable for or carrying rights to subscribe for Shares in such manner and on such terms as it sees fit.

11. UNDERTAKINGS BY THE COMPANY

In addition to the undertakings given by it in relation to the grant and exercise of the Subscription Rights and the protection thereof the Company has undertaken in the Instrument that:

- (a) at all times during the Subscription Period, it will send to each Warrantholder (and in the case of joint Warrantholders, to the Warrantholder whose name stands first in the Register), at the same time as the same are sent to the holders of Shares, its annual audited accounts and all other notices, reports and communications despatched by it to the Shareholders generally;
- (b) it will pay all Hong Kong and Bermuda stamp and capital duties (if any), registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the 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);
- (c) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares; and
- (d) it will use its best endeavours to procure that:
 - (i) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and
 - (ii) all Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in 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 all or any of the Shares where a like offer is extended to holders of the Warrants).

12. NOTICES

The Instrument contains provisions relating to notices to be given to Warrantholders.

Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices can be sent and if any Warrantholder shall fail to do so, notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three days at the principal place of business of the Company in Hong Kong.

A notice may be given by delivery, prepaid letter (airmail in the case of an overseas address), cable, telex message or by advertisement in newspapers in accordance with the requirements of the Stock Exchange.

All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the Register and notice so given shall be sufficient notice to all the holders of such Warrants.

13. RIGHTS OF WARRANTHOLDERS ON WINDING UP

- (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 Warrantholders, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all Warrantholders.
- (b) In the event that a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than two business days prior to the proposed shareholders' meeting referred to above) together with the duly-completed subscription form(s) and payment of the Exercise Moneys or the relevant portion thereof, to exercise the Subscription Rights represented by such Warrant and the Company shall, as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed shareholders' meeting, allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. The Company shall give notice to the Warrantholders of the passing of such resolution within seven days after the passing thereof.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and Warrant certificates shall cease to be valid for any purpose.

14. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory, then the Company shall as soon as practicable after exercise by such Warrantholder of any Subscription Rights either:

- (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company for a consideration; or
- (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtainable by the Company.

As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relative Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom all transaction levies, brokerages, commissions, stamp duties, withholding tax and similar charges and taxes, if any, payable in respect of such sale only, in the case of an allotment and sale as aforesaid) by posting the relevant remittance to him at his risk.

15. GOVERNING LAW

The Instrument and the Warrants are governed by and will be construed in accordance with the laws of the Hong Kong. The Company irrevocably submits to the non-exclusive jurisdiction of the Courts of Hong Kong in respect of the Instrument and the Warrants and all matters and disputes arising in connection with them.