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If you have sold or transferred all your shares in China State Construction International Holdings Limited (the “**Company**”), you should at once hand this circular to the purchaser, transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

PROPOSAL FOR BONUS ISSUE OF WARRANTS

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

29 January 2008

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 8 January 2008 relating to, inter alia, the Bonus Issue
“Board”	board of Directors
“Bonus Issue”	the proposed bonus issue of Warrants described in this circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“COHL”	China Overseas Holdings Limited, the controlling shareholder of the Company
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China State Construction International Holdings Limited
“Directors”	the directors of the Company
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whose address(es) as shown on the register of member of the Company on the Record Date is/are in Canada and such other jurisdiction as the Board may resolve to be excluded from the proposed allotment of the Warrants
“HK\$” and “cents”	Hong Kong dollars and cents respectively
“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”	24 January 2008, being the latest practicable date before the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	those Shareholder(s) whose address(es) as shown on the register of members of the Company on the Record Date is/are outside Hong Kong
“Record Date”	15 February 2008, being the date for determination of entitlements to the Bonus Issue

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrant(s)”	warrant(s) to be issued by the Company in the manner described in this circular, carrying rights to subscribe for Shares on the basis of an initial subscription price of HK\$15.00 per Share (subject to adjustment) for a term of one year from the date on which dealings in the Warrants commence (which is expected to be 28 February 2008); a summary of the terms and conditions of the Warrants are set out in the Appendix to this circular
“Warrantholder(s)”	holder(s) of Warrant(s)
“%”	per cent.

LETTER FROM THE BOARD



中國建築國際集團有限公司

CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3311)

Non-executive Director:

Mr. Kong Qingping (*Chairman*)

Executive Directors:

Mr. Zhou Yong (*Vice-chairman
and Chief Executive Officer*)

Mr. Yip Chung Nam

Mr. Fu He

Mr. Zhou Hancheng

Mr. Cheong Chit Sun

Independent Non-executive Directors:

Dr. Raymond Ho Chung Tai

Mr. Adrian David Li Man Kiu

Mr. Raymond Leung Hai Ming

Mr. Lee Shing See

Registered Office:

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Hutchins Drive

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Cayman Islands

*Principal place of business
in Hong Kong:*

28th Floor

China Overseas Building

139 Hennessy Road

Wanchai

Hong Kong

29 January 2008

To the Shareholders

Dear Sir or Madam,

PROPOSAL FOR BONUS ISSUE OF WARRANTS

1. INTRODUCTION

In the announcement dated 8 January 2008, it was announced that a bonus issue of 1 Warrant for every 7 Shares held by the Shareholders whose names appear on the register of members of the Company on the Record Date would be made.

The purpose of this circular is to provide further details of the Bonus Issue as required by the Listing Rules.

2. BONUS ISSUE AND SUBSCRIPTION PRICE

The Directors proposed the Bonus Issue to the Shareholders (other than the Excluded Shareholders) whose names appear on the register of members of the Company on the Record Date on the basis of 1 Warrant for every 7 Shares then held.

LETTER FROM THE BOARD

The Warrants will be issued in registered form and each Warrant will entitle the holders to subscribe in cash for Shares of the Company at a subscription price of HK\$15.00 (subject to adjustment) per Share for a term of one year from the date on which dealings in the Warrants commence (which is expected to be 28 February 2008). The term of the Warrants is expected to expire on 27 February 2009. Fractional entitlements to the Warrants will not be allotted but will be aggregated and sold for the benefit of the Company.

The initial subscription price of HK\$15.00 represents (a) a premium of approximately 15.6% over the closing price of HK\$12.98 per Share as quoted on the Stock Exchange on 8 January 2008 (being the date of the Announcement), (b) a premium of approximately 20.2% over the average closing price of HK\$12.48 per Share on the Stock Exchange for the five (5) trading days ended 8 January 2008, and (c) a premium of approximately 21.5% over the average closing price of HK\$12.35 per Share on the Stock Exchange for the ten (10) trading days ended 8 January 2008, and (d) a premium of approximately 11.82% over the closing price of HK\$26.9 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

3. SHARES TO BE ISSUED UNDER THE WARRANTS

The authorised share capital of the Company as at the Latest Practicable Date is HK\$1,500,000,000 divided into 15,000,000,000 Shares. The Bonus Issue would be made pursuant to the general mandate to issue securities granted to the Directors at the annual general meeting of the Company held on 5 June 2007. Under the said general mandate and on the basis of 499,604,002 issued Shares as at 5 June 2007, the Directors were authorised generally to issue up to 99,920,800 Shares and none of which has been issued as at the Latest Practicable Date. As such, 99,920,800 Shares can be issued under the said general mandate.

New Shares issued on the exercise of subscription rights under the Warrants will rank *pari passu* in all respects with the then existing Shares on the relevant subscription date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant subscription date subject to the terms and conditions of the Warrants. As 905,120 new Shares have been issued pursuant to the exercise of outstanding options since the proposed Bonus Issue was announced on 8 January 2008, as at the Latest Practicable Date, the number of issued Shares of the Company was 609,296,762. On the basis of 609,296,762 Shares being in issue as at the Latest Practicable Date, up to 87,042,394 Warrants carrying rights to subscribe 87,042,394 new Shares at the initial subscription price of HK\$15.00 per Share (subject to adjustment) will be issued, representing approximately 14.29% of the issued share capital of the Company as at the Latest Practicable Date and approximately 12.50% of the issued share capital of the Company so enlarged. Save for options granted under the Company's share option scheme adopted in 2005, there are no other outstanding warrants, convertible securities or similar right to subscribe for share of the Company. The exact number of Warrants will be determined on the Record Date.

A summary of the principal terms and conditions of the Warrants, including a summary of the circumstances under which the subscription price may be adjusted, are set out in the Appendix to this circular.

LETTER FROM THE BOARD

4. OVERSEAS SHAREHOLDERS

As at the Latest Practicable Date, there were 6 Shareholders (out of a total of about 3,021 Shareholders) holding an aggregate of 157,799 Shares, representing less than 0.03% of the existing issued share capital of the Company whose addresses were outside Hong Kong as shown on the register of members of the Company. The Company has made enquiry as to the legal and regulatory restrictions in extending the Bonus Issue to the Overseas Shareholders. The Company has been advised by its legal advisers on the laws of the relevant jurisdictions that the Company may need to take additional steps to comply and/or ascertain with the regulatory requirements of the relevant regulatory authorities in the relevant jurisdictions if the Warrants are granted to the Overseas Shareholders in these jurisdictions. Accordingly, the Company would be required to comply with the relevant laws and regulations if the Warrants are to be granted to the Overseas Shareholders with registered addresses in these overseas jurisdictions. The Board, having considered the relevant legal and regulatory restrictions, is of the view that the exclusion of the Overseas Shareholders in these jurisdictions is necessary or expedient. Accordingly, the Warrants will not be granted to the Excluded Shareholders.

Instead of granting the Warrants to the Excluded Shareholders, arrangements will be made for the Warrants which would otherwise have been issued to such Excluded Shareholders to be sold in the market as soon as practicable after dealings commence, if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in HK\$ to the Excluded Shareholders, if any, pro rata to their respective shareholdings and remittances therefor will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100.00, in which case it will be retained for the benefit of the Company. In any event, the Overseas Shareholders who have been granted the Warrants should seek its own advices to ensure their compliance of relevant rules and regulations relating to their entitlements, trading and exercise of the Warrants at their own expenses.

5. CONDITIONS PRECEDENT

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

6. REASONS FOR THE BONUS ISSUE OF WARRANTS

The Board believes that it would be in the interest of the Company and the Shareholders to raise long-term equity funding through the Bonus Issue to strengthen the Company's financial position and net assets base for its future expansion of its business, whilst allowing the Shareholders an opportunity to increase their investment in the Company and participate in the Company's prospects.

On the basis that no new shares are issued after the Latest Practicable Date, up to 87,042,394 Warrants will be issued. Full exercise of the 87,042,394 Warrants would result in the receipt by the Company of HK\$1,305,635,910.00 before expenses. The Company intends to apply the proceeds of the Bonus Issue for general working capital and to reduce the indebtedness of the Company as and

LETTER FROM THE BOARD

when the Board considers appropriate. The Company has no specific plan as to the portion of the proceeds to be used for each of the above purposes or the particular indebtedness to be repaid, and will make further announcement if and when it has specific plan for the application of such proceeds.

Save for the amount of approximately HK\$989 million (after expenses) received from the issue by the Company of the Shares under the open offer as set out in its announcement dated 23 July 2007, the Company has no fund raising activity in the past twelve months. As at the Latest Practicable Date, the proceeds from such open offer were fully utilised by the Company, of which approximately HK\$510 million were used for the acquisition of assets from COHL (as detailed in the circular of the Company dated 14 August 2007), and approximately HK\$479 million were used for the acquisition of China Overseas Public Utility Investment Limited and the subscription of shares in a company holding certain property development in Chongqing and Zhuhai (as detailed in the circular of the Company dated 30 November 2007).

The Directors believe that the Bonus Issue is beneficial to the Company and the Shareholders as a whole.

7. SHAREHOLDING STRUCTURE

The shareholdings of the Company are set out below for illustrative purposes:

Assuming no options granted under the Company's share option scheme were exercised prior to the Record Date:

Shareholders	As at the Record Date	Assuming all the Warrants were exercised in full upon issuance
China Overseas Holdings Limited	377,198,612 (61.91%)	431,084,128 (61.91%)
Directors and other connected persons	2,450,266 (0.40%)	2,800,304 (0.40%)
Public	229,647,884 (37.69%)	262,454,724 (37.69%)
Total	609,296,762 (100%)	696,339,156 (100%)

LETTER FROM THE BOARD

Assuming all the options granted under the Company's share option scheme were exercised prior to the Record Date:

Shareholders	As at the Record Date	Assuming all the Warrants were exercised in full upon issuance
China Overseas Holdings Limited	377,198,612 (58.77%)	431,084,128 (58.77%)
Directors and other connected persons	6,445,066 (1.00%)	7,365,789 (1.00%)
Public	258,196,884 (40.23%)	295,082,153 (40.23%)
Total	641,840,562 (100%)	733,532,070 (100%)

Note: The above numbers are presented based on the assumptions stated in relation thereto and are for illustrative purpose only. The numbers may also vary due to fractional entitlements which will be ascertainable at the Record Date.

8. LISTING AND CERTIFICATES

Application has been made to the Listing Committee of the Stock Exchange for listings of, and permission to deal in, the Warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

Subject to the granting of listings of, and permission to deal in, the Warrants and the Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Warrants and the Shares which may fall to be issued upon the exercise of the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Warrants (which is expected to be 28 February 2008) or such other date(s) as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second business day thereafter. No part of the share capital of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought. Save for options granted under the Company's share option scheme adopted in 2005, there are no other outstanding warrants, convertible securities or similar right to subscribe for share of the Company.

LETTER FROM THE BOARD

Subject to the fulfillment of the conditions referred to in paragraph 5 above, it is expected that certificates for the Warrants will be posted at the risks of the Shareholders entitled thereto (other than the Excluded Shareholders) on or about 26 February 2008 to the address of such Shareholders or (in the case of a joint holding) to that one of them whose name stands first in the register of members of the Company. Dealings of the Warrants are expected to commence on 28 February 2008. For the purpose of trading on the Stock Exchange, the Warrants will be traded in board lots of 2,000 Warrants carrying rights to subscribe an amount of HK\$30,000 for 2,000 Shares of the Company at an initial subscription price of HK\$15.00 per Share (subject to adjustment). Dealings in Warrants will be subject to the payment of stamp duty in Hong Kong.

9. CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 13 February 2008 to Friday, 15 February 2008, both days inclusive, for the purposes of determining entitlements to the Bonus Issue. The last day for dealings in Shares cum entitlement to the Bonus Issue will be Wednesday, 6 February 2008. Shares will be traded in an ex-all forms as from Monday, 11 February 2008. **The Shareholders are reminded that, in order to qualify for the Bonus Issue, all transfer documents accompanied by the relevant share certificates for the Shares must be lodged with the Company's Hong Kong branch registrar, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Tuesday, 12 February 2008.**

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company, at 28th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong, during normal business hours from the date of this circular up to and including 13 February 2008 (except Saturdays, Sundays and public holidays):-

- (a) a draft (subject to non-material amendment) of the instrument constituting the Warrants;
- (b) the Memorandum and Articles of Association of the Company; and
- (c) a draft of a Warrant Certificate (subject to modification).

11. FURTHER INFORMATION

Your attention is drawn to the further information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
China State Construction International Holdings Limited
Kong Qingping
Chairman and Non-executive Director

The Warrants will be issued subject to and with the benefit of a separate instrument by way of deed poll (the “**Instrument**”) executed by the Company and they will be issued in registered form and will form one class with and rank *pari passu* in all respects with each other.

The principal terms and conditions of the Warrants will be set out in the Warrant certificates and will include provisions to the effect set out below. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available for inspection at the Company’s principal place of business in Hong Kong for the time being.

1. EXERCISE OF WARRANTS

- (a) The registered holder for the time being of a Warrant will have the right (the “**Subscription Right**”) to subscribe the whole of the amount in respect of which the Warrants is issued for fully paid Shares at a price (subject to adjustments referred to below) of HK\$15.00 per Share (the “**Subscription Price**”). The Subscription Rights attaching to the Warrants may be exercised on or after 28 February 2008, being the date on which dealings in the Warrants commence but not later than one year thereafter (i.e. not later than 27 February 2009). 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 exercised on or before 27 February 2009 will lapse following such date and the Warrants will cease to be valid for any purpose. References in these particulars to “**Shares**” are to the existing Shares of the Company and all other (if any) Shares from time to time and for the time being ranking *pari passu* therewith.
- (b) In order to exercise the Subscription Rights, a Warrantholder must send to the Company’s Hong Kong branch registrar for the time being:
 - (1) warrant certificate;
 - (2) Duly signed and completed Subscription Form (which will be irrevocable). Each warrant certificate will contain a Subscription Form on the overleaf, if this Subscription Form is not used, a separate Subscription Form in the same format must be duly signed, completed and delivered; and
 - (3) A remittance in the relevant subscription moneys for the Shares in respect of which the Subscription Rights are being exercised.

In each case compliance must also be made 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 any balance representing fractions of the subscription moneys paid on exercise of the Subscription Rights will be refunded to the person or persons whose name(s) stands in the register of Warranholders as the holder(s) of the relevant warrant, provided always that if the Subscription Rights comprised in two or more Warrants are exercised at the same time by the same Warranholder then, for the purpose of determining whether any fraction of a Share arises (and if so what fraction of a Share), such Subscription Rights will be aggregated.
- (d) The Company will undertake in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be allotted and issued not later than 28 days after the relevant Subscription Date and will rank *pari passu* with the fully paid Shares in issue on the relevant Subscription Date and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant Subscription Date unless the Subscription Price has already been adjusted therefor and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the relevant Subscription Date and notice of the amount and record date for which has been given to the Stock Exchange (as defined in the Instrument) prior to the relevant Subscription Date.
- (e) As soon as practicable after the relevant allotment of Shares (and not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the Warranholder(s):-
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warranholder(s);
 - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warranholder(s) in respect of any Subscription Rights remaining unexercised; and
 - (iii) (if applicable) a cheque representing any fractional entitlement to Shares not allotted as mentioned in sub-paragraph (c) above.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any) and the cheque (if any) will be sent by post at the risk of such Warranholder(s) to the address of such Warranholder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warranholders of the Company. If the Company agrees, such certificates and cheques may by prior arrangement be retained by the Company's Hong Kong branch registrar for the time being to await collection by the relevant Warranholder(s).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument will contain detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:-

- (a) The Subscription Price will (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases:-
 - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (ii) 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;
 - (iii) 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);
 - (iv) an offer or grant being made by the Company to holders of its Shares of Shares by way of rights or of options or warrants to subscribe for Shares at a price which is less than 90% of the market price (calculated as provided in the Instrument);
 - (v) 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) 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 the market price;
 - (vi) an issue being made wholly for cash of Shares at a price less than 90% of the market price (calculated as provided in the Instrument); and
 - (vii) the purchase by the Company of 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 the sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) 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 Shares or upon the exercise of any right (including the Subscription Rights) to acquire Shares;
 - (ii) an issue of Shares or other securities of the Company or any Subsidiary (as defined in the Instrument) or rights to acquire Shares to employees, including directors holding executive office, of the Company or any Subsidiaries or their personal representatives pursuant to the Employee Shares Schemes (as defined in the Instrument);

- (iii) an issue by the Company of Shares or by the Company or any Subsidiary (as defined in the Instrument) of securities 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;
 - (iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) 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 or rights to acquire Share(s)); 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 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.
- (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 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 with 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 of the Company 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 an approved merchant bank or the auditors of the Company consider this to be the case, the adjustment will 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 is certified by such approved merchant bank or auditors to be in its opinion appropriate.
- (d) Any adjustment to the Subscription 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 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 will not be carried forward. No adjustment may be made (except on a consolidation of Shares) which would increase the Subscription Price.
- (e) Every adjustment to the Subscription Price will be certified by an approved merchant bank (as defined in the Instrument) or the auditors of the Company and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders. Any such certificates of the approved merchant banks and/or the auditors will be available at the Company's principal place of business in Hong Kong for the time being, where copies may be obtained.

3. REGISTERED WARRANTS

The Warrants will be issued in registered form. The Company will be entitled to treat the registered holder of any Warrant as the absolute owner 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 Warrant on the part of any other person, whether or not it has notice of such claim or interest.

4. TRANSFER, TRANSMISSION AND REGISTER

The Subscription Rights will be transferable, in whole amounts or in amounts equivalent to integral multiples of the Subscription Price (as defined in the Instrument, being HK\$15.00 or such adjusted price as may be for the time being in force), by instrument of transfer in any usual or common form or in any other form which may be approved by the directors of the Company or where the transferor or the transferee is HKSCC Nominees Limited (or its successor), by an instrument of transfer executed under the hand of its authorised person(s) or by machine imprinted signature. The Company will maintain a register accordingly. Transfers of Warrants must be executed by both the transferor and the transferee. The provisions of the Company's Articles of Association relating to the registration, transfer and transmission of Shares and the register of members shall, mutatis mutandis, apply to the registration, transfer and transmission of the Warrants and the register of Warrantholders. Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing 10 business days prior to and including the last day for subscription, being 27 February 2009.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, 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 the last date for subscription, being 27 February 2009.

5. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries (as defined in the Instrument) may at any time purchase 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 Warrants on the Stock Exchange,

but not otherwise. All 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 Instrument will contain provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Extraordinary Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the terms and conditions endorsed on the Warrant certificates. An Extraordinary Resolution duly passed at any such meeting will be binding on the Warrantholders, whether present or not.
- (b) At any such meeting two or more persons holding Warrants and/or being proxies and being or representing in the aggregate the holders of not less than one-tenth in value of the Subscription Rights for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for the passing of an Extraordinary Resolution shall be two or more persons holding Warrants and/or being proxies and being or representing in the aggregate the holders of not less than one-third in value of the Subscription Rights for the time being outstanding.
- (c) 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 the terms and conditions endorsed on the Warrant certificates and/or the Instrument) and the sanction of an Extraordinary Resolution shall be necessary and sufficient to effect such alternation or abrogation.
- (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 nominees, it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any Warrantholders' meeting provided that, if more than one person be so authorised, the authorisation or proxy form must specify the number and class of warrants in respect of which each such person is so authorised. The person or persons so authorised shall be entitled to exercise the same power on behalf of the recognised clearing house as that recognised clearing house (or its nominees) could exercise as if such person was an individual Warrantholder of the Company.

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 office of the Company's Hong Kong branch registrar for the time being on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity, security and/or undertakings as the Company may require and on payment of such fee not exceeding HK\$2.50 (or such other maximum fee as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

8. PROTECTION OF SUBSCRIPTION RIGHTS

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

9. CALL

If at any time Warrants which have not been exercised carry rights to subscribe less than 10% of the total number of Warrants issued under the Instrument, then the Company may, on giving not less than 3 months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to the Warrantholders.

10. FURTHER ISSUES

The Company will be at liberty to issue further subscription warrants.

11. UNDERTAKINGS BY THE COMPANY

The Company will undertake in the Instrument that:-

- (a) so long as the Shares remain listed on the Stock Exchange, it will use its best endeavors to ensure that all Shares allotted on exercise of Subscription Rights will be admitted to listing on the Stock Exchange;
- (b) so long as the Shares remain listed on the Stock Exchange, it will use its best endeavors to ensure that the listing of the Warrants on the Stock Exchange is maintained;
- (c) it will send to Warrantholders, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (d) it will pay all Hong Kong stamp duties, 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; and
- (e) it will keep available for issue sufficient ordinary capital to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares.

12. NOTICES

The Instrument will contain provisions relating to notices to be given to Warrantholders. Notices may be sent to the address registered by a Warrantholder with the Company or may be given by advertisement in the English and Chinese press in Hong Kong.

13. OVERSEAS WARRANTHOLDERS

None of the Subscription Rights attaching to the Warrants may be exercised by any Warrantholder whose registered address is in or who is a national of or is resident in any territory other than Hong Kong where in the opinion of the Directors, after having reviewed the register of members of the Company, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or may 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 or Hong Kong and each exercise of the Subscription Rights shall constitute a confirmation that the Warrantholder so exercising is not a resident or national of any such territories. In addition, the Directors shall have the discretion, if in their opinion that the foregoing restriction may apply to any exercise of Subscription Rights, to refuse to accept such exercise.

14. GOVERNING LAW

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

15. WINDING UP OF THE COMPANY

- (a) The Instrument will also provide that if an effective resolution is passed in the period from 28 February 2008 to 27 February 2009 (both dates inclusive) for the voluntary winding-up of the Company, then if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders are a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Extraordinary Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warrantholders.
- (b) In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution for the voluntary winding-up of the Company during the period from 28 February 2008 to 27 February 2009 (both dates inclusive), then the Company shall on the same date as or soon after it despatches such notice to its members give notice to all Warrantholders (together with a notice of the existence of the provisions of this Clause) and thereupon every Warrantholder shall be entitled to exercise the Subscription Rights pursuant to the Warrants then held by him at any time not later than two business days prior to the proposed general meeting of the Company by irrevocably surrendering of his Warrant certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the subscription monies or the relative portion thereof (which must be a whole multiple of units of the Subscription Price in the case of a partial exercise) whereupon the Company shall as soon as possible, and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Warrantholder credited as fully paid.

In all other circumstances in which the Company may be wound up, the Instrument provides that 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.