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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Peace Mark (Holdings) Limited, you should at once hand this document to the purchaser, transferee or to the bank manager, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this document has been registered or filed with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission in Hong Kong take no responsibility as to the contents of this document.

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**Peace Mark (Holdings) Limited**

*(Incorporated in Bermuda with limited liability)*

**PROPOSED BONUS ISSUE OF WARRANTS**

**Financial adviser to Peace Mark (Holdings) Limited**



**SOMERLEY LIMITED**

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A notice convening a special general meeting of Peace Mark (Holdings) Limited to be held at 4:15 p.m. (or so soon thereafter as the Annual General Meeting convened for the same day and place at 4:00 p.m. shall have been concluded or adjourned) on Friday, 1st August, 2003 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 15 to 23 of the SGM Circular which has been despatched to you together with this document. If you are not able to attend such meeting, you are requested to complete the form of proxy enclosed with the SGM Circular in accordance with the instructions printed thereon and return the same to the Company's head office and principal place of business in Hong Kong at Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

8th July, 2003

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## EXPECTED TIMETABLE

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2003

Last day of dealings in Shares cum entitlements to the Bonus Warrant Issue.....	Friday, 25th July
First day of dealings in Shares ex-entitlements to the Bonus Warrant Issue.....	Monday, 28th July
Latest time for lodging transfers of Shares for entitlements to the Bonus Warrant Issue .....	4:00 p.m. on Tuesday, 29th July
Latest time for lodging forms of proxy for the SGM .....	4:15 p.m. on Wednesday, 30th July
Register closes (both days inclusive)	
from .....	Wednesday, 30th July
to.....	Friday, 1st August
Record Date.....	Friday, 1st August
SGM .....	4:15 p.m. ( <i>Note</i> ) on Friday, 1st August
Register reopens .....	Monday, 4th August
Despatch of the Warrant certificates .....	Tuesday, 5th August
Dealings in the Warrants commence .....	Thursday, 7th August

*Note:* The SGM will be held at 4:15 p.m. or so soon thereafter as the Annual General Meeting convened for the same day and place at 4:00 p.m. shall have been concluded or adjourned.

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## DEFINITIONS

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*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 4:00 p.m. on 1st August, 2003 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong
“Annual Report”	the annual report of the Company for the year ended 31st March, 2003
“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 this document
“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”	Peace Mark (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”	3rd July, 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 scheme adopted on 24th January, 2002
“Overseas Shareholders”	Shareholders whose addresses as shown on the Register at the close of business on the Record Date are outside Hong Kong

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## DEFINITIONS

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“Record Date”	1st 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
“Registrar”	the branch share registrar of the Company in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“SGM”	a special general meeting of the Company to be held at 4:15 p.m. (or so soon thereafter as the Annual General Meeting convened for the same day and place at 4:00 p.m. shall have been concluded or adjourned) on Friday, 1st August, 2003, notice of which is set out in the SGM Circular
“SGM Circular”	a circular of the Company dated 8th July, 2003 in respect of the Scrip Dividend Scheme in relation to the final dividend for the year ended 31st March, 2003, refreshment of the limit on grant of options under the share option scheme adopted by the Company on 24th January, 2002, amendments to the Bye-laws and general mandates to issue and repurchase securities
“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 5th August, 2003) up to 4th August, 2005 (both dates inclusive)
“Warrants”	warrants to be issued by the Company in unit of subscription rights of HK\$0.65 each entitling the holders thereof to subscribe in cash for new Shares at an initial subscription price of HK\$0.65 per Share (subject to adjustments) during the Subscription Period in accordance with the terms and conditions as 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.

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## LETTER FROM THE BOARD

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# Peace Mark (Holdings) Limited

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Mr. Chau Cham Wong, Patrick (*Chairman*)  
Mr. Leung Yung (*Managing Director*)  
Mr. Tsang Kwong Chiu, Kevin  
Mr. Man Kwok Keung  
Mr. Cheng Kwan Ling

*Independent non-executive Directors:*

Sir Oswald Cheung, C.B.E., LL.D., D.Soc.Sc., J.P.  
Ms. Susan So  
Mr. Kwok Ping Ki, Albert

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place  
of business in Hong Kong:*

Unit 3, 12th Floor  
Cheung Fung Industrial Building  
23-39 Pak Tin Par Street  
Tsuen Wan  
Hong Kong

8th July, 2003

*To the Shareholders and holders of the Options*

Dear Sir or Madam,

### **PROPOSED BONUS ISSUE OF WARRANTS**

#### **INTRODUCTION**

It was announced on 26th June, 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

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## LETTER FROM THE BOARD

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(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\$0.65 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 4th August, 2005 (or such earlier date as provided in the instrument constituting the Warrants) 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 exist on the relevant subscription date.

On the basis of 631,739,833 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 126,347,966 Warrants will be issued pursuant to the Bonus Warrant Issue. Based on the above assumptions and further assume that no adjustment is made to the initial subscription price of HK\$0.65 per Share, exercise in full of the Warrants will result in the issue of 126,347,966 Shares, representing 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 2,000,000 Shares as at the Latest Practicable Date, the Company does not have any other convertible securities.

### **Subscription price**

The initial subscription price of HK\$0.65 per Share represents:

- (a) a discount of approximately 20.7% to the closing price of HK\$0.82 per Share, as quoted on the Stock Exchange on 26th June, 2003, being the date of the announcement of the Bonus Warrant Issue;
- (b) a discount of approximately 15.6% to the average closing price of approximately HK\$0.77 per Share for the 10 consecutive trading days up to and including 26th June, 2003;
- (c) a discount of approximately 7.1% to the average closing price of approximately HK\$0.70 per Share for the 20 consecutive trading days up to and including 26th June, 2003;
- (d) a premium of approximately 20.4% over the average closing price of approximately HK\$0.54 per Share for the 50 consecutive trading days up to and including 26th June, 2003;
- (e) a discount of approximately 17.7% to the closing price of HK\$0.79 per Share, as quoted on the Stock Exchange on the Latest Practicable Date;
- (f) a discount of approximately 18.8% to the average closing price of approximately HK\$0.80 per Share for the 10 consecutive trading days up to and including the Latest Practicable Date;

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## LETTER FROM THE BOARD

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- (g) a discount of approximately 12.2% to the average closing price of approximately HK\$0.74 per Share for the 20 consecutive trading days up to and including the Latest Practicable Date; and
- (h) a premium of approximately 14.0% over the average closing price of approximately HK\$0.57 per Share for the 50 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, as permitted by the Bye-laws.

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.

### **OVERSEAS SHAREHOLDERS**

This document has 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 if the Directors are of the view 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, 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.

### **CONDITIONS OF THE BONUS WARRANT ISSUE**

The Bonus Warrant Issue is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the SGM to approve the creation and issue of the Warrants and the allotment and issue of any Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants;
- (b) 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; and



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## LETTER FROM THE BOARD

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- (c) the Bermuda Monetary Authority granting permission for the issue and free transferability of the Warrants and any new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants.

The permission of the Bermuda Monetary Authority has been obtained on 19th June, 2003. In giving its consent and in accepting this document for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Company or the Group or any proposal or for the correctness of any statements made or opinions expressed herein.

### REASONS FOR THE BONUS WARRANT ISSUE

To celebrate the 10th anniversary of the Shares being listed on the Stock Exchange, the Directors proposed the Bonus Warrant Issue.

The Board believes that the Bonus Warrant Issue is beneficial to the Company as, upon exercise of the Warrants, it can raise new equity capital for the Company. Assuming that 126,347,966 Warrants are issued and all the subscription rights attaching to these Warrants are exercised, the Bonus Warrant Issue will provide the Group with additional working capital of approximately HK\$82.13 million, before expenses, for the operation and future expansion of the Group. However, as the amount that may be raised from the Warrants is uncertain, the Board has not earmarked any amount for any specific purposes.

### CLOSURE OF REGISTER

The Register will be closed from Wednesday, 30th July, 2003 to Friday, 1st August, 2003 (both dates 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 Friday, 25th July, 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 Tuesday, 29th July, 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.

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## LETTER FROM THE BOARD

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It is expected that certificates for the Warrants will be posted on or about Tuesday, 5th August, 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 Thursday, 7th August, 2003. The Warrants will be traded in board lots of 10,000 Warrants entitling the holders thereof to subscribe an amount of HK\$6,500 for Shares, representing the aggregate subscription price for 10,000 Shares on the basis of the initial subscription price of HK\$0.65 per Share (subject to adjustments). So far as possible, certificates for the Warrants will be issued in board lots of Warrants.

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 Warrants Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Bonus Warrants 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.

### **INFORMATION ON THE GROUP**

The Company is an investment holding company, through its subsidiaries, it is principally engages in the design, manufacture and distribution of timepieces on original design manufacturing, original equipment manufacturing, own brand manufacturing and license bases.

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## LETTER FROM THE BOARD

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The Board maintains a positive view on the industry outlook and intends to continue expanding its own brand and license products, broadening its distribution networks and exploring the PRC emerging market.

### **SGM**

Set out on pages 15 to 23 of the SGM Circular is a notice convening the SGM for the Shareholders to consider and, if thought fit, passing the resolutions to approve, among others, the Bonus Warrant Issue.

A form of proxy is enclosed with the SGM Circular for use by the Shareholders at the SGM. If you are not able to attend the SGM in person, please complete the form of proxy accompanied the SGM Circular in accordance with the instructions printed thereon and return the same to the Company's head office and principal place of business in Hong Kong at Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment thereof should you so desire.

### **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.

### **RECOMMENDATION**

The Directors believe that the Bonus Warrant Issue are in the interests of the Company and the Shareholders as a whole and accordingly recommend that the Shareholders to vote in favour of the resolution in respect of the Bonus Warrant Issue to be proposed at the SGM.

### **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 Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong during normal business hours up to and including the date of the SGM:

- (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.

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## LETTER FROM THE BOARD

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### 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  
**Chau Cham Wong, Patrick**  
*Chairman*

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 “Warrantholder(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 in compliance with all fiscal and other laws and regulations applicable thereto, the registered holder of the Warrants represented by this Warrant certificate will have the right (the “Subscription Right”), which may be exercised in whole or in part at any time during the Subscription Period on any day (other than a Saturday) on which banks in Hong Kong are open for business (the “Business Day”), to subscribe in dollars (in units of HK\$0.65) the amount stated on the face of the Warrant certificate(s) (the “Exercise Moneys”) for fully paid Shares at HK\$0.65 in cash per Share (subject to adjustments) (the “Subscription Price”). After 4:00 p.m. on 4th August, 2005 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 this Warrant certificate, the Warrantholders must complete and sign the Subscription Form (which, once signed and completed, shall be irrevocable) and deliver this 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 Exercise Moneys (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys). In each case, compliance must also be made by the exercising Warrantholder 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 this Warrant certificate will be paid by the Company to the Warrantholders, 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 this Warrant certificate and any one or more other Warrant certificates are exercised on the same Subscription Date by the same Warrantholder then the Subscription Rights represented by such Warrants shall be aggregated; and
  - (ii) regard shall be had, where applicable, to the provisions of Clause 7.3 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 this Warrant certificate will be issued and allotted 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 shall entitle the holders to vote at general meetings of the Company and to participate in all dividends or other distributions declared, paid or made on or after the relevant Subscription Date unless adjustment therefor has been made as provided in Condition 2 below 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 Condition (and not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the holder(s) of the Warrant(s) represented by this Warrant certificate:–
- (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 this Warrant certificate lodged but remaining unexercised; and
  - (iii) (if applicable) a cheque representing the fractional entitlement to Shares not allotted as mentioned in paragraph (C) of this Condition.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any) and the cheque in respect of the fractional entitlement (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 5 of, the Instrument:–

- (A) The Subscription Price shall (except as mentioned in paragraphs (B) and (C) of this Condition) 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) 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 fund);
  - (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 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 (other than pursuant to a Share Option Scheme) 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 Condition, no such adjustment as is referred to in paragraph (A) of this Condition shall 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 rights (including the Subscription Rights) to acquire Shares;

- (ii) an issue of Shares or other securities of the Company or any Subsidiary wholly or partly convertible into, or rights to acquire, Shares to employees or directors of the Company or any of its Subsidiaries or associates or other eligible persons pursuant to a Share Option Scheme;
  - (iii) 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;
  - (iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Rights 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 wholly or partly convertible into or rights to acquire Shares); or
  - (v) an issue of Shares pursuant to a scrip dividend scheme 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 paragraph (A) and (B) of this Condition, in any circumstances where the Company 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) 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 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 to be in its opinion appropriate.
- (D) Any adjustment to the Subscription Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be 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) which would increase the Subscription Price.



- (E) Every adjustment to the Subscription Price will be certified to be fair and appropriate by the Auditors (as defined in the Instrument) or an approved merchant bank and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders. 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 Warrantholders 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 registered office or principal place of business for the time being of the Company or such other place as may be notified to the Warrantholders from time to time, 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 this Warrant certificate are transferable, in whole amounts or multiples of HK\$0.65 of Subscription Rights, 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 the Register accordingly. The Register may be closed from time to time. 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 Warrantholder 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 provisions of the Company's Memorandum of Association and Bye-laws relating to, inter alia, the registration, transmission and transfer of Shares and the register of members shall, mutatis mutandis, apply to the registration, transmission and transfer of the Warrants and the Register.

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 4th August, 2005.





- (iii) it will pay all Hong Kong stamp 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); and
- (iv) it will use all reasonable endeavours to procure that at all times during the Subscription Period all the Warrants may be dealt 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, or scheme of arrangement or similar proposal made available to holders of, all or any 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 registered office and/or principal office for the time being of the Company.

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**

The Instrument provides that if an effective resolution is passed during the Subscription Period for the voluntary winding up of the Company, then:

- (i) if such winding up is 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 will be binding on all the Warrantholders; and

- (ii) in the event a notice is given by the Company to its shareholders (and the Warrantholders pursuant to Condition 11(ii)) to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, every Warrantholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the relevant Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not later than five Business Days prior to the proposed shareholders' meeting) to be allotted and issued, 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 which fall to be issued pursuant to the exercise of the relevant Subscription Rights.

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.

#### **14. OVERSEAS WARRANTHOLDERS**

No Subscription Rights conferred by a Warrant may be exercised by any person who has a registered address (as shown on the Register at the time of the exercise of the Subscription Right) in any territory other than Hong Kong or who is otherwise a holder to whom, in the Directors' opinion, Shares may not be offered without compliance with registration, filing and/or other legal or regulatory requirements outside Hong Kong. The exercise of any Subscription Rights by a Warrantholder under a Warrant shall constitute a confirmation, representation and warranty by the exercising Warrantholder that such holder has a registered address in Hong Kong, that such holder is not a resident or national of any jurisdiction where the exercise of the Warrants or the delivery of Shares upon such an exercise is prohibited by any law or regulation or where compliance with the relevant laws or regulations would require registration, filing or other action by the Company and that the exercise of such Warrants or the delivery of Shares upon such an exercise will not breach or result in a breach of any exchange control, fiscal or other laws or regulations for the time being applicable.

#### **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.