
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, 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 Man Yue International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, or 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 circular has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong.

A copy of this circular has been filed with the Registrar of Companies in Bermuda. In accepting this circular for filing, the Registrar of Companies in Bermuda accepts no responsibility for the financial soundness of the Company or any proposal or for the correctness of any of the statements made or opinions expressed herein or any of the other documents referred to in this circular.

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



萬 裕 國 際 集 團 有 限 公 司^{*}

MAN YUE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 894)

**PROPOSAL FOR
BONUS ISSUE OF WARRANTS**

Financial Adviser to Man Yue International Holdings Limited



ASIAN CAPITAL

(CORPORATE FINANCE) LIMITED

卓亞(企業融資)有限公司

A letter from the board of directors of Man Yue International Holdings Limited is set out on pages 4 to 8 of this circular.

* For identification purposes only.

14 October, 2004

CONTENTS

	<i>Page</i>
Expected timetable	1
Definitions	2
Letter from the Board	
– Introduction	4
– Subscription price and subscription period	4
– Shares to be issued upon exercise of the Warrants	5
– Fractional entitlements	6
– Overseas Shareholders	6
– Conditions to the Bonus Warrant Issue	6
– Reasons for the Bonus Warrant Issue	6
– Listing and dealings	7
– Certificates for the Warrants and board lots	7
– Adjustments in relation to the exercise price of Share Options	8
– Closure of register of members	8
– General	8
Appendix – Summary of the terms and conditions of the Warrants	9

EXPECTED TIMETABLE

Last day of dealings in Shares cum entitlements to the Warrants	Monday, 18 October, 2004
First day of dealings in Shares ex-entitlements to the Warrants	Tuesday, 19 October, 2004
Latest time for lodging forms of transfer to ensure entitlement to the Warrants	4:30p.m. on Wednesday, 20 October, 2004
Register of members closes.....	Thursday, 21 October, 2004 to Tuesday, 26 October, 2004
Record Date.....	Tuesday, 26 October, 2004
Register of members reopens	Wednesday, 27 October, 2004
Warrant certificates posted	Tuesday, 2 November, 2004
Dealings in the Warrants expected to commence on the Stock Exchange.....	Thursday, 4 November, 2004

Note: All times and dates refer to Hong Kong local time.

DEFINITIONS

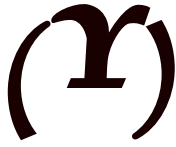
In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement issued by the Company dated 23 September, 2004 in relation to the Bonus Warrant Issue
“Bonus Warrant Issue”	bonus issue of Warrants by the Company to all Shareholders whose names appear on the register of members of the Company on the Record Date, on the basis of one Warrant for every six existing Shares held on the Record Date
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Company”	Man Yue International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Directors”	director(s) of the Company
“General Mandate”	the general mandate to issue shares of the Company granted to the Directors by the Shareholders at the annual general meeting of the Company held on 24 May, 2004 by way of ordinary resolution
“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
“Instrument”	the deed poll to be executed by the Company creating the Warrants
“Latest Practicable Date”	12 October, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“New Shares”	new Shares which may fall to be issued upon the exercise of the Subscription Rights

DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the register of members of the Company as at the close of business on the Record Date is/ are outside Hong Kong
“Record Date”	Tuesday, 26 October, 2004, being the date for determination of entitlements to the Bonus Warrant Issue
“Registrar”	the Company’s branch share registrar in Hong Kong, Tengis Limited of G/F, 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 share capital of the Company
“Share Option(s)”	the share option(s) to subscribe for Share(s) granted under the Share Option Scheme
“Share Option Scheme”	the employee share option scheme of the Company adopted on 13 February, 1997
“Shareholder(s)”	registered holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Period”	the period from the date when dealings of the Warrants on the Stock Exchange commence (which is expected to be on Thursday, 4 November, 2004) to Friday, 3 November, 2006 (both days inclusive)
“Subscription Rights”	the subscription right(s) attaching to the Warrant(s)
“Warrant(s)”	warrant(s) to be issued by the Company, in unit(s) of HK\$0.48 of subscription rights, to subscribe for new Shares at the initial subscription price of HK\$0.48 per new Share, subject to adjustment, at any time from Thursday, 4 November, 2004 up to and including Friday, 3 November, 2006 (both dates inclusive)
“Warrantholder(s)”	registered holder(s) of the Warrant(s)
“HK\$” and “HK cents”	Hong Kong dollars and cents.

LETTER FROM THE BOARD



萬 裕 國 際 集 團 有 限 公 司*
MAN YUE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 894)

Executive Directors:

CHAN Ho Sing (*Chairman*)
KO Pak On

Independent Non-executive Directors:

LI Sau Hung Eddy
LO Kwok Kwei David
MAR Selwyn

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place
of Business:*

16th Floor
Yiko Industrial Building
10 Ka Yip Street
Chai Wan
Hong Kong

14 October, 2004

To the Shareholders,

Dear Sir or Madam,

PROPOSAL FOR BONUS ISSUE OF WARRANTS

INTRODUCTION

It was announced on 23 September, 2004 that the Directors proposed, subject to the satisfaction of the conditions as stated in the paragraph headed "Conditions to the Bonus Warrant Issue" below, to make the Bonus Warrant Issue to its Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one (1) Warrant for every six (6) Shares held. The purpose of this circular is to provide you with further information on the Bonus Warrant Issue.

SUBSCRIPTION PRICE AND SUBSCRIPTION PERIOD

The Warrants will be issued in registered form and each Warrant will entitle the holder thereof to subscribe in cash for one Share at an initial subscription price of HK\$0.48, subject to adjustment, at any time during the period which is expected to commence on Thursday, 4 November, 2004 and end on Friday, 3 November, 2006 (both days inclusive).

The subscription price represents:

- (i) a discount of approximately 1.04% to the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on 23 September, 2004;

* For identification purposes only.

LETTER FROM THE BOARD

- (ii) a premium of approximately 1.25 % to the average closing price of HK\$0.474 per Share as quoted on the Stock Exchange for the last 5 trading days ended 23 September, 2004;
- (iii) a premium of approximately 3.33% to the average closing price of HK\$0.464 per Share as quoted on the Stock Exchange for the last 10 trading days ended 23 September, 2004;
- (iv) a discount of approximately 15.79% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a discount of approximately 13.04% to the average closing price of HK\$0.552 per Share as quoted on the Stock Exchange for the last 5 trading days before the Latest Practicable Date; and
- (vi) a discount of approximately 13.51% to the average closing price of HK\$0.555 per Share as quoted on the Stock Exchange for the last 10 trading days before the Latest Practicable Date.

SHARES TO BE ISSUED UPON EXERCISE OF THE WARRANTS

On the basis of 357,154,000 Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 59,525,666 Warrants would be issued pursuant to the Bonus Warrant Issue. Full exercise of the subscription rights attaching to the 59,525,666 Warrants at the initial subscription price of HK\$0.48 per Share would result in the issue of a total of 59,525,666 new Shares, representing approximately 16.67% of the issued ordinary share capital of the Company as at the Latest Practicable Date, approximately 14.29% of the issued ordinary share capital of the Company as at the Latest Practicable Date as enlarged by the issue of such new Shares and approximately 15.94% of the issued ordinary share capital of the Company as at the date of granting of the General Mandate, and the receipt by the Company of subscription moneys totaling approximately HK\$28.57 million before expenses of approximately HK\$600,000, such expenses shall be borne by the Company.

Assuming full exercise of the 30,300,000 Share Options outstanding as at the Latest Practicable Date and the allotment and issue of Shares pursuant to such exercise with effect from any date falling prior to the Record Date, a further 5,050,000 Warrants would be issued pursuant to the Bonus Warrant Issue. On the basis of an issued ordinary share capital of 387,454,000 Shares following the exercise of the outstanding Share Options in the manner aforesaid, full exercise of the subscription rights attaching to the 5,050,000 Warrants at the initial subscription price of HK\$0.48 per Share would result in the issue of a total of 5,050,000 new Shares, representing approximately 1.30% of such issued ordinary share capital of the Company and approximately 1.29% of the issued ordinary share capital of the Company as enlarged by the exercise of subscription rights attaching to the 5,050,000 Warrants, and the receipt by the Company of subscription moneys totaling HK\$2.42 million.

Assuming full exercise of the subscription rights attaching to the 64,575,666 Warrants, approximately 86.46% of the General Mandate will be utilized.

LETTER FROM THE BOARD

Save for the above outstanding 30,300,000 Share Options, the Company did not have any other outstanding convertible securities, warrants, derivatives, conversion rights or subscription rights as at the Latest Practicable Date.

FRACTIONAL ENTITLEMENTS

Fractional entitlements to the Warrants (if any) will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. The net proceeds of sale will be retained for the benefit of the Company.

OVERSEAS SHAREHOLDERS

As at the Latest Practicable Date, the Warrants will be granted to all Shareholders. If there are Overseas Shareholders on the Record Date, enquiry pursuant to Rule 13.36(2)(a) of the Listing Rules will be made by the Directors with legal advisers of the place in which the Overseas Shareholders are residing on the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange of the relevant place. If the Directors are of the view that, after such enquiry, the exclusion of Overseas Shareholders is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Warrants will not be granted to the Overseas Shareholders and an announcement will be made accordingly.

In view of the foregoing, Warrants which would otherwise be issued to the Overseas Shareholders under the Bonus Warrant Issue will be sold in the market as soon as possible if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Overseas Shareholders. Remittances thereof will be posted to him/her, at his/her own risk, unless the amount falling to be distributed to such person is less than HK\$100, in which case it will be retained for the benefit of the Company.

CONDITIONS TO THE BONUS WARRANT ISSUE

The Bonus Warrant Issue will be conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Warrants and any Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants; and
- (b) the Bermuda Monetary Authority granting permission for the issue of the Warrants and any Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

REASONS FOR THE BONUS WARRANT ISSUE

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of electronic components, the trading of electrical products, raw materials and production machinery.

LETTER FROM THE BOARD

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

The Company intends to apply any subscription moneys received as and when Subscription Rights are exercised towards the general working capital of the Group or for such other purposes as the Directors deem necessary, taking into consideration the requirements of the Company prevailing at the relevant time.

In the 12 months immediately preceding the date of the Announcement, the Company did not raise any fund by the issue of equity securities.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and the new Shares falling to be issued upon exercise of the Subscription Rights. All necessary arrangements have been made to enable the Warrants to be admitted into CCASS. The Warrants will not be listed or traded on any other stock exchange other than the Stock Exchange and no such listing, or permission to deal in such Warrants, is being or proposed to be sought.

Subject to the granting of listing of, and permission to deal in, the Warrants and the Shares falling to be issued pursuant to the exercise of Subscription Rights on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, 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 (which is expected to be on Thursday, 4 November, 2004) 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.

Dealings in the Warrants and the Shares falling to be issued upon exercise of the Subscription Rights will be subject to the payment of stamp duty in Hong Kong.

The new Shares falling to be issued upon exercise of the Subscription Rights will rank *pari passu* in all respect with the then existing issued Shares.

CERTIFICATES FOR THE WARRANTS AND BOARD LOTS

Subject to the satisfaction of the condition to the Bonus Warrant Issue, it is expected that certificates for the Warrants will be posted on or before Tuesday, 2 November, 2004 at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company.

LETTER FROM THE BOARD

Dealings in the Warrants are expected to commence on the Stock Exchange on Thursday, 4 November, 2004. The Warrants are expected to be traded on the Stock Exchange in board lots of 20,000 Warrants carrying rights to subscribe for 20,000 Shares at HK\$9,600 at the initial subscription price of HK\$0.48 per Share (subject to adjustment).

ADJUSTMENTS IN RELATION TO THE EXERCISE PRICE OF SHARE OPTIONS

Pursuant to the Share Option Scheme, the Company had as at the Latest Practicable Date granted outstanding Share Options to subscribe for up to an aggregate of 30,300,000 Shares, at exercise prices ranging from HK\$0.163 to HK\$0.7856 per Share. The issue of the Warrants will not result in any adjustment to the exercise prices of the Share Options or the number of Shares to be issued under the Share Options.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 October, 2004 to Tuesday, 26 October, 2004 (both days inclusive) in order to establish entitlements of Shareholders to the Bonus Warrant Issue. The last day for dealing in Shares cum entitlements to the Bonus Warrant Issue will be Monday, 18 October, 2004. In order to qualify for the Bonus Warrant Issue, all outstanding transfers of Shares should be lodged with the Registrar not later than 4:30 p.m. on Wednesday, 20 October, 2004.

GENERAL

As the Warrants will be issued by the Directors under the authority of the General Mandate, Shareholders' approval to the Bonus Warrant Issue is not required. The Company has not utilized the General Mandate since the date it was granted.

Yours faithfully,
On behalf of the Board of
Man Yue International Holdings Limited
CHAN HO SING
Chairman

The Warrants will be issued subject to and with the benefit of the Instrument 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. Holders of Warrants 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 from the principal place of business for the time being of the Company in the Hong Kong.

1. SUBSCRIPTION RIGHTS

- (a) The registered holder for the time being of a Warrant will have the right (the “Subscription Rights”) for each unit of Warrant to subscribe in cash the whole or part (in units of HK\$0.48) of the amount in respect of which the Warrant is issued for fully paid New Shares at an initial subscription price of HK\$0.48 per New Share (subject to the adjustments referred to below) (the “Subscription Price”). The Subscription Rights attaching to the Warrants may be exercised during the Subscription Period. The business day falling during the Subscription Period on which any of the Subscription Rights are duly exercised is referred to in this summary as a “Subscription Date”. Any Subscription Rights which have not been exercised during the Subscription Period will lapse and the relevant Warrant certificates will cease to be valid for any purpose. References in this summary 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) Each Warrant certificate will contain a subscription form. In order to exercise his Subscription Rights, a holder of Warrants must complete and sign the subscription form (which shall, once signed and completed, be irrevocable) and deliver the Warrant certificate (and, if the subscription form used is not the form endorsed on the Warrant certificate, the separate subscription form) to Tengis Limited in Hong Kong or such other person, firm or company situated either in Hong Kong or in Bermuda as may be approved from time to time by the Directors to act as the registrar in relation to the Warrants and transfer of the Warrants (the “Registrar”) together with a remittance for the relevant subscription monies (or in case of partial exercise, the relevant portion of the subscription monies) for the New 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 New Share will be allotted but any balance representing fractions of the subscription monies paid on the exercise of the Subscription Rights will be retained by the Company for its own benefit, provided always that if the Subscription Rights comprised in one or more Warrant certificates are exercised on the same Subscription Date by the same holder of Warrants then, for the purpose of determining whether any (and if so what) fraction of a Share arises, the Subscription Rights represented by such Warrant certificates will be aggregated.

- (d) The Company undertakes in the Instrument that any New Shares will be issued and allotted not later than 28 days (or, if applicable, such other period as prescribed by the Stock Exchange) after the relevant Subscription Date and all New Shares so allotted shall, taking account of any adjustment which may have been made pursuant to paragraph 2, rank pari passu in all respects with the then existing Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders to participate in all dividends or other distributions paid or made on the New Shares on or after the relevant Subscription Date 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 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 practicable after the relevant issue and allotment of New Shares (and, in any event, not later than 28 days (or, if applicable, such other period as prescribed by the Stock Exchange) after the relevant Subscription Date) there will be issued free of charge to the holder(s) of Warrants:
 - (i) a certificate (or certificates) for the relevant New Shares in the name(s) of such holder(s) of Warrants;

 - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such holder(s) of Warrants in respect of any Subscription Rights remaining unexercised; and

 - (iii) (if applicable) a Deficiency Certificate (as defined in the Instrument).

The certificate(s) for the New Shares, the balancing Warrant certificate (if any), and the Deficiency Certificates (if any) will be sent by post at the risk of such holder(s) of Warrants to the address of such holder(s) of Warrants or (in the case of a joint holding to that one of them whose name stands first in the register of holders of Warrants). If the Company agrees, such certificates may by prior arrangement be retained by the Registrar to await collection by the relevant holder(s) of Warrants.

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 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 each Share by reason of any consolidation or subdivision;

- (ii) an issue (other than pursuant to a scrip dividend scheme 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 Shares (in their capacity as such);
- (iv) a grant by the Company to holders of the 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 being made by the Company to holders of its Shares of Shares by way of rights or grant of options or warrants to subscribe for Shares at a price which is less than 90 per cent. of the market price (calculated in accordance with the provisions of the Instrument) provided that no such adjustment is to be made if the Company also makes a like offer or grant (as the case may be) at the same time to each holder of Warrant(s) (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange) as if he had exercised the Subscription Rights represented by his Warrant certificate in full on the day immediately preceding the record date for such offer or grant;
- (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) per new Share is less than 90 per cent. of the market price (calculated in accordance with the provisions of the Instrument), or the conversion, exchange or subscription rights of any such issue being altered so that the total Effective Consideration per new Shares is less than 90 per cent. of the market price;
- (vii) an issue being made wholly for cash of Shares (other than pursuant to a Share Option Scheme (as defined in the Instrument)) at a price less than 90 per cent. of the market price (calculated in accordance with the provisions of the Instrument); and
- (viii) the repurchase by the Company of Shares or securities convertible into Shares or any rights to acquire the Shares (excluding any such repurchases made on the Stock Exchange or any recognised stock exchange, being a stock exchange recognised for this purpose by the Securities and Futures Commission and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraphs (ii) to (vii) of paragraph (a) above will 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 wholly or partly 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 (as defined in the Instrument) of securities wholly or partly convertible into or carrying 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 Right Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument provided that implementation of such terms and conditions is not prohibited by or inconsistent with any laws, rules or regulations to which the Company and the Warrants are subject from time to time (or other profits or reserves 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 carrying rights to acquire, Shares);
 - (iv) an issue of Shares pursuant to a scrip dividend scheme where an amount of not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated in accordance with the provisions of the Instrument) of such Shares is not more than 110 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash; and
 - (v) an issue by the Company of Shares or by the Company or any Subsidiary (as defined in the Instrument) 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).
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, 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 with effect from a different time from that provided for under the said provisions, the Company may appoint either an approved merchant bank 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 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 (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 so that any amount under HK\$0.005 shall be rounded down and any amount of HK\$0.005 or more shall be rounded up and in no event shall any adjustment 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. In no event shall an adjustment be made (otherwise than upon the consolidation of Shares into shares of a larger nominal amount each or upon a repurchase of Shares) which would increase the Subscription Price or which would result in the Subscription Price falling below the par value of the Shares.
- (e) Every adjustment to the Subscription Price shall be certified by the Auditors or an approved merchant bank and notice of each such adjustment (giving the relevant particulars) shall be given to the holders of Warrants. In giving any certificate or making any adjustment under the Instrument, 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 errors, their decision shall be conclusive and binding on the Company and the holders of Warrants 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 holder of any Warrant as the absolute owner 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 Warrants shall be in registered form and be transferable, in whole amounts or integral multiples of HK\$0.48, by instrument of transfer in any usual or common form or such other form which may be approved by the Directors, or where the transferor or the transferee is HKSCC Nominees Limited or its successor thereof (or such other company as may be approved by the Directors for this purpose), by an instrument of transfer executed on behalf of HKSCC Nominees Limited by machine imprinted signature or under hand(s) by authorised person(s). For this purpose, the Company shall maintain a register of the holders of Warrants in Hong Kong (or in such other place as the Directors consider appropriate, having regard to applicable rules governing the listing of Warrants). The provisions of the bye-laws of the Company in relation to the registration, transfer and transmission of Shares and the register of members shall, save as provided in this paragraph 4, mutatis mutandis, apply to the transfer, transmission and registration of the Warrants and the register of Warrantholders. Transfers of Warrants must be executed by both the transferor and the transferee.

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 falling at least three dealing days before 3 November, 2006.

Persons who hold the Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, particularly during the period commencing on the date falling 10 business days prior to and including the last day of the Subscription Period.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the register of holders of Warrants may be closed for such period as the Directors may from time to time direct, provided that the same may not be 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 of holders of Warrants 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 holder of Warrant(s) who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered being made immediately after the reopening of the register of holders of Warrants.

6. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries (as defined in the Instrument) may at any time repurchase Warrants:

- (i) in the open market or by tender (available to all holders of Warrants alike) at any price; or
- (ii) by private treaty at a price per Warrant, exclusive of expenses, not exceeding 110 per cent. of the closing price on the Stock Exchange per Warrant for one or more board lots of Warrants prior to the date of repurchase of the Warrants on the Stock Exchange

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

7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Instrument contains provisions for convening meetings of holders of Warrants to consider any matter affecting the interests of holders of Warrants, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the conditions endorsed on the Warrant certificates. A Special Resolution duly passed at any such meeting shall be binding on the holders of Warrants, 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, subject to sub-paragraph (a) above (whether or not the Company is being wound up), be altered or abrogated (including, but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the conditions endorsed on the

Warrant certificates and/or the Instrument) with the prior sanction of a Special Resolution and may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.

- (c) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Warrantholder.
- (d) 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 ten per cent. in value of the Subscription Rights for the time being outstanding and exercisable shall (except for the purpose of passing a special resolution) form a quorum for the transaction of business 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 a special resolution shall be two or more persons holding Warrants and/or being proxies and being or representing in the aggregate holders of not less than one-third in value of the Subscription Rights for the time being outstanding and exercisable.

8. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the Registrar (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK\$2.50 (or such other amount 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.

In the case of lost Warrant certificates, Sections 71A (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.

9. PROTECTION OF SUBSCRIPTION RIGHTS

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

10. CALL

If, at any time during the Subscription Period, Warrants which have not been exercised carry rights to subscribe less than 10% of the amount of the exercise moneys attached to the aggregate of all the Warrants issued under the Instrument, the Company may, on giving not less than three calendar months' notice to the Warrantholders, require the Warrantholders either to exercise their Subscription Rights represented thereby or to allow the Warrants held by them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without any compensation to the Warrantholders.

11. ISSUE OF FURTHER WARRANTS

The Company shall be at liberty to issue further warrants to subscribe for New Shares in such manner and on such terms as it may in its absolute discretion deem fit, provided that it is in accordance with the Listing Rules.

12. 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) it will send to each Warrantholder (or, in the case of joint Warrantholders, to the Warrantholder whose name stands first in the register of the Warrantholders in respect of the Warrant(s) held by such joint 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 Shares generally;
- (b) it will pay all stamp and capital duties, registration fees or similar charges (whether in Bermuda or Hong Kong or elsewhere), if any, payable 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 New Shares;
- (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 New 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 (whether by way of proposal to Warrantholders or by way of a scheme of arrangement or otherwise)); and
 - (ii) all New Shares 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 (whether by way of a scheme of arrangement or otherwise) where a like offer is extended to holders of the Warrants or to holders of any Shares issued on exercise of the Warrants during the period of the offer (whether by way of proposal to Warrantholders or by way of a scheme of arrangement or otherwise)).

13. NOTICES

The Instrument contains provisions relating to notices to be given to the holders of Warrants.

14. OVERSEAS WARRANTHOLDERS

The Instrument contains provisions giving certain discretion to the Directors in the case of any holder of Warrant(s) who has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the issue of New Shares upon the exercise of any of the Subscription Rights represented by any Warrants held by such holder of Warrant(s) may be unlawful or impracticable.

15. WINDING UP OF THE COMPANY

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then:

- (a) if such winding-up be for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the holders of Warrants, or some person designated by them for such purpose by a Special Resolution (as defined in the Instrument), shall be a party or in conjunction with which a proposal is made to the holders of Warrants and is approved by a Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all holders of Warrants; and
- (b) in the event a notice is given by the Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall as soon as practicable give notice thereof to each Warrantholder (or in the case of joint Warrantholders, the Warrantholder whose name stands first in the register of the Warrantholders in respect of the Warrant(s) held by such joint Warrantholders) and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Registrar (such surrender to occur not less than two business days prior to the date of the proposed general meeting) with the Subscription Form(s) duly signed and completed, together with payment of the exercise moneys or the relative portion thereof, to exercise the Subscription Rights represented by such Warrants and the Company shall, as soon as practicable and in any event not later than the day immediately preceding the date of the proposed general meeting, to allot the Shares which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrants to the Warrantholder. 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 the Warrant certificates shall cease to be valid for any purpose.

16. GOVERNING LAW

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