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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 to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Playmates Holdings Limited, you should at once hand this document to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Application has been made to the Stock Exchange (as defined herein) for the listing of, and permission to deal in, the Bonus Warrants (as defined herein) and new Shares (as defined herein) falling to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants. Dealings in the Bonus Warrants are expected to commence from 9:30 a.m. on 15 April 2009.

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

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

A copy of this document has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of this document has also been filed with the Registrar of Companies in Bermuda. The Securities and Futures Commission, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of this document.

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### PLAYMATES HOLDINGS LIMITED

彩星集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 635)

### ISSUE OF BONUS WARRANTS

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2 April 2009

\* For identification purpose only

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## RESPONSIBILITY STATEMENT

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**This document includes particulars given in compliance with the Listing Rules (as defined herein) for the purpose of giving information with regard to the issue of Bonus Warrants by Playmates Holdings Limited. The Directors collectively and individually accept full responsibility for the accuracy of the information in this document and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this document misleading.**

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## EXPECTED TIMETABLE

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**2009**

Latest time for dealings in Shares cum entitlements to the  
Bonus Issue. . . . . Wednesday, 4:00 p.m. 25 March

First day of dealings in Shares ex entitlements to the  
Bonus Issue. . . . . Thursday, 9:30 a.m. 26 March

Latest time for lodging Share transfers to qualify for the  
Bonus Issue. . . . . Friday, 4:30 p.m. 27 March

Register of members closed (both days inclusive)  
from . . . . . Monday, 30 March  
to . . . . . Wednesday, 1 April

Record date for determination of entitlements to the  
Bonus Issue. . . . . Wednesday, 1 April

Warrant Certificates expected to be despatched on or before . . . . . Thursday, 9 April

Dealings in Bonus Warrants on  
the Stock Exchange commence on . . . . . Wednesday, 9:30 a.m. 15 April

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## DEFINITIONS

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

|                                  |   |
|----------------------------------|---|
| “Bonus Issue”                    | the issue by the Company of the Bonus Warrants on the basis of one Bonus Warrant for every 5 existing Shares held by the Shareholders, excluding Excepted Overseas Shareholders, on the Record Date upon and subject to the terms and conditions set out in this document and the Bonus Warrant Instrument  |
| “Bonus Warrant(s)”               | not less than 43,760,000 warrants constituted by the Bonus Warrant Instrument to be issued by the Company in registered form in units of subscription rights entitling the holder(s) thereof to subscribe in cash from the date on which trading in the Bonus Warrants commences on the Stock Exchange and expiring 18 months thereafter (which is currently expected to be 14 October 2010), both days inclusive, up to an aggregate amount of approximately \$39,384,000 (before expenses) for new Shares at the Exercise Price |
| “Bonus Warrant Instrument”       | the deed poll constituting the Bonus Warrants to be executed by the Company, a summary of the principal terms of which is set out in Appendix I to this document  |
| “Bye-laws”                       | bye-laws of the Company, as amended   |
| “CCASS”                          | the Central Clearing and Settlement System established and operated by HKSCC  |
| “Company”                        | Playmates Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange  |
| “Companies Ordinance”            | Companies Ordinance (Chapter 32 of the Laws of Hong Kong)   |
| “Director(s)”                    | the director(s) of the Company  |
| “Excepted Overseas Shareholders” | Overseas Shareholders whose addresses, as shown on the register of members of the Company at the close of business on the Record Date, are in places other than the United Kingdom, Malaysia and Macau  |
| “Exercise Price”                 | \$0.90 per Share (subject to adjustments) in respect of each Bonus Warrant  |

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## DEFINITIONS

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|                             |  |
|-----------------------------|--|
| “Group”                     | the Company and its subsidiaries (a subsidiary has the meaning ascribed to it by section 2(4) of the Companies Ordinance)  |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “HKSCC”                     | Hong Kong Securities Clearing Company Limited  |
| “Latest Practicable Date”   | 27 March 2009, being the latest practicable date prior to the printing of this document for ascertaining certain information for inclusion in this document                            |
| “Listing Rules”             | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Overseas Shareholder(s)”   | Shareholder(s) whose address(es), as shown on the register of members of the Company at the close of business on the Record Date, are outside Hong Kong                                |
| “Qualifying Shareholder(s)” | Shareholder(s), excluding Excepted Overseas Shareholder(s), whose name(s) appear on the register of members of the Company in Hong Kong as at the close of business on the Record Date |
| “Record Date”               | 1 April 2009, being the record date for the determination of entitlements to the Bonus Issue   |
| “Registrars”                | Tricor Abacus Limited, the branch share registrars of the Company in Hong Kong at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong   |
| “Share Options”             | the outstanding share options granted by the Company pursuant to a share option plan and a share option scheme adopted on 4 May 1998 and 28 June 2002 respectively                     |
| “Share(s)”                  | share(s) of \$0.10 each in the share capital of the Company  |
| “Shareholder(s)”            | holder(s) of Shares  |
| “Stock Exchange”            | The Stock Exchange of Hong Kong Limited  |
| “Warrant Certificate(s)”    | certificate(s) to be issued by the Company to Warrantholder(s) to evidence the holding of the Bonus Warrants   |
| “Warrantholder(s)”          | holder(s) of Bonus Warrants  |
| “\$” and “cents”            | Hong Kong dollars and cents, respectively, being the lawful currency of Hong Kong  |

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## LETTER FROM THE BOARD

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### PLAYMATES HOLDINGS LIMITED

彩星集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 635)

Mr. CHAN Chun Hoo, Thomas *(Chairman and Executive Director)*

Mr. CHENG Bing Kin, Alain *(Executive Director)*

Mr. IP Shu Wing, Charles *(Non-executive Director)*

Mr. LEE Peng Fei, Allen *(Independent Non-executive Director)*

Mr. LO Kai Yiu, Anthony *(Independent Non-executive Director)*

Mr. TO Shu Sing, Sidney *(Executive Director)*

Mr. TSIM Tak Lung *(Deputy Chairman and Non-executive Director)*

Mr. YU Hon To, David *(Independent Non-executive Director)*

**Registered Office:**

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

**Principal Office:**

21/F., The Toy House

100 Canton Road

Tsimshatsui, Kowloon

Hong Kong

2 April 2009

*To the Qualifying Shareholders*

*and holders of the Share Options,*

*and for information only, the Excepted Overseas Shareholders*

Dear Sir or Madam,

### ISSUE OF BONUS WARRANTS

#### 1. INTRODUCTION

It was announced on 13 March 2009 that the Directors have resolved the Bonus Issue to Qualifying Shareholders whose names appear on the Company's register of members at the close of business on the Record Date.

The purpose of this document is to provide you with further details in respect of the issue of Bonus Warrants.

#### 2. BONUS ISSUE OF BONUS WARRANTS

The Directors have resolved, subject to the terms and conditions set out below, the Bonus Issue on the basis of one Bonus Warrant for every 5 existing Shares held by the Shareholders, excluding the Excepted Overseas Shareholders, registered as such on the register of members of the Company on the Record Date.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Bonus Warrants will be issued pursuant to the general mandate granted to the Directors to issue Shares during the relevant period up to a maximum of 20% of the issued share capital of the Company as at the date of the passing of the relevant resolution at the annual general meeting of the Company on 5 May 2008. The Company has not raised any funds on issue of equity securities in the 12-month period immediately preceding 13 March 2009, being the date of the announcement of the Bonus Issue.

Subject to the terms and conditions mentioned below, the Bonus Warrants will be issued in registered form and will be exercisable at any time from the date of commencement of dealings in the Bonus Warrants on the Stock Exchange (which is currently expected to be on 15 April 2009) and expiring 18 months thereafter, both days inclusive.

Each Bonus Warrant will entitle the holder thereof to subscribe in cash for one Share at an initial Exercise Price of \$0.90 per Share, subject to adjustments. Please refer to the section headed "Adjustments to Exercise Price" in Appendix I of this document for the events which may result in an adjustment to the Exercise Price, and the relevant adjustment mechanisms. Any subscription rights not exercised on or before the expiry date or such earlier date as provided in the Bonus Warrant Instrument will lapse. Shares issued pursuant to the exercise of the Bonus Warrants will rank *pari passu* in all respects with the then Shares in issue on the relevant issue and allotment dates and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant issue and allotment dates of Shares after the due exercise of the subscription rights attaching to the Bonus Warrants.

Full exercise of the Bonus Warrants would result in the issue of a total of 43,760,000 new Shares on the basis of 218,800,000 Shares in issue as at the Latest Practicable Date and on the assumptions that (i) no outstanding Share Options will be exercised prior to the Record Date; and (ii) no further Shares will be issued or repurchased prior to the Record Date, representing 20% of the issued share capital of the Company as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of new Shares upon full exercise of the Bonus Warrants.

If all outstanding Share Options eligible to be exercised prior to the Record Date are fully exercised, full exercise of the Bonus Warrants would result in the issue of a total of 45,006,018 new Shares, representing 20% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of such new Shares upon full exercise of the outstanding Share Options which are eligible to be exercised prior to the Record Date, and approximately 16.67% of the issued share capital of the Company, as enlarged by the allotment and issue of such new Shares upon full exercise of the outstanding Share Options which are eligible to be exercised prior to the Record Date, and the Bonus Warrants.

Fractional entitlements to the Bonus Issue will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. The proceeds of such sale will be retained for the benefit of the Company.

A summary of the principal terms and conditions of the Bonus Warrants, including the circumstances under which the Exercise Price may be adjusted, is set out in Appendix I to this document.

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## LETTER FROM THE BOARD

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### 3. EXERCISE PRICE

The initial Exercise Price of \$0.90 per Share represents:

- (a) a discount of approximately 4.26% to the closing price of \$0.94 per Share, as quoted on the Stock Exchange on 13 March 2009, being the date of the announcement of the Bonus Issue;
- (b) the average closing price of approximately \$0.90 per Share for the 10 consecutive trading days up to and including 13 March 2009;
- (c) a discount of approximately 1.1% to the average closing price of approximately \$0.91 per Share for the 20 consecutive trading days up to and including 13 March 2009;
- (d) a premium of approximately 8.43% to the closing price of \$0.83 per Share, as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 5.26% to the average closing price of approximately \$0.855 per Share for the 10 consecutive trading days up to and including the Latest Practicable Date.

### 4. EXCEPTED OVERSEAS SHAREHOLDERS

As at the date of this document, the Company has Overseas Shareholders with addresses in the United States, the United Kingdom, Canada, Malaysia and Macau, holding in aggregate insignificant shareholdings in the Company. Among the Overseas Shareholders, the Excepted Overseas Shareholders have been sent a copy of this document for their information only.

The Directors are of the view, after reasonable enquiries having been made, that the grant of the Bonus Warrants to Shareholders with addresses outside Hong Kong other than the United Kingdom, Malaysia and Macau would or might, in the absence of compliance with relevant registration or other special formalities in other territories, be unlawful or impracticable and compliance with the registration and other special formalities in these jurisdictions could be both costly and time-consuming, and therefore inexpedient to do so. Accordingly, in view of the likely costs and time involved if overseas compliance were to be observed, and the insignificant shareholdings of the Excepted Overseas Shareholders, the costs of overseas compliance would outweigh the benefits which the Company and its Shareholders as a whole would receive by including the Excepted Overseas Shareholders in the Bonus Issue, no allotment of Bonus Warrants will be made to the Excepted Overseas Shareholders pursuant to the Bonus Issue, and the Bonus Issue will only be extended, among the Overseas Shareholders, to those Overseas Shareholders with addresses in the United Kingdom, Malaysia and Macau. Arrangements will be made for the Bonus Warrants which would otherwise be issued to the Excepted Overseas Shareholders to be sold in the market as soon as practicable after dealings in the Bonus Warrants commence if a premium, net of expenses, can be obtained. Any proceeds of sale, after deduction of expenses, will be distributed in Hong Kong currency to Excepted Overseas Shareholders at their own risk pro rata to their respective shareholding unless the amount falling to be distributed to any Excepted Overseas Shareholder shall be less than \$100, in which case such amount will not be distributed but will be retained for the benefit of the Company.

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## **LETTER FROM THE BOARD**

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### **5. CONDITION TO THE BONUS ISSUE**

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

### **6. LISTING, DEALINGS AND CERTIFICATES**

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Bonus Warrants and any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants. No Share or the Bonus Warrant is listed or dealt in, or on which the listing and permission to deal is being or is proposed to be sought, on any stock exchange other than the Stock Exchange.

The board lot for trading in the Bonus Warrants on the Stock Exchange is 10,000 units carrying aggregate subscription rights of \$9,000 at an initial Exercise Price of \$0.90 per Share, subject to adjustments. Dealings in the Bonus Warrants on the Stock Exchange are expected to commence from 9:30 a.m. on Wednesday, 15 April 2009.

Conditional upon the satisfaction of the condition referred to in paragraph 5 above, it is expected that certificates for the Bonus Warrants will be issued in board lots of 10,000 Bonus Warrants (so far as practicable) and posted to the persons entitled thereto at their own risk on or before Thursday, 9 April 2009. In the case of a joint holding, the certificates for the Bonus Warrants will be posted to the address of the person whose name stands first on the register of members of the Company on the Record Date.

Subject to satisfaction of the condition referred to above and subject to compliance with the stock admission requirements of HKSCC, the Bonus Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS from the commencement date of dealings in the Bonus Warrants on the Stock Exchange or such other date(s) as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Bonus Warrants to be admitted into CCASS.

You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

### **7. CLOSURE OF REGISTER OF MEMBERS**

In order to determine entitlements of Shareholders to the Bonus Issue, the register of members of the Company will be closed from Monday, 30 March 2009 to Wednesday, 1 April 2009, both days inclusive, during which period no transfer of Shares can be registered.

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## LETTER FROM THE BOARD

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### 8. TAXATION AND EXPENSES

Dealings in Bonus Warrants will be subject to Hong Kong stamp duty. Shareholders are recommended to consult their professional advisers as to the tax implications of the Bonus Issue, in particular, whether the Bonus Issue would be regarded as a transaction of an income or capital nature or make such Shareholders liable to taxation.

It is emphasised that taxation implications of the Bonus Issue, and the holding and exercise of the Bonus Warrants, are a matter for Shareholders themselves and neither the Company nor any of its Directors accept any responsibility for any tax effect on, or liabilities of, its Shareholders.

The Stock Exchange charges a trading fee of 0.005%, and the Securities and Futures Commission also charges a transaction levy of 0.004%, in respect of each transaction effected on the Stock Exchange, payable by each of the seller and the buyer and is calculated on the value of consideration for the relevant securities. In addition, member brokers charge brokerage against both buyers and sellers and such brokerage is required to be not less than 0.25% of the value of the purchase or sale (calculated on the value of the consideration for the relevant securities).

### 9. REASONS FOR THE ISSUE OF BONUS WARRANTS

The Directors believe that the issue of Bonus Warrants will be able to enhance the working capital and the net asset position of the Company as well as the equity base of the Company.

The issue of Bonus Warrants provides an opportunity for the Group to raise funds to strengthen its financial position and capability to develop and expand its business. The proceeds, if all of the Bonus Warrants to be issued are exercised in full, will be approximately \$39,384,000, before expenses (which such expenses are not currently expected to be substantial), which will enhance the working capital and the net asset position of the Company. The Directors believe that the issue of Bonus Warrants is beneficial to the Company and the Shareholders as a whole.

As the amount that may be raised from the exercise of the Bonus Warrants to be issued cannot be determined until the expiry of the Bonus Warrants, the Directors have not earmarked any amount for any specific purposes.

### 10. INFORMATION OF THE COMPANY

The Company is an investment holding company with its principal subsidiaries engaged in the design, development, marketing and distribution of toys and family entertainment activity products, and in property investments, property management business, securities and other investments.

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## LETTER FROM THE BOARD

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### 11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of an advance draft (subject to modifications) of the Bonus Warrant Instrument constituting the Bonus Warrants, the Memorandum of Association and Bye-laws of the Company and the Companies Act 1981 of Bermuda will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours from the date of this document up to and including the date on which the Warrant Certificates are despatched.

### 12. ADDITIONAL INFORMATION

Your attention is drawn to Appendix I to this document which sets out a summary of the principal terms of the Bonus Warrants.

Yours faithfully,  
For and on behalf of the board  
**CHAN Chun Hoo, Thomas**  
*Chairman*

The Bonus Warrants will be issued subject to and with the benefit of the Bonus Warrant Instrument, which will be executed by the Company by way of deed poll. The Bonus Warrants will be issued in registered form and will form one class and rank pari passu in all respects with each other.

The principal terms and conditions of the Bonus Warrants will be set out in the Warrant Certificates and will include provisions to the effect set out below. Warrantholders will be entitled to the benefit of, be bound by and be deemed to have notice of, all terms and conditions to, and all provisions of, the Bonus Warrant Instrument, copies of which will be available from the Registrars.

## 1. SUBSCRIPTION RIGHTS

- (a) The registered holder for the time being of a Bonus Warrant will have the right (the “**Subscription Right**”), which may be exercised in whole or in part but not in respect of any fraction of a Share, to subscribe in cash the whole or part (in units of \$0.90 each, subject to adjustments) of the monetary amount stated on the certificate for such Bonus Warrant as being the monetary amount which such Warrantholder is entitled to subscribe for Shares upon exercise of the Subscription Rights represented thereby (the “**Exercise Moneys**”), for fully-paid Share(s) at a price (subject to adjustments as described below) of \$0.90 per Share (the “**Exercise Price**”). Any adjustment to the Exercise Price would result in the monetary amount stated on the certificates of the Bonus Warrants be adjusted correspondingly. The Subscription Rights may be exercised at any time after the commencement date of the trading of the Bonus Warrants on the Stock Exchange and expiring 18 months thereafter (the “**Subscription Period**”). Save as provided below, the date on which such rights or any part thereof are exercised is referred to in these particulars as a “**Subscription Date**”. Any Subscription Rights which have not been duly exercised on or before 4:30 p.m. (Hong Kong time) on the expiry date of the Subscription Period will lapse and the Bonus Warrants and Warrant Certificates will automatically cease to be valid for any purpose whatsoever. References in this summary to “**Shares**” are to the existing Shares and all other (if any) Shares from time to time and for the time being ranking pari passu therewith and references to share capital shall be construed accordingly.
- (b) The entitlement of the Warrantholders to their Bonus Warrants will be evidenced by the Warrant Certificates. Each Warrant Certificate will contain a subscription form (the “**Subscription Form**”). In order to exercise in whole or in part of the Subscription Rights, a Warrantholder must complete and sign the Subscription Form (which will be irrevocable) and deliver the Warrant Certificate (and, if the Subscription Form duly completed) to the Registrars, together with a remittance for the whole or the relevant portion of the Exercise Moneys, being the amount of the Exercise Price for the Shares in respect of which the Subscription Rights are being exercised. In each case, compliance must also be made by the exercising Warrantholder with any exchange control, fiscal or other laws or regulations for the time being applicable.

- (c) No fraction of a Share will be allotted but, if a Warrantholder remits Exercise Moneys in excess of the aggregate Exercise Price due for the Shares in respect of which he/she/it is exercising his/her/its Subscription Rights, any excess will be retained by the Company for its own benefit, provided always that, for the purpose of determining whether any (and if so what) fraction of a Share arises, if the Subscription Rights represented by any one or more Warrant Certificates are exercised on the same Subscription Date by the same Warrantholder, then the Subscription Rights represented by such Warrant Certificates will be aggregated.
- (d) Shares falling to be issued upon the exercise of the Subscription Rights will be allotted and issued not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the relevant Subscription Date and will rank *pari passu* with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant Subscription Date, unless an adjustment in respect thereof has been made as described in paragraph 2 below and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the relevant Subscription Date and notice of the amount and record date has been given to the Stock Exchange prior to the relevant Subscription Date.
- (e) As soon as reasonably practicable after the relevant allotment of Shares (and not later than 21 business days (or such shorter period as may from time to time be required by the Listing Rules or the applicable laws and regulations) after the relevant Subscription Date) there will be issued free of charge to the relevant Warrantholder(s) upon his/her/its exercise of any Subscription Rights:
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);
  - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the Warrant Certificate but remaining unexercised; and
  - (iii) (if applicable) the certificate mentioned in Clause 6(A)(4) of the Bonus Warrant Instrument.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant Certificate (if any) and the certificate mentioned in Clause 6(A)(4) of the Bonus Warrant Instrument (if any) will be sent by ordinary post at the risk of such Warrantholder(s) to the address of such Warrantholder(s), or, in the case of a joint holding, to that one of them whose name stands first in the register of Warrantholders (which shall be deemed to be a sufficient despatch to all of them). If the Company agrees, such certificates may by prior arrangement be retained by the Registrars to await collection by the relevant Warrantholder(s).

**2. ADJUSTMENTS TO EXERCISE PRICE**

The Bonus Warrant Instrument contains provisions relating to the adjustment of the Exercise Price. The following is a summary of, and is subject to, the adjustment provisions in the Bonus Warrant Instrument:

- (a) The Exercise Price shall (except as mentioned in sub-paragraphs (b), (c) and (d) below) be adjusted (as defined in the Bonus Warrant Instrument) as provided in the Bonus Warrant Instrument in each of the following cases:
  - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
  - (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, contributed surplus account or capital redemption reserve);
  - (iii) a Capital Distribution (as defined in the Bonus Warrant Instrument) being made by the Company, whether on a reduction of capital or otherwise except pursuant to a purchase by the Company of any Shares, to holders of its Shares in their capacity as such;
  - (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its subsidiaries (as defined in the Bonus Warrant Instrument);
  - (v) an offer of new Shares to holders of Shares for subscription by way of rights, or a grant to holders of Shares of rights to subscribe for new Shares, at a price per new Share which is less than 80% of the Market Price (calculated as provided in the Bonus Warrant 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 to acquire or subscribe for new Shares if in any case the Total Effective Consideration (as defined in the Bonus Warrant Instrument) per new Share is less than 80% of the Market Price (calculated as provided in the Bonus Warrant Instrument) or the terms of any such issue being altered so that the said Total Effective Consideration is less than 80% of the Market Price;
  - (vii) an issue being made wholly for cash of new Shares, other than pursuant to a rights issue, at a price per new Share which is less than 80% of the Market Price;
  - (viii) a repurchase by the Company of Shares in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Exercise Price; and

- (ix) a repurchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange recognised for such purpose) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Exercise Price on the basis as to fairly and appropriately reflect the relative interests of the persons affected by such purchases by the Company.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraphs (a) (ii) to (vii) above will be made in respect of:
  - (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into or exchangeable for Shares or upon the exercise of any rights (including the Subscription Rights) to acquire or subscribe for Shares;
  - (ii) an issue by the Company of Shares or other securities of the Company or any subsidiaries which are wholly or partly convertible into or exchangeable for, or otherwise having the rights to subscribe for or otherwise acquire, new Shares to any of the Directors, employees of and/or other persons related to the Company and/or any subsidiaries or their personal representatives pursuant to a Share Option Scheme (as defined in the Bonus Warrant Instrument);
  - (iii) an issue by the Company of Shares or by the Company or any subsidiaries of securities which are convertible into or exchangeable for or otherwise having the rights to acquire or subscribe for new Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
  - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Bonus Warrant Instrument) to be established in certain circumstances pursuant to the Bonus Warrant Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into, or otherwise having the rights to acquire or subscribe for Shares); or
  - (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the Market Value (calculated as provided in the Bonus Warrant Instrument) of such Shares is not more than 110% of the amount of dividends which holders of Shares could elect to or would otherwise receive in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Exercise Price provided for under the said provisions should not be made or should be calculated on a different basis, or that an adjustment to the Exercise Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take place on a different date or with a different time from that provided for

under the said provisions, the Directors may appoint an Approved Financial Adviser or the Auditors (both as defined in the Bonus Warrant Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Financial Adviser or the Auditors shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis) or the adjustment shall take effect from other date and time as shall be certified by such Approved Financial Adviser or the Auditors to be in its opinion appropriate.

- (d) Any adjustment to the Exercise Price will be made to the nearest one cent so that any amount under half a cent will be rounded down and any amount of half a cent or more will be rounded up. No adjustment will be made to the Exercise Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required will not be carried forward. No adjustment may be made (except on a consolidation or repurchase of Shares) which would increase the Exercise Price.
- (e) Every adjustment to the Exercise Price will be certified by an Approved Financial Adviser or the Auditors and notice of each adjustment (giving the relevant particulars) will be given to Warrantholders. In giving any certificate or making any adjustment hereunder, the Approved Financial Adviser or the Auditors shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, its decision will be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificates of the Approved Financial Adviser and/or Auditors will be available for inspection at the principal place of business for the time being of the Company in Hong Kong, and copies thereof may be obtained without charge.

### **3. REGISTERED BONUS WARRANTS, TRANSFER AND TRANSMISSION**

- (a) The Bonus Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder(s) of any Bonus Warrant as the absolute owner(s) thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Bonus Warrants on the part of any other person, whether or not it has express or other notice thereof.
- (b) The Bonus Warrants will be transferable, in whole amounts or integral multiples of \$0.90, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Company will maintain a register of Warrantholders in Hong Kong accordingly (or such other place as the Directors consider appropriate, having regard to the applicable rules governing the listing of warrants). Transfers of Bonus Warrants must be executed by both the transferor and the transferee. Where the

transferor or the transferee is HKSCC Nominees Limited (or such other company as may from time to time be approved by the Directors for this purpose), the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature(s) on its behalf or of such person(s) as the case may be. The provisions of the Company's Bye-laws from time to time in force relating (inter alia) to the registration, transfer and transmission of Shares, the maximum number of holders of a Share and the register of members shall, mutatis mutandis and subject to the Bonus Warrant Instrument and the terms and conditions of the Bonus Warrants, apply to the registration, transfer and transmission of the Bonus Warrants, the maximum number of holders of a Bonus Warrant and the register of Warrantholders, save that (i) the Company shall not be obligated (but may if the Directors so resolve) to maintain any branch register of Warrantholders at any place outside Hong Kong, and (ii) the Company shall not be required to give notice by advertisement in an appointed newspaper for any closure of the register of Warrantholders unless required by the rules of the Stock Exchange applicable to the Company.

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

Since the Bonus Warrants will be admitted to CCASS, so far as applicable laws and regulations of relevant regulatory authorities, terms of the Bonus Warrant Instrument and/or circumstances permit, the Company may determine the last dealing date of the Bonus Warrants to be a date at least 3 dealing days before the expiry date of the Bonus Warrants.

#### **4. CLOSURE OF REGISTER OF WARRANTHOLDERS**

In accordance with the Bye-laws as they apply to the transfer of warrants, the registration of transfers of Bonus Warrants may be suspended and the register of Warrantholders may be closed for such period as the Directors may from time to time direct, provided that (i) registration may not be suspended or such register of Warrantholders may not be closed for a period of more than 30 days, or, with the approval of an ordinary resolution of a meeting of the Warrantholders (being a resolution passed by simple majority), for a longer period not exceeding 60 days, in any one year, and (ii) the Company shall not be required to give notice by advertisement in an appointed newspaper for any closure of the register of Warrantholders unless required by the rules of the Stock Exchange applicable to the Company. Any transfer or exercise of the Subscription Rights attached to the Bonus Warrants made while the register of Warrantholders is closed shall, as between the Company and the person claiming under the relevant transfer of Bonus Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his/her/its Bonus Warrant (but not otherwise), be considered as made immediately after the re-opening of the register of Warrantholders.

**5. PURCHASE AND CANCELLATION**

The Company or any of its subsidiaries may at any time purchase Bonus Warrants:

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty at a price, exclusive of expenses, not exceeding 110% of the closing price prior to the date of purchase of the Bonus Warrants on the Stock Exchange, but not otherwise.

All Bonus Warrants purchased as aforesaid will be cancelled forthwith and may not be re-issued or re-sold.

**6. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (a) The Bonus Warrant Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Bonus Warrant Instrument) of the provisions of the Bonus Warrant Instrument and/or of the terms and conditions of the Bonus Warrants. At any such meeting two or more persons holding Bonus Warrants and/or being proxies and being or representing in the aggregate the holders of not less than 10% of the Subscription Rights of all Bonus Warrants for the time being outstanding and exercisable shall (except for the purpose of passing a Special Resolution) form a quorum for the transaction of business. The quorum at any such meeting for the passing of a Special Resolution shall be two or more persons holding Bonus Warrants or being proxies and being or representing in the aggregate holders of not less than one third of the Subscription Rights of all Bonus Warrants for the time being outstanding and exercisable. A Special Resolution duly passed at any such meeting will be binding on all of the Warrantholders, whether present or not. The Bonus Warrant Instrument also contains provisions which incorporate by reference certain provisions of the Company's Bye-laws from time to time in force to regulate (inter alia) the appointment of proxies, attorneys and corporate representatives by Warrantholders, the signing and delivery of instruments appointing the same and the quorum for and voting and rights to speak at meetings of Warrantholders.
- (b) All or any of the rights for the time being attached to the Bonus Warrants (including any of the provisions of the Bonus Warrant Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the conditions of the Bonus Warrants and/or the Bonus Warrant Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect such alteration or abrogation, provided that the same may only be effected by deed poll executed by the Company and expressed to be supplemental to the Bonus Warrant Instrument.

- (c) Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warranholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Bonus Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as the clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder.

## 7. OVERSEAS WARRANTHOLDERS

The Bonus Warrant Instrument contains provisions restricting the rights of Warranholders who are resident in or nationals of a Restricted Jurisdiction from exercising the Subscription Rights attaching to any Bonus Warrants held by such Warranholders. “**Restricted Jurisdiction**” is defined as the United States of America, any of its territories or possessions, Canada, any jurisdiction under the laws of which an exercise of Subscription Rights by a Warrantholder who is a national or resident thereof or the performance by the Company of the obligations expressed to be assumed by it under the Bonus Warrant Instrument or the terms and conditions of the Bonus Warrants cannot be carried out lawfully or cannot be carried out lawfully without the Company first having taken any action in such jurisdiction (including complying with any filing, registration or any other special formalities in such jurisdiction) which would in the opinion of the Directors be unduly onerous or impracticable, and any other country, state or territory nominated by the Directors from time to time (Warranholders shall be notified of any such nomination as soon as practicable after it has been made).

## 8. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the Hong Kong principal place of business of the Registrars (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee (not exceeding such maximum amount as may from time to time be permitted under the Listing Rules) as the Directors may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance shall apply as if shares referred to therein includes the Bonus Warrants.

## 9. WINDING UP OF THE COMPANY

- (a) If an effective resolution is passed during the Subscription Period for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warranholders, or some persons designated by them for such purpose by Special Resolution, will be a party or in conjunction with which a proposal is made to the Warranholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warranholders; and

- (b) In the event a notice is given by the Company to its Shareholders and at the same time to each Warrantholder as undertaken by the Company in the Bonus Warrant Instrument to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, every Warrantholder shall be entitled by irrevocable surrender of his/her/its Warrant Certificate(s) to the Company with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys or the relative portion thereof (such Subscription Form(s) and Exercise Moneys to be received by the Company not less than two business days prior to the proposed Shareholders' meeting), to be allotted and issued by the Company, as soon as possible and in any event not later than the day immediately prior to the date of the proposed Shareholders' meeting, the Shares to be issued pursuant to the exercise of the relevant Subscription Rights. The Company shall give notice to the Warrantholders of the passing of such voluntary winding-up resolution within seven days after the passing thereof.
- (c) Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up will lapse and each Warrant Certificate will cease to be valid for any purpose.

#### **10. FURTHER ISSUES OF WARRANTS; DISTRIBUTIONS AND FURTHER ISSUES OF SECURITIES**

The Company will be at liberty to issue further subscription warrants to subscribe for Shares in such manner and on such terms as it sees fit. Save as referred to above, Warrantholders will not be entitled as of right to participate in any distributions or further issues of securities by the Company prior to exercise of Subscription Rights attached to the Bonus Warrants.

#### **11. CALL**

If at any time Bonus Warrants which have not been exercised carry rights to subscribe less than 10% of the aggregate of the amount of Exercise Moneys attached to the aggregate of all the Bonus Warrants issued under the Bonus Warrant Instrument, the Company may, on giving not less than one month's notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Bonus Warrants will be automatically cancelled without compensation to the Warrantholders.

#### **12. UNDERTAKINGS BY THE COMPANY AND PROTECTION OF THE SUBSCRIPTION RIGHTS**

The Company has undertaken in the Bonus Warrant Instrument that, inter alia:

- (a) it shall use its best endeavours to procure that:
  - (i) at all times during the Subscription Period the Bonus Warrants shall be admitted to listing on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Bonus Warrants on the Stock Exchange is withdrawn following an offer for, or scheme of arrangement or similar proposal made available to holders of, all or any of the Bonus Warrants); and

- (ii) all Shares allotted on exercise of Subscription Rights shall be admitted to listing on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for, or scheme of arrangement or similar proposal made available to holders of, all or any of the Shares where a like offer, scheme or proposal is extended to holders of the Bonus Warrants).
- (b) at all times during the Subscription Period, it will send to each Warrantholder (or, in the case of joint holders, to the first named of them), at the same time as the same are sent to the holders of Shares, its annual audited accounts and interim accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (c) it will pay all Hong Kong stamp duties, registration fees or similar charges in respect of the execution of the Bonus Warrant Instrument, the creation and initial issue of Bonus Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights (all other duties, fees and charges being for the account of the relevant Warrantholders); and
- (d) it will keep available for issue sufficient Shares to satisfy all rights for the time being outstanding of subscription for or conversion or exchange into new Shares.

### **13. NOTICES**

The Bonus Warrant Instrument contains provisions relating to notices to be given to Warrantholders. Every Warrantholder shall register with the Company an address either in Hong Kong or elsewhere to which notices to be given to such Warrantholder are to be sent and if any Warrantholder shall fail to do, notice may be given to such Warrantholder by sending the same to his/her/its last known address. All notices with respect to Bonus Warrants standing in the names of joint holders shall be given to whichever such persons is named first in the register of Warrantholders and notice so given shall be sufficient notice to all the joint holders of such Bonus Warrants.

### **14. GOVERNING LAW**

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