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

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**If you are in any doubt** about this circular, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Century City International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker, licensed securities dealer or other agent through whom the sale was effected, for transmission to the purchaser.

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**ISSUE OF ZERO COUPON GUARANTEED CONVERTIBLE BONDS DUE 2010**  
**BONUS ISSUE OF WARRANTS**  
**GRANT OF GENERAL MANDATE TO REPURCHASE WARRANTS**

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A notice convening a special general meeting of Century City International Holdings Limited to be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 6th January, 2006 at 11:00 a.m. is set out on pages 37 to 40 of this circular. If you are not able to attend the meeting, please complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the office of the branch share registrar of Century City International Holdings Limited in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3rd January, 2006) as soon as possible and, in any event, by not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

20th December, 2005

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## DEFINITIONS

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

“Announcement”	the announcement made by the Company dated 29th November, 2005 in relation to the issue of the Bonds and the Bonus Issue
“associates”	has the same meaning as defined in Chapter 1 of the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Bonds
“Bonds”	the zero coupon guaranteed convertible bonds due 2010 issued or to be issued by the Issuer, comprising the Firm Bonds and any Optional Bonds, convertible into Shares and guaranteed by the Company
“Bonus Issue”	the proposed bonus issue of the Warrants
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	9th December, 2005, being the closing date for the issue of the Firm Bonds pursuant to the Subscription Agreement
“Company”	Century City International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning as defined in Chapters 1 and 14A of the Listing Rules
“Conversion Price”	the conversion price of the Bonds, initially being HK\$0.10 per Share, which is subject to adjustments as summarised in this circular
“Directors”	the directors of the Company
“Firm Bonds”	Bonds in an aggregate principal amount of HK\$80 million which were issued to the Purchaser under the Subscription Agreement on the Closing Date
“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

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## DEFINITIONS

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“Issuer”	Supreme Way Limited, an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	16th December, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	has the meaning ascribed to it under the paragraph headed “Maturity Date” of the sub-section headed “Principal terms of the Bonds” in this circular
“Mr. Lo”	Mr. Lo Yuk Sui, the chairman of the Board
“Optional Bonds”	additional Bonds in an aggregate principal amount of up to HK\$160 million, which may be issued to the Optionholders under the Subscription Agreement
“Optionholders”	Hero Crown Investments Limited and Rolling High Limited, which are not and whose beneficial owners are not connected persons of the Company
“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 is (are) outside Hong Kong
“Pre-emptive Offer”	a conditional offer in respect of the Bonds made by the Company to the holders of the Series C Convertible Preference Shares pursuant to the terms of such preference shares, which offer has not been accepted and has lapsed
“Purchaser”	Raised Fortune Investments Limited, which is not and whose beneficial owners are not connected person(s) of the Company
“Qualifying Shareholder(s)”	Shareholder(s), other than the Overseas Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	6th January, 2006, the record date fixed by the Board for the determination of entitlements to the issue of the Warrants under the Bonus Issue

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## DEFINITIONS

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“Repurchase Mandate”	the general mandate to repurchase the Warrants proposed to be granted to the Board at the SGM
“Series A Convertible Preference Shares”	the convertible non-voting preference shares of par value of HK\$0.10 each issued by the Company with a term of one year, the principal terms of which have been set out in the Company’s circular dated 8th November, 2004, redemption notices in respect of which were issued by the Company on 12th December, 2005
“Series B Convertible Preference Shares”	the convertible non-voting preference shares of par value of HK\$0.10 each issued by the Company with a term of two years, the principal terms of which have been set out in the Company’s circular dated 8th November, 2004
“Series C Convertible Preference Shares”	the convertible non-voting preference shares of par value of HK\$0.10 each issued by the Company with a term of five years, the principal terms of which have been set out in the Company’s circular dated 8th November, 2004
“SGM”	the special general meeting of the Company to be convened for the purposes of seeking approvals from the Shareholders for (i) the issue of any Shares which may fall to be issued upon conversion of the Bonds; (ii) the Bonus Issue, the terms of the Warrants and the issue of any Shares which may fall to be issued upon the exercise of the Subscription Rights; and (iii) granting of the Repurchase Mandate to the Board
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 28th November, 2005, entered into between the Company, the Issuer, the Purchaser and the Optionholders in relation to the subscription of the Bonds
“Subscription Price”	the sum payable in respect of each Share subscribed for upon exercise of a Subscription Right by a holder of a Warrant, initially being HK\$0.10 per Share, which is subject to adjustments as summarised in this circular

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## DEFINITIONS

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“Subscription Right”	in relation to each Warrant, means the right of the holder of the Warrant, in units of HK\$0.10 each, to subscribe for a certain number of new Shares at the Subscription Price per Share at any time from and including the date falling 3 months after the issue date of the Warrants to the close of business on the date falling 7 days prior to the fifth anniversary of the issue of the Warrants (both dates inclusive) and “Subscription Rights” shall be construed accordingly
“Warrants”	warrants to be issued by the Company under the Bonus Issue which carry the benefit of the Subscription Rights
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## EXPECTED TIMETABLE

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2005

Last day of dealings in Shares cum-entitlements  
to the Bonus Issue . . . . . Thursday, 29th December

First day of dealings in Shares ex-entitlements  
to the Bonus Issue . . . . . Friday, 30th December

2006

Latest time for lodging of transfers for entitlements  
to the Bonus Issue . . . . . 4:30 p.m. on Tuesday, 3rd January

Latest time for lodging proxy forms for the SGM . . . . . 11:00 a.m. on Wednesday, 4th January

Register of members closes, both dates inclusive . . . . . Wednesday, 4th January to  
Friday, 6th January

Record Date . . . . . Friday, 6th January

The SGM . . . . . 11:00 a.m. on Friday, 6th January

Despatch of Warrant certificates . . . . . Wednesday, 18th January

Trading in Warrants on the Stock Exchange begins . . . . . Friday, 20th January

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## LETTER FROM THE BOARD

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世紀城市國際控股有限公司  
**Century City**  
International Holdings Limited  
(Incorporated in Bermuda with limited liability)

(Stock Code: 355)

*Directors:*

LO Yuk Sui (*Chairman and Managing Director*)

\* Anthony CHUANG

# Kitty LO LEE Kit Tai

Jimmy LO Chun To

Kenneth NG Kwai Kai

\* NG Siu Chan

\* WONG Chi Keung

\* *Independent Non-Executive Directors*

# *Non-Executive Director*

*Head office and principal place  
of business:*

11th Floor, 68 Yee Wo Street

Causeway Bay

Hong Kong

20th December, 2005

*To the Shareholders*

Dear Sir or Madam,

### **ISSUE OF ZERO COUPON GUARANTEED CONVERTIBLE BONDS DUE 2010 BONUS ISSUE OF WARRANTS GRANT OF GENERAL MANDATE TO REPURCHASE WARRANTS**

#### **INTRODUCTION**

As disclosed in the Announcement, on 28th November, 2005, the Company, the Issuer, the Purchaser and the Optionholders entered into the Subscription Agreement in relation to the issue of the Bonds by the Issuer. The Bonds issued and to be issued under the Subscription Agreement comprise: (i) the Firm Bonds in an aggregate principal amount of HK\$80 million; and (ii) the Optional Bonds in an additional aggregate principal amount of up to HK\$160 million.

The Company made the Pre-emptive Offer to the holders of the Series C Convertible Preference Shares on 28th November, 2005. The Pre-emptive Offer has not been accepted and has accordingly lapsed.

The Directors have also proposed the Bonus Issue of the Warrants to the Shareholders on the basis of one Warrant (each with a HK\$0.10 Subscription Right) for every five Shares held on the Record Date.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information on the issue of the Bonds, the Bonus Issue, the terms of the Warrants and the proposed granting of the Repurchase Mandate to the Board.

### ISSUE OF THE BONDS

#### Subscription Agreement dated 28th November, 2005

On 28th November, 2005, the Company, the Issuer, the Purchaser and the Optionholders entered into the Subscription Agreement in relation to the proposed issue of the Firm Bonds to the Purchaser and granting of the options to the Optionholders to subscribe for the Optional Bonds to be issued by the Issuer.

#### *The Purchaser and the Optionholders*

Pursuant to the Subscription Agreement, the Purchaser has subscribed for HK\$80 million Firm Bonds and the Optionholders have been granted options to subscribe for up to HK\$160 million Optional Bonds. The Company understands from the Purchaser and the Optionholders that they have the same group of ultimate beneficial owners and the same shareholding structure. After having made all reasonable enquiries by the Board, the Purchaser, the Optionholders and their ultimate beneficial owners are independent third parties and are not connected persons of the Company. To the best knowledge of the Company, the Purchaser and the Optionholders are newly established investment holding companies and the ultimate beneficial owners of the Purchaser and the Optionholders are a group of individual private investors.

#### *Conditions of the issue of the Firm Bonds under the Subscription Agreement*

Completion of the issue of the Firm Bonds under the Subscription Agreement was subject to the fulfilment of, among other things, the following conditions precedent:

1. the representations and warranties given by the Issuer and the Company remaining accurate and correct in all material respects;
2. execution of the guarantee by the Company in respect of the Bonds;
3. the permission of the Bermuda Monetary Authority regarding the issue of the new Shares which may fall to be issued upon conversion of the Bonds or a confirmation from a firm of Bermudan lawyers that further permission from the Bermuda Monetary Authority is not required; and
4. there being no material adverse change in the business condition of the Group (in the reasonable opinion of the Purchaser).

All the conditions precedent have been fulfilled on or before 9th December, 2005, on which date the Subscription Agreement was completed, and HK\$80 million Firm Bonds were issued to the Purchaser.

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## LETTER FROM THE BOARD

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### **Pre-emptive Offer of the Bonds**

There were approximately 3,249.5 million Series C Convertible Preference Shares in issue and outstanding as at the date of the Subscription Agreement and the Latest Practicable Date. A summary of the major terms of the Series C Convertible Preference Shares have been set out in the circular of the Company dated 8th November, 2004. Pursuant to the terms of issue of the Series C Convertible Preference Shares, if the Company proposes to issue any new Shares or other securities which are convertible into Shares for cash or as consideration for the acquisition of assets, holders of the Series C Convertible Preference Shares shall be granted a right to elect to subscribe for such number of new Shares or subject securities such that the percentage shareholding interest of the holders of the Series C Convertible Preference Shares shall remain unchanged before and after such issue on a fully diluted basis. Accordingly, on 28th November, 2005, the Company made the Pre-emptive Offer to all the holders of Series C Convertible Preference Shares. The Pre-emptive Offer was open for acceptance up to and including 9th December, 2005. The Pre-emptive Offer has not been accepted within the aforesaid period and has accordingly lapsed.

### **Principal terms of the Bonds**

#### *The Firm Bonds and the Optional Bonds*

The Bonds comprise:

- (i) the Firm Bonds in an aggregate principal amount of HK\$80 million; and
- (ii) the Optional Bonds in an additional aggregate principal amount of up to HK\$160 million.

The Bonds are issued in registered form, in denominations of HK\$1,000 each. The Bonds have been and will be (in respect of the Optional Bonds) issued at 100% of their principal amount by the Issuer and are unconditionally and irrevocably guaranteed by the Company.

#### *Subscription of the Optional Bonds*

Under the Subscription Agreement, the two Optionholders have each been granted an option to subscribe for up to HK\$80 million principal amount of Optional Bonds subject to (i) the issue of the Firm Bonds and (ii) the Bonds not having been redeemed in whole by the Issuer at its option (as described in the paragraph headed “Early redemption” below) or at the option of the Purchaser (as described in the sub-section headed “Mandate to issue new Shares upon conversion of the Bonds and listing approval” below).

The options granted to the Optionholders are exercisable on one or more occasions at any time from and including the date falling 4 months after the Closing Date up to the close of business on the day falling 90 days prior to the Maturity Date.

The Optional Bonds have the same terms and conditions as the Firm Bonds.

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## LETTER FROM THE BOARD

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### *Conversion rights*

The Bonds are convertible into Shares at any time from and including the date falling 3 months after the Closing Date up to the close of business on the date falling 7 days prior to the Maturity Date subject to the obtaining of (i) approval from the Stock Exchange for the listing of and permission to deal in and (ii) approval of the Shareholders for the issue of the new Shares which may fall to be issued upon conversion of the Bonds (as described in the sub-section headed “Mandate to issue new Shares upon conversion of the Bonds and the listing approval” below).

### *Conversion price*

The initial Conversion Price is HK\$0.10 per Share, subject to adjustments as summarised below.

The initial Conversion Price was determined on an arm’s length basis between the Company, the Issuer, the Purchaser and the Optionholders with reference to the market price of the Shares. The initial Conversion Price represents (i) a premium of approximately 7.5% over the closing price of HK\$0.093 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; (ii) a premium of approximately 22.0% over the closing price of HK\$0.082 per Share as quoted on the Stock Exchange on 25th November, 2005, being the last trading day of the Shares immediately prior to the suspension of trading in the Shares on the Stock Exchange commencing on 28th November, 2005; and (iii) a premium of approximately 26.3% over the average closing price of HK\$0.0792 per Share for the last 5 consecutive trading days as quoted on the Stock Exchange up to and including 25th November, 2005.

The Conversion Price is subject to adjustment for, among other things, consolidations/subdivisions of the Shares, capital distributions, bonus issues, rights issues and certain other dilutive events, including a downward adjustment to the effect that should the Company issue new Shares (or securities convertible into new Shares) at an issue price lower than the then prevailing Conversion Price, the Conversion Price shall be adjusted downwards to such issue price (but such adjustment shall not be retroactive).

### *Interest*

The Bonds do not carry any interest.

### *Maturity date*

The Maturity Date of the Bonds is the date falling 5 years from the issue of the Firm Bonds, i.e. 9th December, 2010. Any outstanding Bonds will be redeemed on the Maturity Date by the Issuer at an amount equal to 127.63% of their principal amount, representing a yield to maturity of 5% per annum.

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## LETTER FROM THE BOARD

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### *Put option*

The Bondholders have put options which shall allow them to require the Issuer to redeem all or part of the relevant Bonds at an amount equal to 115.76% of their principal amount, representing a yield to put of 5% per annum, on the third anniversary day of the issue of the Firm Bonds, i.e. 9th December, 2008. The options to subscribe for the Optional Bonds are still exercisable by the relevant Optionholders, notwithstanding exercise of the put options by the Bondholders.

### *Transferability*

The Bonds are not and will not be listed on any stock exchange but will be freely transferable to any persons, including any connected persons of the Company. The Company has maintained a register in respect of the holders of the Bonds.

### *Early redemption*

The Company has the right, at any time prior to the Maturity Date by not less than 15 nor more than 30 business days' notice to the Bondholders, to redeem the Bonds at an amount equals to the principal amount of the outstanding Bonds together with a redemption premium equal to 5% per annum (to be calculated on an annual compound basis) if the total outstanding principal amount of the Bonds is less than HK\$10 million. All unexercised options in respect of the Optional Bonds will then lapse.

### **Ranking of the Shares to be issued upon conversion of the Bonds**

The new Shares falling to be issued upon exercise of the conversion rights attaching to the Bonds will in all respects rank *pari passu* with the then existing issued Shares as at the date of allotment and issue.

### **Mandate to issue new Shares upon conversion of the Bonds and listing approval**

The Company intends to obtain a specific approval from its Shareholders at the SGM for the issue of any new Shares which may fall to be issued upon conversion of the Bonds.

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, any Shares which may fall to be issued upon conversion of the Bonds.

The Company has undertaken to the Purchaser to use its best endeavours to obtain (i) Shareholders' approval and (ii) the Stock Exchange's listing approval for the issue of new Shares upon conversion of the Bonds within 3 months from the Closing Date (or such other date as may be agreed by the Issuer and the Purchaser in writing), failing which, the Purchaser shall be entitled within one month following expiration of the said 3-month period to require the Issuer to redeem the Firm Bonds issued to it in whole (but not in part) at the principal amount thereof together with interest at a rate of 5% per annum calculated from the Closing Date up to and excluding the date of redemption. In addition, the options granted to the Optionholders to subscribe for the Optional Bonds shall be cancelled.

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## LETTER FROM THE BOARD

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If the Purchaser opts not to exercise its rights to require the Issuer to redeem the relevant Firm Bonds as described in the preceding paragraph, then the Bonds which have not been redeemed pursuant to the abovementioned redemption rights will cease to be convertible into new Shares but other terms of the Bonds shall remain unchanged.

During the above 3-month period and before the obtaining of the said Shareholders' approval and listing approval, the Company shall not enter into any transaction which will involve issuing of new Shares using the general mandate granted to the Board by the Shareholders at the annual general meeting of the Company held on 16th June, 2005, unless the Issuer and the Purchaser agree otherwise.

### **Use of proceeds from the issue of the Bonds**

Of the proceeds of HK\$80 million received from the issue of the Firm Bonds, approximately HK\$63 million will be applied towards the redemption of its outstanding Series A Convertible Preference Shares at a pre-agreed price of HK\$0.0165 each and the remaining approximately HK\$17 million will be used for general working capital purposes. The Company has issued redemption notices to the holders of Series A Convertible Preference Shares on 12th December, 2005 and settlement of which will take place on or before 20th December, 2005. Additional proceeds from any subscription of the Optional Bonds will also be used by the Group for general working capital purposes. Up to the Latest Practicable Date, the Company had not identified any particular investment project which would be financed by the proceeds from the issue of the Bonds.

### **Reasons for the issue of the Bonds**

The issue of the Bonds is primarily for fund raising purposes. The Company considers that the issue of the Bonds provided the Group with fresh capital to redeem its outstanding Series A Convertible Preference Shares and could strengthen the Company's capital base. The purposes of the granting of the options to subscribe for the Optional Bonds are partly to provide the Purchaser with incentives to subscribe for the Firm Bonds and partly to provide the Company with an opportunity to further expand its capital base. The Directors consider the terms of the Subscription Agreement and the Bonds to be fair and reasonable and the issue of the Bonds to be in the interests of the Company and the Shareholders as a whole.

### **BONUS ISSUE OF THE WARRANTS**

#### **The Bonus Issue**

The Board proposes the Bonus Issue to the Shareholders on the basis of one Warrant for every five Shares held on the Record Date, subject to the satisfaction of the conditions described below. The Company has fixed the Record Date to be 6th January, 2006. Based on the number of Shares in issue as at the Latest Practicable Date and assuming that there will be no change in the number of issued Shares between the Latest Practicable Date and the Record Date, it is expected that Warrants carrying up to 3,283,354,790 units of Subscription Rights will be issued under the Bonus Issue.

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## LETTER FROM THE BOARD

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### **The Warrants**

Based on the initial Subscription Price of HK\$0.10 per Share, every unit of HK\$0.10 Subscription Right will give the holder of the relative Warrant the right to subscribe for one new Share. Should the Subscription Price be adjusted pursuant to the terms of the Warrants, the number of Shares that a holder of a Warrant is entitled to subscribe for will also be adjusted. It is proposed that a trading board lot will comprise Warrants carrying 50,000 units of Subscription Rights of HK\$0.10 each.

According to the tentative timetable set out in this circular, the Warrants will be issued on 18th January, 2006, and the Subscription Period will be from 18th April, 2006 to 11th January, 2011 (both dates inclusive).

Fractional entitlements to less than one unit of HK\$0.10 Subscription Right attaching to the Warrants will not be granted to the Shareholders and will be ignored.

The initial Subscription Price is equivalent to the initial Conversion Price. The Subscription Price is subject to substantially the same adjustments as those applicable to the Conversion Price of the Bonds.

A summary of the principal terms of the Warrants is set out in Appendix I to this circular.

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants and the Shares which may fall to be issued upon exercise of the Warrants on the Stock Exchange.

### **Ranking of the Shares to be issued upon exercise of the Warrants**

The new Shares falling to be issued upon exercise of the Subscription Rights will in all respects rank *pari passu* with the then existing issued Shares as at the date of such allotment and issue.

### **Overseas Shareholders**

This circular regarding the Bonus Issue will not be registered or filed under any securities legislation in any jurisdiction outside Hong Kong and Bermuda. The Board has made the necessary enquiries and has considered the necessity, practicality and/or costs of complying or ensuring compliance with the relevant legal or other regulatory requirements of the jurisdictions where the Overseas Shareholders were registered in the register of members of the Company as at the Latest Practicable Date. The Board is of the view that it is not practical and/or expedient to issue the Warrants to the Overseas Shareholders.

Arrangements will be made for the Warrants, which would otherwise be issued to the Overseas Shareholders under the Bonus Issue, to be aggregated and sold in the market if a premium, net of

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## LETTER FROM THE BOARD

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expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed to such Overseas Shareholders pro rata to their respective shareholdings and remittances thereof will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100, in which case it will be retained for the benefit of the Company.

### Conditions of the Bonus Issue

The Bonus Issue is conditional on the following:

1. passing of an ordinary resolution in relation to (i) the Bonus Issue and (ii) the issue of new Shares pursuant to the exercise of the Warrants at the SGM;
2. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Warrants and any new Shares which may fall to be issued upon the exercise of the Subscription Rights; and
3. the completion of the issue of the Firm Bonds under the Subscription Agreement.

As mentioned above, the issue of the Firm Bonds under the Subscription Agreement was completed on 9th December, 2005. Accordingly, condition number 3 above has been satisfied.

### Reasons for the Bonus Issue

The issue of the Bonds will have a potential dilutive effect on the shareholding interests of the existing Shareholders in the Company. For details of the changes in the shareholding structure of the Company as a result of the conversion of the Bonds and the exercise of the Warrants, please refer to the section headed “Effect on the shareholding structure of the Company” below. The Directors believe that the Bonus Issue of the Warrants will provide the Shareholders with an opportunity to maintain, to a certain extent, their shareholding interests in the Company after the issue of the Bonds. For this reason, the initial Subscription Price of the Shares to be issued upon exercise of the Warrants is the same as the initial Conversion Price and is subject to substantially the same adjustment provisions. The Directors also consider that the Bonus Issue will enable the Shareholders to further participate in the equity capital of the Company.

The issue of the Warrants will also provide the Company with proceeds of approximately HK\$328.3 million if the Subscription Rights are exercised in full. Such amount will be used as general working capital of the Group.

### Certificates for the Warrants

It is expected that certificates for the Warrants will be posted on or around 18th January, 2006 at the risk of the Qualifying Shareholders to their respective addresses shown on the register of members of the Company.

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## LETTER FROM THE BOARD

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### Closure of register of members

The register of members of the Company will be closed from 4th January, 2006 to 6th January, 2006 (both dates inclusive) in order to determine entitlements to the Bonus Issue. **To qualify for the Bonus Issue, investors must ensure that all forms of transfers of Shares accompanied by the relevant certificates for the Shares are lodged with the branch share registrar of the Company in Hong Kong, Tengis Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3rd January, 2006) not later than 4:30 p.m. on 3rd January, 2006.**

### Listing and dealings

Application has been made to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, the Warrants and Shares which may fall to be issued upon the exercise of the Subscription Rights attaching to the Warrants. It is proposed that a trading board lot will comprise Warrants carrying 50,000 units of Subscription Rights of HK\$0.10 each. Necessary arrangements, including an application, will be made to HKSCC to enable the Warrants to be accepted by HKSCC as eligible securities for deposit, clearance and settlement in CCASS.

Dealings in the Warrant on the Stock Exchange are expected to commence on 20th January, 2006.

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

The Warrants will not be listed or traded on any other stock exchange other than the Stock Exchange and no such listing of, or permission to deal in, the Warrants is being or proposed to be sought. Dealings in the Warrants and the Shares which may fall to be issued upon exercise of the Subscription Rights attaching to the Warrants on the register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the initial Conversion Price, an aggregate number of 800 million new Shares will fall to be issued upon full conversion of the Firm Bonds and an additional aggregate number of 1,600 million new Shares will fall to be issued upon subscription and conversion of the Optional Bonds in full.

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## LETTER FROM THE BOARD

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Based on the approximately 16,416.8 million Shares in issue as at the Latest Practicable Date and assuming no other change in the Company's issued ordinary share capital on or before the Record Date, Warrants in aggregate carrying approximately 3,283 million units of Subscription Rights of approximately HK\$328.3 million will be issued pursuant to the Bonus Issue. Based on the initial Subscription Price, exercise of such Warrants in full would result in the issue of approximately 3,283 million new Shares, representing 20% of the existing issued ordinary share capital of the Company.

As at the Latest Practicable Date, approximately 277.5 million Series B Convertible Preference Shares and approximately 3,249.5 million Series C Convertible Preference Shares were outstanding which may, in accordance with their respective terms, be converted into the same number of new Shares. As at the Latest Practicable Date, the Company had no outstanding warrants, options or similar rights to subscribe for or purchase Shares for the purposes of Chapter 15 of the Listing Rules.

The table below sets out the existing shareholding structure of the Company and the shareholding structures of Company under the following scenarios:

### **Scenario 1**

Assuming no Warrants are exercised and the Firm Bonds with a principal amount of HK\$80 million are converted in full into 800 million new Shares at the initial Conversion Price.

### **Scenario 2**

Assuming the Firm Bonds with a principal amount of HK\$80 million are converted in full into 800 million new Shares at the initial Conversion Price and the Subscription Rights attaching to the Warrants are exercised in full to subscribe for approximately 3,283 million new Shares at the initial Subscription Price.

### **Scenario 3**

Assuming the Firm Bonds with a principal amount of HK\$80 million are converted in full into 800 million new Shares at the initial Conversion Price, and the maximum amount of Optional Bonds with an aggregate principal amount of HK\$160 million are issued and are converted in full into 1,600 million new Shares at the initial Conversion Price, and no Warrants are exercised.

### **Scenario 4**

Assuming Firm Bonds with a principal amount of HK\$80 million are converted in full into 800 million new Shares at the initial Conversion Price, and the maximum amount of Optional Bonds with an aggregate principal amount of HK\$160 million are issued and are converted in full into 1,600 million new Shares at the initial Conversion Price and the Subscription Rights attaching to the Warrants are exercised in full to subscribe for approximately 3,283 million new Shares at the initial Subscription Price.

# LETTER FROM THE BOARD

	As at the Latest Practicable Date			Scenario 1			Scenario 2			Scenario 3			Scenario 4		
	Number of shares million	Shareholding (on a fully diluted basis)		Number of shares million	Shareholding (on a fully diluted basis)		Number of shares million	Shareholding (on a fully diluted basis)		Number of shares million	Shareholding (on a fully diluted basis)		Number of shares million	Shareholding (on a fully diluted basis)	
		Shareholding %	%		Shareholding %	%		Shareholding %	%		Shareholding %	%		Shareholding %	%
Mr. Lo and his associates	11,961.8	72.9%	60.0%	11,961.8	69.5%	57.7%	14,354.2	70.0%	59.7%	11,961.8	63.6%	53.5%	14,354.2	65.0%	56.0%
The Purchaser and the Optionholders* (note 4)	—	0.0%	0.0%	800.0	4.6%	3.9%	800.0	3.9%	3.3%	2,400.0	12.8%	10.7%	2,400.0	10.9%	9.4%
Other Directors	17.1	0.1%	0.1%	17.1	0.1%	0.1%	20.5	0.1%	0.1%	17.1	0.1%	0.1%	20.5	0.1%	0.1%
Existing public Shareholders*	4,437.9	27.0%	22.2%	4,437.9	25.8%	21.3%	5,325.1	26.0%	22.2%	4,437.9	23.5%	19.9%	5,325.1	24.0%	20.7%
<b>Total</b>	<b>16,416.8</b>	<b>100.0%</b>	<b>82.3%</b>	<b>17,216.8</b>	<b>100.0%</b>	<b>83.0%</b>	<b>20,499.8</b>	<b>100.0%</b>	<b>85.3%</b>	<b>18,816.8</b>	<b>100.0%</b>	<b>84.2%</b>	<b>22,099.8</b>	<b>100.0%</b>	<b>86.2%</b>
Holder of Series B Convertible Preference Shares*	277.5		1.4%	277.5		1.3%	277.5		1.2%	277.5		1.2%	277.5		1.1%
Holder of Series C Convertible Preference Shares* (note 5)	3,249.5		16.3%	3,249.5		15.7%	3,249.5		13.5%	3,249.5		14.6%	3,249.5		12.7%
<b>Total - on fully diluted basis</b>	<b>19,943.8</b>		<b>100.0%</b>	<b>20,743.8</b>		<b>100.0%</b>	<b>24,026.8</b>		<b>100.0%</b>	<b>22,343.8</b>		<b>100.0%</b>	<b>25,626.8</b>		<b>100.0%</b>
*Total public shareholding (notes 4 and 5)		27.0%	26.6%		30.4%	29.4%		29.9%	29.2%		23.5%	23.8%		24.0%	33.5%

**Notes:**

- Conversion of the Bonds may only take place three months after the Closing Date and the Warrants may only be exercised three months after the issue date of the Warrants.
- The initial Conversion Price is HK\$0.10. If the Conversion Price is adjusted downward, the number of Shares which may fall to be issued upon conversion of the Bonds will increase and the shareholding interest of other Shareholders will be further diluted.
- The initial Subscription Price is HK\$0.10. The Warrants are assumed to be issued pro rata to the existing Shareholders and to be exercised by them in full under Scenarios 2 and 4.
- The Purchaser and the Optionholders may not be regarded as public Shareholders under Scenarios 3 and 4 as they may have shareholdings of 10% or more in the Company.
- Based on the existing shareholding of the Series C Convertible Preference Shares, one of the relevant holder may hold 10% or more of the issued ordinary share capital of the Company after conversion of the Series C Convertible Preference Shares under the above scenarios. Accordingly, its holding in the ordinary share capital of the Company will not be counted as part of the public shareholdings in the relevant scenarios.
- Save for the above, assuming there will be no other changes to the shareholding structure of the Company.

**The Stock Exchange has indicated that it will closely monitor the trading in the Shares if less than 25% of the issued Shares are held by the public. If the Stock Exchange believes that a false market exists or may exist in the Shares, or there are too few Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained.**

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## LETTER FROM THE BOARD

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### **EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD**

No equity fund raising activities have been carried out by the Company in the twelve-month period prior to the Latest Practicable Date.

### **GRANT OF REPURCHASE MANDATE**

The Board proposes to put forward a resolution at the SGM to grant the Repurchase Mandate to the Board to purchase Warrants on the market not exceeding 10% of the total amount of the Warrants outstanding as at the date of their issue subject to (i) the relevant provisions of the Listing Rules and (ii) the issue of the Warrants under the Bonus Issue. Shareholders may refer to the “Explanatory statement” in Appendix II to this circular for details of the Repurchase Mandate.

### **SPECIAL GENERAL MEETING**

A notice convening the SGM to consider and, if thought fit, to approve (i) the issue of the new Shares which may fall to be issued upon conversion of the Bonds; (ii) the Bonus Issue, the terms of the Warrants and the issue of the new Shares which may fall to be issued upon exercise of the Subscription Rights attaching to the Warrants; and (iii) granting of the Repurchase Mandate to the Board is set out on pages 37 to 40 of this circular. If the Purchaser, the Optionholders, any of the ultimate beneficial owners of the Purchaser and the Optionholders, any other holder of the Firm Bonds or any of their respective associates holds any Shares at the date of the SGM, such Shareholder, as well as any other Shareholder who has a material interest in the issue of the Bonds, should abstain from voting at the SGM in respect of the resolution for approving the issue of the new Shares which may fall to be issued upon conversion of the Bonds.

A form of proxy for use at the SGM is enclosed. If you are not able to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of the Company in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong with effect from 3rd January, 2006) not less than 48 hours before the time appointed for holding the SGM. Completion and return of a form of proxy will not preclude you from attending and voting at the SGM or at any adjourned meeting if you so wish.

Pursuant to the bye-laws of the Company, a poll may be demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) for voting on a resolution proposed at the SGM:

- (a) by the chairman of the SGM; or
- (b) by at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the SGM; or

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## LETTER FROM THE BOARD

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- (c) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the SGM; or
- (d) by a Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the SGM being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

### RECOMMENDATION

The Board considers that the issue of the Bonds, the Bonus Issue and the granting of the Repurchase Mandate are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

Grand Modern Investments Limited, a company controlled by Mr. Lo and which held approximately 65.5% of the issued Shares as at the Latest Practicable Date, has indicated to the Board that it will vote in favour of all the resolutions to be proposed at the SGM in relation to the Bonus Issue, the terms of the Warrants and the issue of the new Shares which may fall to be issued upon (i) conversion of the Bonds and (ii) exercise of the Subscription Rights attaching to the Warrants, and the grant of the Repurchase Mandate to the Board.

### DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Fred Kan & Co. at 3104-7, 31/F., Central Plaza, 18 Harbour Road, Hong Kong during normal business hours from the date of this circular up to and including 6th January, 2006 and will be available for inspection at the SGM:

- (a) the Subscription Agreement;
- (b) an advanced draft (subject to non-material amendment) of the instrument constituting the Warrants;
- (c) an advanced draft of the certificate for the Warrants (subject to modification); and
- (d) the memorandum of association and bye-laws of the Company.

An executed copy of the instrument of Warrant will be available to the holders of the Warrants for inspection at the principal place of business of the registrar of the Company in respect of the Warrants, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong with effect from 3rd January, 2006).

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## LETTER FROM THE BOARD

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It is expected that certificates for the Warrants with the finalised principal terms and conditions of the Warrants will be despatched to all the Qualifying Shareholders on 18th January, 2006.

### FURTHER INFORMATION

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

Yours faithfully,  
By Order of the Board  
**Lo Yuk Sui**  
*Chairman*

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

The Warrants will represent direct obligations of the Company to the registered holders for the time being of the Warrants (the “Warranholders”). The principal terms and conditions of the Warrants will be set out in the certificates for the Warrants (the “Warrant Certificates”). The Warranholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions (the “Conditions”) and of the provisions of the Instrument, copies of which will be available for inspection at the registrar of the Company for the time being in Hong Kong in respect of the Warrants (the “Registrar”). The following is a summary of the principal provisions of the Instrument and is subject to the provisions of the Instrument.

## 1. SUBSCRIPTION RIGHTS

- (a) Subject to the provisions in the Instrument and in compliance with all fiscal and other laws and regulations applicable thereto, the Warranholder shall have the Subscription Right, in units of HK\$0.10 each, which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time from 9:00 a.m. on the date falling three months after issue of the Warrants to 4:00 p.m. on the date falling seven days prior to the fifth anniversary of the issue of the Warrants (the “Subscription Period”), to subscribe in Hong Kong dollars in cash up to the amount stated on the Warrant Certificate (the “Exercise Moneys”) for fully paid Shares at the Subscription Price per Share (subject to adjustment as referred to below). Upon expiry of the Subscription Period, any Subscription Rights which have not been exercised shall lapse and the Warrant Certificates shall cease to be valid for any purpose whatsoever. According to the tentative timetable set out in this circular, the Warrants will be issued on 18th January, 2006, the Subscription Period would be from 18th April, 2006 to 11th January, 2011 (both dates inclusive).
- (b) The entitlements of the Warranholders to their Warrants will be evidenced by the Warrant Certificates, each of which will contain a subscription form (the “Subscription Form”). In order to exercise in whole or in part the Subscription Rights, the Warranholder must complete and sign the Subscription Form (which shall be irrevocable) and deliver the same to the Registrar, together with a remittance for the Exercise Moneys (or, in the case of a partial exercise, the relevant portion of the Exercise Moneys), being the aggregate amount of the Subscription Rights which the Warranholder is exercising. In each case, compliance must also be made with any fiscal or other laws or regulations for the time being applicable.
- (c) The number of Shares to be allotted on exercise of the Subscription Rights shall be calculated by dividing the amount of Exercise Moneys specified in the relevant Subscription Form and duly remitted as aforesaid by the Subscription Price applicable on the subscription date.
- (d) The Company has undertaken in the Instrument that any Shares falling to be issued upon the exercise of any of the Subscription Rights represented by the Warrant Certificate shall be issued and allotted not later than 10 business days after the relevant subscription date,

taking account of any adjustment which may have been made pursuant to the adjustment provisions under the Instrument, a summary of which is set out in paragraph 2(a) below, and shall rank *pari passu* with the Shares in issue on the relevant subscription date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made 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 on or before the relevant subscription date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant subscription date.

- (e) Subject to the provisions under paragraph 15, as soon as practicable after the relevant allotment of Shares (and, in any event, not later than 10 business days after the relevant subscription date) there shall be issued free of charge to the Warrantholder(s) of the Warrant(s) represented by the Warrant Certificate:
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);
  - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights remaining unexercised;
  - (iii) (if applicable) a cheque representing any fractional entitlement to Shares not allotted.

The certificate(s) for Shares arising on the exercise of Subscription Rights and the balancing Warrant Certificate (if any) and the cheque (if any) shall be sent to the relevant Warrantholder(s) at his/her/its/their own risk to the address of such Warrantholder(s) registered in the register of the Warrants. If the Company agrees, such certificate(s) and the cheque (if any) may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder.

## 2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument will contain full provisions relating to the adjustment of the Subscription Price. The following is a summary of the adjustment provisions of the Instrument:

- (a) The Subscription Price will be subject to adjustment as follows:
- (i) (a) If the Company shall issue Shares at a consideration (including both cash consideration and non-cash consideration) per Share (the “Issue Price”) which is less than the prevailing Subscription Price or (b) if the Company or any other company shall issue (for cash or non-cash consideration) securities convertible into (or any other rights to acquire) new Shares, at a conversion price or subscription price (the “Strike Price”) which is less than the prevailing Subscription Price, the Subscription Price shall be adjusted downwards to such Issue Price or Strike Price (as the case may

be) (prior to deduction of any fees or commissions) PROVIDED THAT the adjusted Subscription Price shall not be less than the par value of the Shares on the Subscription Date unless permitted by law and in compliance with the Listing Rules.

The adjustment to the Subscription Price made pursuant to this paragraph 2(a)(i) shall become effective immediately on the same date as the date of (1) the issue of the Shares at the Issue Price or (2) the issue of the securities or rights carrying the Strike Price.

For the avoidance of doubt, any adjustments to the Subscription Price made pursuant to this paragraph 2(a)(i) shall only be downward adjustments and shall not be retroactive.

- (ii) If the Company shall (a) make a stock split (which means any kind of stock split in relation to the Shares, including a bonus share distribution, a stock dividend distribution or a sub-division of Shares), (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Subscription Price shall be appropriately adjusted so that any Warrantholder, the subscription date in respect of which occurs after the coming into effect of the adjustment described in this paragraph 2(a)(ii), shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Warrant been exercised immediately prior to the happening of such event (or, if the Company has fixed a prior record date for the determination of Shareholders entitled to receive any such Shares or other securities issued upon any such stock split, consolidations or re-classification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Subscription Price made with effect from the date of the happening of such event (or such record date) or any time thereafter. An adjustment made pursuant to this paragraph 2(a)(ii) shall become effective immediately on the relevant event becoming effective or, if a prior record date is fixed therefor, immediately after the record date; PROVIDED THAT in the case of a relevant transaction which must, under applicable Hong Kong or Bermuda law, be submitted for approval to a Shareholders' meeting or to a meeting of the Board before being legally effective, and which is so approved after the record date fixed for the determination of Shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.
- (iii) If and whenever the Company shall make any Capital Distribution (as defined below) to the Shareholders, the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price (as defined below) of one Share on the last Trading Day (as defined below) preceding the date on which the Capital Distribution is publicly announced; and
- B is the Fair Market Value (as defined below) of the portion of the Capital Distribution attributable to one Share on the date of such announcement, as determined in good faith by the auditors of the Company from time to time (“Auditors”), or failing which, by a merchant bank or other reputable financial institution in Hong Kong selected by the Directors (“Approved Merchant Bank”).

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

- (iv) Subject to the provisions under paragraph 2(a)(i) above, if and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant (excluding Shares not taken up).

Such adjustment shall become effective on the date of issue of such Shares or issue of such options, warrants or other rights (as the case may be).

- (v) Subject to the provisions under paragraph 2(a)(i) above, if and whenever the Company shall issue any securities (other than Shares or options and any securities convertible or exchangeable into Shares, warrants or other rights to subscribe or purchase Shares)

to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options or any securities convertible or exchangeable into Shares, warrants or other rights to subscribe or purchase Shares), the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value of the portion of the securities or rights attributable to one Share in connection with the securities or rights comprised in such issue or grant on the date of such announcement, as determined in good faith by the Auditors, or failing which, by an Approved Merchant Bank.

Such adjustment shall become effective on the date of issue of the securities or date of issue of such rights, options or warrants (as the case may be).

- (vi) Subject to the provisions under paragraph 2(a)(i) above, if and whenever the Company shall issue any Shares, whether for cash or non-cash consideration (other than Shares issued on the exercise of Subscription Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of options, warrants or other rights to subscribe or purchase Shares or securities convertible or exchangeable into Shares, in each case at a price per Share which is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

- (vii) Subject to the provisions under paragraph 2(a)(i) above, save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph 2(a)(vii), if and whenever the Company (otherwise than as mentioned in paragraphs 2(a)(iv), (v) or (vi)), or (at the direction or request of or pursuant to any arrangements with the Company) any other person or entity shall issue any securities (other than the Warrants) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company on conversion or subscription at a consideration per Share which is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Subscription Price shall be adjusted by multiplying the prevailing Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the number of Shares to be issued on conversion of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

“**Capital Distribution**” means (i) any distribution of assets in specie by the Company for any financial period (whenever paid or made and however described) (and for these

purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves) and (ii) any cash dividend or distribution of any kind by the Company for any financial period (whether paid and however described) unless:

- (i) (and to the extent that) the value of the Capital Distribution does not, when taken together with any other dividend or distribution previously made or paid in respect of all periods after 31st December, 2004, exceed the aggregate of the consolidated net profits for such periods (less the aggregate of any consolidated net losses) attributable to Shareholders after deducting minority interests and preference dividends (if any) but (a) deducting any amounts in respect of any asset previously credited to the Company's reserves (in respect of any period or date up to and including 31st December, 2004) pursuant to any revaluation of such asset, where amounts arising on the disposal of such asset have contributed to such profits and (b) deducting any exceptional and extraordinary items, (and for the avoidance of doubt after excluding any amount arising as a result of any reduction in registered capital, share premium account or capital redemption reserve), in each case calculated by reference to the audited consolidated profit and loss accounts (where appropriate as restated pursuant to the prevailing Hong Kong Generally Accepted Accounting Principles) for such periods of the Company and its subsidiaries, or
- (ii) it comprises a purchase or redemption of Shares by or on behalf of the Company in accordance with the Listing Rules.

In making any such calculation, such adjustments (if any) shall be made the Auditors, or failing which, an Approved Merchant Bank, may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

“**Current Market Price**” means, in respect of a Share at a particular date, the average of the closing prices published in the daily quotation sheet of the Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that if the Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

“**Fair Market Value**” means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by the Auditors, or failing which, an Approved Merchant Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such merchant bank or accountant firm), the fair market value of such options, warrants or other rights shall be equal to the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first trading day such options, warrants or other rights are publicly traded.

“**Trading Day**” means a day when the Stock Exchange is open for dealing business, provided that if no closing price is reported in respect of the relevant Shares on the Stock Exchange for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

- (b) The provisions of paragraph 2(a) shall not apply to:
- (i) (1) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon exercise of any rights (including the Subscription Rights) to acquire Shares or (2) any adjustment in the conversion price of any securities convertible into the Shares, if such adjustment is in accordance with the existing terms of such securities, provided that an adjustment has been made (if appropriate) under paragraph 2(a) in respect of the issue of such securities or granting of such rights (as the case may be);
  - (ii) an issue of Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Shares pursuant to any scheme established in accordance with Chapter 17 or similar chapter of the Listing Rules;
  - (iii) an issue by the Company of Shares or by the Company or any of subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business provided that an adjustment has been made (if appropriate) under paragraph 2(a) in respect of the issue of such securities or granting of such rights (as the case may be);

- (iv) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value of such Shares is not more than 110 per cent. of the amount of dividend which the Shareholders could elect to or would otherwise receive in cash, for which purpose the “market value” of a Share shall mean the average of the closing prices for such Trading Days on which dealings in the Shares took place (being not less than five such days) as are selected by the Directors in connection with determining the basis of allotment in respect of the relevant scrip dividend and which fall within the period of one month ending on the last day on which holders of Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash;
  - (v) the issue of the Bonds (including any issue of Shares pursuant to the Bonds and any adjustments to the conversion price in respect of the Bonds pursuant to the terms of the Bonds); and
  - (vi) any issue of exchangeable securities which are exchangeable into existing Shares in a non-dilutive manner.
- (c) Any adjustment to the Subscription Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Subscription Price. In addition to any determination which may be made by the Directors, every adjustment to the Subscription Price shall be certified either (at the option of the Company) by the Auditors or by an Approved Merchant Bank.

Notwithstanding anything contained in the Instrument or the Warrant Certificates, no adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced in accordance with the above adjustment provisions would be less than one cent and any adjustment that would otherwise be required then to be made shall not be carried forward.

Where two or more events which gives or may give rise to an adjustment to the Subscription Price occur within such a short period of time that in the opinion of the Auditors or an Approved Merchant Bank (at the sole discretion of the Directors), the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Auditors or such Approved Merchant Bank to be in its opinion appropriate in order to give such intended result.

The Company will not do any act or engage in any transaction the result of which, having regard to the above adjustment provisions, would be to reduce the Subscription Price to below the par value of a Share (unless both Hong Kong law and Bermuda law shall be amended to permit such reduction any the bye-laws of the Company shall be offered or added to such effect).

- (d) Notwithstanding the provisions referred to in paragraph 2(a) above. In any circumstances where the Directors may consider that an adjustment to the Subscription Price:
- (i) provided for under those provisions should not be made or should be calculated on a different basis;
  - (ii) should be made notwithstanding that no such adjustment is required under those provisions; or
  - (iii) should take effect on a different date or at a different time from that provided for under those provisions,

the Company may appoint an Approved Merchant Bank or the Auditors (at the sole discretion of the Directors) to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Merchant Bank or 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 Auditors (as the case may be) to be in its opinion appropriate.

- (e) Whenever the Subscription Price is adjusted as herein provided the Company shall give notice to the Warrantheolders within seven business days that the Subscription Price has been adjusted (setting forth the event giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof) and shall at all times thereafter so long as the Subscription Rights remain exercisable make available for inspection at its principal place of business in Hong Kong a signed copy of the said certificate of the Auditors or (as the case may be) of the relevant Approved Merchant Bank and a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof.

### **3. REGISTERED WARRANTS**

The Warrants will be issued in registered form. The Company shall be entitled to treat the registered Warrantheolder 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 has express or other notice thereof.

### **4. TRANSFER, TRANSMISSION AND REGISTER**

The Warrants will be transferable, in whole or in integral multiples of units of Subscription Rights, by instrument of transfer in any usual or common form or such other form as may be approved

by the Directors. Transfers of Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited or its successor(s), the transfers may be executed by the hand(s) of authorised person(s) or by machine imprinted signature. The Company shall maintain a register of Warrantholders in Hong Kong (the “Register”). The provisions of the bye-laws of the Company relating to the registration, transmission and transfer of Shares and the Company’s register of members shall apply, mutatis mutandis, to the registration, transmission and transfer of the Warrants and shall have full effect as if the same had been incorporated in the Instrument.

Persons who hold Warrants and have not registered the Warrants in their own names and wish to transfer or exercise the Warrants should note that they 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, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period.

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

## **5. CLOSURE OF REGISTER OF WARRANTHOLDERS**

The registration of transfers may be suspended and the Register may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed for a period of more than 30 days in any one year. Any transfer or exercise of the Subscription Rights attaching to the Warrants made while the Register is closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as between the Company and the Warrantholder who has so exercised the Subscription Rights attaching to his Warrants (but not otherwise), be considered as made immediately after the reopening of such Register.

## **6. PURCHASE AND CANCELLATION**

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

- (i) in the open market or by tender (available to all Warrantholders alike) at any price and in any amount subject to the Code on Share Repurchases of Hong Kong (the “Code”), the Listing Rules and all other applicable laws, rules and regulations; or
- (ii) by private treaty subject to the Code, the Listing Rules and all other applicable laws, rules and regulations.

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

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

- (a) The Instrument will contain provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification of the provisions of the Instrument and/or the Conditions by a resolution passed at a meeting of the Warrantholders duly convened and held and carried by a majority consisting of more than one-half of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of more than one-half of the votes cast on a poll. A resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the Conditions and/or the Instrument) and the sanction of a resolution passed at the meeting of the Warrantholders shall be necessary and sufficient to effect such alteration or abrogation.
- (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 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 as if such person were an individual Warrantholder.

**8. QUORUM OF MEETING OF WARRANTHOLDERS**

The quorum of a meeting of the Warrantholders shall be two or more persons holding Warrants, present in person or by proxy and being or representing in aggregate not less than 10% of the value of the Subscription Rights represented by the Warrants for the time being outstanding and exercisable.

**9. REPLACEMENT OF WARRANT CERTIFICATES**

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the Registrar (or other place as the Directors may 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 by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included Warrants.

**10. PROTECTION OF SUBSCRIPTION RIGHTS**

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

**11. CALL**

If at any time the aggregate Subscription Rights of the Warrants which have not been exercised is less than 10% of the aggregate Subscription Rights attached to all the Warrants issued under the Instrument, the Company may, on giving not less than three months' notice to that effect, require Warrantheolders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, the unexercised Warrants shall be automatically cancelled without compensation to the Warrantheolders.

**12. FURTHER ISSUES**

The Company shall be at liberty to issue further warrants, including warrants ranking *pari passu* with and forming one class with the Warrants, to subscribe for Shares subject to and in accordance with the Listing Rules and all applicable laws, rules and regulations.

**13. UNDERTAKINGS BY THE COMPANY**

The Company will undertake in the Instrument, among other things, that:

- (a) it shall use its best endeavours to ensure that all Shares allotted on the exercise of Subscription Rights shall be admitted to listing on the Stock Exchange;
- (b) it shall send to each Warrantheolder, for information only, at the same time as the same are sent to the Shareholders, its audited accounts and all other notices, reports and communications despatched by it to the Shareholders generally;
- (c) it shall keep available for issue, free from pre-emptive rights, out of its authorised but unissued capital sufficient Shares to satisfy in full the Subscription Rights and all other outstanding rights for the time being outstanding of subscription for and conversion into Shares; and
- (d) it shall use its best efforts to procure that, at all times during the Subscription Period, the Warrants be permitted to be dealt in on the Stock Exchange.

**14. NOTICES**

- (a) Every Warrantheolder shall register with the Company an address either in Hong Kong or elsewhere to which notices may be given to such Warrantheolder and if any Warrantheolder

shall fail to do so, notice may be given to such Warrantholder by sending the same in any of the manners hereinafter mentioned to his last known place of business or residence or, if there be none, by posting the same for three days at the registered office and/or principal office of the Company from time to time.

- (b) A notice may be given by delivery prepaid letter (airmail in the case of an overseas address), cable, telex message or by advertisement in newspapers in accordance with the requirements of the Stock Exchange.
- (c) All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the Register and notice so given shall be sufficient notice to all the joint holders of such Warrants.

## 15. OVERSEAS WARRANTHOLDERS

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

- (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company; or
- (b) allot such Shares to such Warrantholders and then, on his behalf, sell them to one or more third parties selected by the Company,

in each case for a consideration which is then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Company shall pay to the relevant Warrantholder an amount equal to the consideration received by the Company therefor (but having deducted therefrom all expenses incurred by or on behalf of the Company in respect thereof) by posting the relevant remittance to him at his risk.

## 16. RIGHTS OF WARRANTHOLDERS ON WINDING-UP

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, and such winding-up is for the purposes of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some person designated by them for such purpose by a resolution passed at the meeting of the Warrantholders, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by a resolution passed at the meeting of the Warrantholders, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

If a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind up the

Company, in situations other than those falling under the preceding paragraph, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company (such surrender to occur not later than five business days prior to the proposed Shareholders' meeting referred to above) together with the duly completed Subscription Form(s) and payment of the Exercise Moneys or the relevant portion thereof, to exercise the Subscription Rights represented by such Warrant and the Company shall, as soon as practicable and, in any event, no later than the date immediately prior to the date of the proposed Shareholders' meeting, allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. The Company shall give notice to 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 commencement of the winding-up shall lapse and each Warrant Certificate will cease to be valid for any purposes.

#### **17. GOVERNING LAW**

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

This section includes the explanatory statement required by the Stock Exchange to be presented to the Shareholders concerning the Repurchase Mandate to purchase the Warrants proposed to be granted to the Board at the SGM.

## **1. LISTING RULES FOR PURCHASES OF SECURITIES**

The Listing Rules provide that all proposed purchases by a company with a primary listing on the Stock Exchange of its own securities must be approved in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the securities to be purchased must be fully paid up.

## **2. FUNDING OF PURCHASES**

Any purchases of Warrants by the Group will be made out of funds of the Group which are legally available for the purpose in accordance with the memorandum of association and bye-laws of the Company and all applicable laws of Bermuda and Hong Kong.

The Board does not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Group or the gearing ratio which in the opinion of the Board is from time to time appropriate for the Group.

## **3. WARRANTS TO BE ISSUED**

Based on approximately 16,416.8 million Shares in issue as at the Latest Practicable Date and assuming there will be no changes in the number of Shares in issue between the Latest Practicable Date and the Record Date, Warrants in aggregate carrying approximately 3,283 million units of Subscription Rights of HK\$0.10 each will be issued pursuant to the Bonus Issue, and the Board will be authorised to purchase the Warrants with up to approximately 328.3 million units of Subscription Rights of HK\$0.10 each pursuant to the Repurchase Mandate.

The Warrants are a new class of securities of the Company. No Warrants have been issued by the Company prior to the date of this circular. Accordingly, there is no historic trading price of the Warrants.

## **4. REASONS FOR PURCHASES**

The Board believes that it is in the interests of the Company and its Shareholders as a whole to have a general authority from the Shareholders to enable the Board to purchase the Warrants on the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or the earnings per Share or may otherwise be in the interests of the Company and will only be made when the Board believes that such purchases will benefit the Company and the Shareholders as a whole.

**5. UNDERTAKING OF THE BOARD**

The Board has undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules, and in accordance with the memorandum of association and the bye-laws of the Company and all applicable laws of Bermuda and Hong Kong.

**6. EFFECT OF THE CODE ON TAKEOVERS AND MERGERS**

The Board understands that the purchase of the Warrants on market will not have any implications under the Code on Takeovers and Mergers of Hong Kong.

**7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the Bonus Issue is approved by the Shareholders and becomes unconditional and the Repurchase Mandate is approved by the Shareholders, to sell to the Company any Warrants which may be issued to them under the Bonus Issue.

No connected person of the Company has notified the Company that he/she has a present intention to sell to the Company any Warrants which may be issued to them under the Bonus Issue.

**8. EFFECTIVE PERIOD OF THE REPURCHASE MANDATE**

The Board will be allowed to exercise the general authority under the Repurchase Mandate after listing of the Warrants on the Stock Exchange if the Shareholders approve the resolution in respect of the Repurchase Mandate at the SGM up to the earlier of (i) conclusion of the first annual general meeting of the Company after passing of the resolution in respect of the granting of the Repurchase Mandate to the Board; (ii) the expiration of the period within which the first annual general meeting of the Company following the passing of the resolution in respect of the granting of the Repurchase Mandate to the Board is required by the bye-laws of the Company or The Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and (iii) the date when an ordinary resolution is passed at a general meeting of the Company to the effect of revoking or varying the Repurchase Mandate.



世紀城市國際控股有限公司  
**Century City**  
**International Holdings Limited**  
(Incorporated in Bermuda with limited liability)

(Stock Code: 355)

**NOTICE IS HEREBY GIVEN** that a special general meeting of Century City International Holdings Limited (the “Company”) will be held at Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Friday, 6th January, 2006 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as ordinary resolutions of the Company:

**ORDINARY RESOLUTION NO. 1**

**“THAT:**

- (A) the issue and allotment of new ordinary shares of HK\$0.01 each in the share capital of the Company (“Shares”) upon the due exercise of the conversion rights attaching to the Bonds (as defined in paragraph (C) below) be and is hereby approved;
- (B) the directors of the Company be and are hereby authorised to (i) execute all such documents; and (ii) do all such other acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect, implement and complete any or all other transactions contemplated in this resolution; and
- (C) for the purposes of this resolution:

“Bonds” means the Zero Coupon Guaranteed Convertible Bonds due 2010 comprising the firm bonds in an aggregate principal amount of HK\$80 million and additional optional bonds in an aggregate principal amount of up to HK\$160 million, issued and to be issued pursuant to the subscription agreement dated 28th November, 2005 entered into between Supreme Way Limited as the Issuer, the Company as the Guarantor, Raised Fortune Investments Limited as the Purchaser and Hero Crown Investments Limited and Rolling High Limited as the Optionholders, the principal terms and conditions of which bonds are set out or referred to in the circular of the Company dated 20th December, 2005 to holders of the Shares (as defined in paragraph (A) above), a copy of each of the aforesaid subscription agreement and circular have been produced to this meeting marked “A” and “B” respectively and both initialled by the Chairman of this meeting for identification purpose.”

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## NOTICE OF SGM

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### ORDINARY RESOLUTION NO. 2

**“THAT:**

- (A) the bonus issue of warrants (“Warrants”) in units of subscription rights of HK\$0.10 each conferring rights on holders thereof to subscribe for new ordinary shares of HK\$0.01 each in the share capital of the Company (“Shares”) at an initial subscription price of HK\$0.10 per Share, subject to adjustments, at any time from the date falling three months after the issue of the Warrants to the date falling seven days prior to the fifth anniversary of the issue of the Warrants (both dates inclusive), or such other date provided in the instrument constituting the Warrants (“Warrant Instrument”, a final draft of which has been produced to this meeting marked “C” and initialled by the Chairman of this meeting for identification purpose) upon the terms and conditions set out in the Warrant Instrument to be executed by way of deed poll by the Company, in the proportion of one unit of subscription right of HK\$0.10 for every 5 Shares to holders of Shares (“Shareholders”) whose names appear on the register of members of the Company as at the close of business on the record date for the determination of entitlements to the bonus issue of the Warrants (“Record Date”), provided that the entitlements of those Shareholders whose addresses as at the close of business on the Record Date are outside Hong Kong will be dealt with in accordance with the arrangements set out in the section headed “Overseas Shareholders” in the “Letter from the Board” contained in the circular of the Company dated 20th December, 2005 to the Shareholders, a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of this meeting for identification purpose, be and is hereby approved;
- (B) the issue and allotment of new Shares to holders of the Warrants upon the due exercise of subscription rights attached to the Warrants be and is hereby approved;
- (C) the directors of the Company (the “Directors”) be and are hereby authorised to approve any amendments or modifications to the Warrant Instrument as they may, in their absolute discretion, consider necessary or desirable; and
- (D) the Directors be and are hereby authorised to (i) execute all such documents; and (ii) do all such other acts and things as they may, in their absolute discretion, consider necessary, desirable or expedient to effect and implement the Warrant Instrument and to effect, implement and complete any or all other transactions contemplated in this resolution.”

### ORDINARY RESOLUTION NO. 3

**“THAT:**

- (A) subject to the issue of warrants (the “Warrants”) which fall to be issued pursuant to Ordinary Resolution No. 2 set out in the notice of this meeting contained in the circular of the Company dated 20th December, 2005 to holders of ordinary shares of HK\$0.01 each in the share capital of the Company, a copy of which has been produced to this meeting marked “B” and initialled by the Chairman of this meeting for identification purpose, and paragraph (B) below, the exercise

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## NOTICE OF SGM

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by the directors of the Company (the “Directors”) during the Relevant Period (as defined in paragraph (C) below) of all powers of the Company to purchase the Warrants on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the Warrants may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, at a price determined by the Directors, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- (B) the aggregate amount of subscription rights attached to the Warrants to be purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (A) above during the Relevant Period shall not exceed 10% of the total amount of subscription rights attached to the Warrants outstanding as at the date of their issue; and
- (C) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the first annual general meeting of the Company following the passing of this resolution;
- (ii) the expiration of the period within which the first annual general meeting of the Company following the passing of this resolution is required by the bye-laws of the Company or The Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the date when an ordinary resolution is passed at a general meeting of the Company revoking or varying the authority given under this resolution.”

By Order of the Board  
**Eliza Lam Sau Fun**  
*Company Secretary*

Hong Kong, 20th December, 2005

*Head office and principal place of business:*  
11th Floor, 68 Yee Wo Street  
Causeway Bay  
Hong Kong

*Registered office:*  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

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## NOTICE OF SGM

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### Notes:

1. A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member.
2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the office of the Company's branch share registrar in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong (which will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, with effect from 3rd January, 2006) not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting, as the case may be. Completion and return of the form of proxy will not preclude members from attending and voting at the meeting or at any adjourned meeting if members so desire.