哈爾濱啤酒集團有限公司

# HARBIN BREWERY GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

**FINANCIAL HIGHLIGHTS**

| | For the years ended 31 December | | |
|---|---|---|---|
| | **2002** | **2001** | **Change** *(%)* |
| Turnover (HK$'000) | 1,118,642 | 836,704 | 34% |
| Profit before tax (HK$'000) | 159,833 | 118,788 | 35% |
| Net profit attributable to shareholders (HK$'000) | 108,769 | 81,435 | 34% |
| Basic earnings per share (HK cents) | 13.79 | 12.34 | 12% |

## AUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of Harbin Brewery Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2002 together with the comparative amounts for 2001 as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | Notes | 2002<br>*HK$'000* | 2001<br>*HK$'000* |
|---|---|---|---|
| TURNOVER | 5 | 1,118,642 | 836,704 |
| Cost of sales | | (644,081) | (455,567) |
| Gross profit | | 474,561 | 381,137 |
| Other revenue | 5 | 28,938 | 8,755 |
| Selling and distribution costs | | (142,886) | (133,088) |
| Administrative expenses | | (119,647) | (83,580) |
| Other operating expenses | | (30,537) | (20,963) |
| PROFIT FROM OPERATING ACTIVITIES | 6 | 210,429 | 152,261 |
| Finance costs | 7 | (50,596) | (33,473) |
| PROFIT BEFORE TAX | | 159,833 | 118,788 |
| Tax | 8 | (35,970) | (33,775) |
| PROFIT BEFORE MINORITY INTERESTS | | 123,863 | 85,013 |
| Minority interests | | (15,094) | (3,578) |
| NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS | | 108,769 | 81,435 |
| Transfer to proposed reserve fund | | 4,768 | 5,314 |
| Transfer to proposed enterprise expansion fund | | 4,768 | 5,314 |
| EARNINGS PER SHARE | 10 | | |
| - Basic, HK cents | | 13.79 | 12.34 |
| - Diluted, HK cents | | 13.56 | 12.32 |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | 31 December 2002 HK$'000 | 31 December 2001 HK$'000 |
|---|---|---|
| NON-CURRENT ASSETS | 1,604,218 | 1,321,400 |
| Current assets | 673,116 | 453,695 |
| Current liabilities | (659,219) | (714,448) |
| NET CURRENT ASSETS/(LIABILITIES) | 13,897 | (260,753) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 1,618,115 | 1,060,647 |
| NON-CURRENT LIABILITIES | (667,649) | (666,468) |
| MINORITY INTERESTS | (142,916) | (54,609) |
| | 807,550 | 339,570 |
| Represented by: | | |
| SHAREHOLDERS' EQUITY | 807,550 | 339,570 |

*Notes:*

**1. GROUP REORGANISATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) on 23 February 2001. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 26 June 2001. This was accomplished by the Company acquiring the entire issued share capital of Harbin Brewery Investments Limited, the then holding company of certain subsidiaries. Further details of the Group Reorganisation and the subsidiaries acquired pursuant and subsequent thereto are set out in the Company's prospectus dated 18 June 2002. On 27 June 2002, the shares of the Company were listed on the Stock Exchange.

**2. BASIS OF PRESENTATION AND CONSOLIDATION**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

The consolidated financial statements in the prior year was prepared using the merger basis of accounting as a result of the Group Reorganisation completed on 26 June 2001. On this basis, the Company had been treated as the holding company of its subsidiaries prior to the completion date of the Group Reorganisation, rather than from the date of acquisition of the subsidiaries on 26 June 2001. Accordingly, the consolidated results of the Group for the year ended 31 December 2001 included the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation/establishment, where this is a shorter period, on the basis that the existing Group had been in place as at January 2001. The results of the subsidiaries acquired by the Company following the Group Reorganisation in the prior year were included in the consolidated profit and loss account from their effective dates of acquisition.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

## 3. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

During the year, the Group has adopted, for the first time, the following new and revised SSAPs issued by Hong Kong Society of Accountants:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

## 4. SEGMENT INFORMATION

During the year, the Group was principally involved in the production and distribution of beer. Over 90% of the Group's revenue, results, assets and liabilities were derived from the Mainland PRC and, accordingly, no business or geographical segment information is presented.

## 5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, value-added tax and consumption tax.

An analysis of turnover and other revenue is as follows:

| | **2002** | **2001** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Turnover: | | |
| Sale of beer | 1,118,642 | 836,704 |
| Other revenue: | | |
| Sale of raw materials, packaging materials and by-products | 4,006 | 3,921 |
| Consultancy fee income | 12,360 | — |
| Government subsidies | 11,297 | 4,337 |
| Interest income | 1,275 | 497 |
| | 28,938 | 8,755 |
| | 1,147,580 | 845,459 |

## 6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

| | 2002 | 2001 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Depreciation | 97,311 | 69,769 |
| Amortisation of intangible assets, other than goodwill* | 2,362 | 1,758 |
| Amortisation of goodwill* | 5,366 | 2,251 |
| Minimum lease payments under operating leases on land and buildings | 2,596 | 1,120 |
| Auditors' remuneration | 2,638 | 234 |
| Staff costs (excluding directors' remuneration): | | |
| Wages and salaries | 82,993 | 52,954 |
| Pension contributions | 14,213 | 9,349 |
| | 97,206 | 62,303 |
| Provision for doubtful debts | 2,695 | 24 |
| Loss on disposal of fixed assets | 3,649 | 617 |
| Exchange gains, net | (27) | (260) |
| Interest income | (1,275) | (497) |

* The amortisation of intangible assets and goodwill are included in "Other operating expenses" on the face of the consolidated profit and loss account.

## 7. FINANCE COSTS

| | 2002 | 2001 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest on bank loans wholly repayable within five years | 45,052 | 30,398 |
| Interest on other loans | 301 | 308 |
| Interest on an amount due to a joint venture partner of a subsidiary | 1,289 | 1,173 |
| Interest on convertible notes | 1,090 | 182 |
| | 47,732 | 32,061 |
| Other finance cost: | | |
| Amortisation of deferred expenditure | 2,864 | 1,412 |
| | 50,596 | 33,473 |

## 8. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2001: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

| | 2002 | 2001 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Group: | | |
| Mainland PRC | 35,970 | 33,775 |

The Company's subsidiaries operating in the Mainland PRC are exempt from the PRC corporate income tax for the first two profitable years of operation and, thereafter, are eligible for a 50% relief from the PRC corporate income tax for the following three years.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax in respect of the year (2001: Nil).

The revaluation of the Group's land and buildings does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

## 9. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2002 (2001: Nil).

## 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK$108,769,000 and the weighted average of 788,684,932 ordinary shares in issue during the year. The comparative amount of the basic earnings per share was based on the net profit attributable to shareholders for that year of HK$81,435,000 and on the assumption that 660,000,000 ordinary shares were in issue and issuable, comprising 1,000,000 shares in issue as at that date and 659,000,000 shares to be issued pursuant to the capitalisation issue as a result of the listing of the Company's shares on the Stock Exchange.

The calculation of diluted earnings per share for the year ended 31 December 2002 is based on the net profit attributable to shareholders for the year of HK$108,769,000 as adjusted for the interest on convertible notes of HK$1,090,000. The weighted average number of ordinary shares used in the calculation is the 788,684,932 ordinary shares in issue during the year, as used in the basic earnings per share calculation; the weighted average of 13,974,359 ordinary shares assumed to have been issued on the full conversion of the convertible notes outstanding during the year and the weighted average of 7,238,942 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

The calculation of diluted earnings per share for the year ended 31 December 2001 is based on the net profit attributable to shareholders for the year of HK$81,435,000 as adjusted for the interest on convertible notes of HK$182,000. The weighted average number of ordinary shares used in the calculation is the 660,000,000 ordinary shares deemed to have been in issue and issuable during that year, as used in the basic earnings per share calculation, and the weighted average of 2,412,013 ordinary shares assumed to have been issued on the full conversion of the convertible notes outstanding during that year.

## 11. POST BALANCE SHEET EVENTS

(i) On 9 January 2003, the noteholders had exercised their rights to convert the principal amount of the convertible notes (the "Notes") at HK$1.56 per share pursuant to the subscription agreements dated 29 October 2001. Accordingly, the directors allotted and issued a total of 13,974,358 shares, representing approximately 1.51% of the enlarged issued share capital of the Company as at the same day, to the noteholders.

(ii) On 26 February 2003, a placing and subscription agreement (the "Agreement") was entered between CEDF (Brewery) Holdings Limited (the "Vendor"), the Company and Cazenove (the "Sole Bookrunner and Lead Manager") in relation to the placing and the subcription. Pursuant to the Agreement (i) the Sole Bookrunner and Lead Manager has agreed to use its best efforts to place the placing shares held by the Vendor to not less than six independent placees at the placing price of HK$2.10 per share; and (ii) the Vendor has agreed to subscribe for and the Company has agreed to allot and issue to the Vendor the new shares. On 10 March 2003, the day of the completion of the subscription, the directors allotted and issued a total of 44,000,000 shares, representing approximately 4.53% of the enlarged issued share capital of the Company as at the same day, to the Vendor.

(iii) On 17 March 2003, the Group acquired a 70% interest in a brewery in Shenyang City, Liaoning Province, PRC, with a total annual production capacity of 20,000 tonnes (approximately 0.2 million hl), for an aggregate cash consideration of HK$18 million. On 9 April 2003, the Group acquired a 60% interest in a brewery in Yanji City, Jilin Province, PRC, with a total annual production capacity of 60,000 tonnes (approximately 0.6 million hl), for an aggregate cash consideration of HK$20 million. The above acquisitions will further expand the Group's production capacity and consolidate its market position in the northeast region of the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

During the year, Harbin Brewery posted a turnover of approximately HK$1,119 million, an increase of 34% from 2001. The growth in turnover was a result of the increase in sales volumes and an improved product mix, as well as enhanced efficiencies in the newly acquired breweries.

In 2002, sales volumes of the Group's products reached 912,946 tonnes (approximately 9.0 million hl), achieving a growth of 30% over 2001. The average price per tonne (average price per hl) rose 3% to HK$1,225 per tonne (approximately HK$124.0 per hl) during the year.

The Group's overall gross margin for the year was 42.4%, down from 45.6% in 2001. The slight decrease was due to a change of product mix and the lag time effect in the early stage of integration in the newly acquired breweries during the year.

As a result of strenuous operating costs control, profit from operating activities reached approximately HK$210 million for the year, accounting for a 38% increase over 2001. Net profit attributable to shareholders in 2002 was approximately HK$109 million, representing an increment of 34% from that of 2001. Basic earnings per share were HK13.8 cents.

The Board does not recommend the payment of any dividend for the year ended 31 December 2002 (2001: Nil).

## BUSINESS REVIEW

With a centrally co-ordinated, process-based management model in place, the Group has been successful in integrating the operations and enhancing the overall efficiencies in existing and newly acquired breweries, achieving scalable operations.

(i) ***Turnover by product mix***

A strategically oriented product mix is the key to a business' success. Harbin Brewery's products are divided into three categories: Original, Classic and Premium, targeting at the provision of quality beer products for the mass, middle-income and premium markets respectively.

The major income source of the Group came from the sales of Original products, accounting for 78% of the total turnover for the year. Turnover of Original products increased by 29% from approximately HK$675 million in 2001 to approximately HK$869 million in 2002.

During the year, the Group recorded a high growth in the sales of Classic products, reaching 15% of the total turnover. Turnover from Classic products increased from approximately HK$88 million in 2001 to approximately HK$171 million, representing a surge of 94%. The Group expects that the middle-income market will continue to offer the greatest room for growth.

The sales of Premium products accounted for 7% of the total turnover for the year. Turnover slightly increased 7% from approximately HK$74 million in 2001 to approximately HK$79 million.

(ii) ***Turnover by geographical location***

In 2002, the Group's products were mainly sold to the Northeast Region, accounting for 95% of the total turnover. Turnover from the Northeast Region amounted to approximately HK$1,058 million, an increase of 32% from approximately HK$802 million over 2001.

The single largest market of the Group - Heilongjiang Province - contributed 66% of the total turnover. Turnover from the rest of the Northeast Region, which includes Jilin and Liaoning Provinces, recorded substantial growth of 66% compared with 2001, contributing 29% of the total turnover in 2002.

Sales from the Non-Northeast Region contributed to 5% of the Group's total turnover, an increase of 74% as compared to 2001.

(iii) ***Overall production operations***

Apart from facilitating organic growth, the Group adopts the strategy of acquisition to expand its aggregate production capacity for deeper market penetration. Adding the three breweries acquired in 2002 (mentioned in (iv) below) to the portfolio, the number of breweries the Group operates in the PRC increased from eight in 2001 to eleven in 2002. The aggregate designed production capacity thus increased from 1,044,000 tonnes (approximately 10.3 million hl) to 1,264,000 tonnes (approximately 12.5 million hl) in 2002. The utilization rate of all breweries during the year reached 88%.

(iv) ***2002 Acquired Breweries***

To capture favorable expansion opportunities, Harbin Brewery acquired a 100% equity interest in Ballantine Management Limited ("Ballantine") in August 2002 for an aggregate cash consideration of HK$70 million. Ballantine owned a 100%, 63.02% and 60% equity interest in three breweries in Liaoning, Hebei and Heilongjiang Provinces respectively ("2002 Acquired Breweries").

This acquisition was a significant corporate move for the Group in 2002. It was the first time for the Group to extend its production bases to the west of Heilongjiang Province, and to the Liaoning and Hebei Provinces. The location of these brewery operations enable the Group to tap into their corresponding markets more effectively, further strengthening its dominant market position in the Northeast Region of China.

The combined annual production capacity of the 2002 Acquired Breweries reached 220,000 tonnes (approximately 2.2 million hl), increasing the Group's total production capacity by 21% to 1,264,000 tonnes (approximately 12.5 million hl) per annum. Besides the HK$70 million spent on the acquisition, the Group has thus far invested another HK$20 million as capital expenses into these breweries for enhancing efficiency. The operating performance of the 2002 Acquired Breweries is expected to be fully reflected in 2003, as the integration process was only commenced in late 2002.

(v) ***Single-megabrand marketing strategy***

In the belief of a "Single-megabrand Strategy", the Group is promoting "Harbin" as the brand of "the oldest brewery in China" providing high quality products. The Group's marketing objective is to build up its brand as a nation-wide brand in the PRC beer market. An integrated marketing strategy has been put in place, which covers brand building strategy, product mix management, pricing policy and distribution network establishment.

## PROSPECTS

For the benefit of continuous business growth, Harbin Brewery will continue to capture favorable acquisition opportunities in the Northeast Region of China to deepen market penetration of the "Harbin" brand. Moreover, the Tangshan/Tianjin Region and the southern part of the Northeast Region are target markets that the Group will explore further for acquisition opportunities to extend its distribution network.

For those newly acquired breweries, the Group is committed to enforce stringent measures to increase their production capacity and to maximize their utilization rates, generating stronger sales for the Group. With its solid track record in turning around loss operations and improving profitability of the acquired breweries, the Group is confident in successfully integrating acquired brewery operations into existing ones.

China is one of the largest beer consuming nations in the world with beer consumption reaching 24 million tonnes (per capita consumption of 18 litres) in 2002. Concurrently, with an annual growth of gross domestic product at 7.7 % in the PRC, increased disposable income, especially from the middle-income market, is spearheading the upward demand for high quality beer products. The Group will thus continue to expand in this high growth market segment in the coming years, further adjusting its product mix for higher profitability.

The Group is open to explore possible co-operation opportunities with world renowned brewery groups for the benefit of the Group's long term development.

As one of the leading brewery groups in the PRC, the Group will closely leverage opportunities arising from industry consolidation underway in China's beer market to grow further. The implementation of the centrally co-ordinated, process-based management model will also be sustained to reengineer brewery operations for optimal efficiencies.

Given the strong market demand and its competitive advantages, Harbin Brewery is optimistic about its future performance, and is confident in bringing satisfactory returns to shareholders.

**FINANCIAL RESOURCES AND LIQUIDITY**

The Group's total assets increased by 28% from approximately HK$1,775 million as at 31 December 2001 to approximately HK$2,277 million as at 31 December 2002. Net assets increased by 138% from approximately HK$340 million as at 31 December 2001 to approximately HK$808 million as at 31 December 2002. The increase in net assets was attributable to the net proceeds raised from the share offer of the Group's listing on the Stock Exchange on 27 June 2002 and the over-allotment option exercised on 15 July 2002, together with the net cash inflow from the Group's operating activities. Cash and bank balances amounted to approximately HK$168 million as at 31 December 2002.

The debt to equity ratio of the Group was 97% as at 31 December 2002, greatly improved from 226% as at 31 December 2001 after repaying part of the Group's debts from its operating income and the proceeds raised from its share offer in June 2002. The net debt to equity ratio of the Group was 77% as at 31 December 2002.

**USE OF NET PROCEEDS FROM NEW ISSUES**

The net proceeds from the share offer of the Group's listing on the Stock Exchange on 27 June 2002 and the over-allotment option exercised on 15 July 2002 were approximately HK$345 million. Of that amount, the Group utilized approximately HK$130 million for the repayment of shareholders' and bank loans. A further HK$90 million was used for the acquisition of the 2002 Acquired Breweries (HK$70 million used for the acquisition and HK$20 million used for capital expenses of the acquired breweries). Approximately HK$87 million of the proceeds were used for the Group's working capital requirements, of which approximately HK$70 million was used for the purchase and downpayment of raw materials, such as barley. Approximately HK$38 million of the net proceeds of the Group's IPO remains available, which is placed on short-term deposits with licensed banks in Hong Kong.

**HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES**

The Group employs a total of 5,956 full time employees in Hong Kong and the PRC. The Group recognizes the importance of its human resources to its success. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industry practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commissions.

## SIGNIFICANT EVENTS

The Group was listed on the Main Board of the Stock Exchange on 27 June 2002, raising net proceeds amounted to approximately HK$296 million by issuing a total of 220,000,000 shares, which is equivalent to 25% of the enlarged issued share capital of the Group as at the same day.

Upon exercising the over-allotment option, the Group raised additional net proceeds of approximately HK$49 million on 15 July 2002 by issuing 33,000,000 shares, which is equivalent to 3.6% of the enlarged issued share capital of the Group as at the same day.

On 28 August 2002, the Group completed the acquisition of the 2002 Acquired Breweries.

## CONTINGENT LIABILITES

At 31 December 2002, the Group had given guarantees of approximately HK$8,047,000 (2001: HK$3,770,000) to a bank in connection with credit facilities granted to certain employees of a subsidiary for financing the construction of employees' quarters. Upon the issuance of building ownership certificate, the employees' quarters will be mortgaged to secure the credit facilities and replace the guarantees.

## PLEDGE OF ASSETS

Certain of the Group's bank loans are secured by the Group's land and building and plant and machinery, which had an aggregate net book value at the balance sheet date of approximately HK$609,624,000 (2001: HK$616,628,000).

In addition, the Group's syndicated bank loan at the balance sheet date of approximately US$11.4 million (2001: US$22 million) is secured by the following:

(i) Floating charge over the assets of all of the Company's subsidiaries; and

(ii) Share mortgage/assignment of the ownership rights of the Group's interests in subsidiaries.

## EXPOSURE TO FOREIGN EXCHANGE RISKS

The Group conducts most of its business transactions in currencies of Hong Kong dollars and Renminbi. In view of the stability of the exchange rate of these currencies during the year under review, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instrument has been adopted for hedging purposes.

## PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

The Company's shares were listed on the Stock Exchange on 27 June 2002, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2002.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, since the listing of the Company's shares on the Stock Exchange on 27 June 2002, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement and re-election at the general meeting of the Company in accordance with the Company's articles of association.

## PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Company for the year ended 31 December 2002 containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the stock Exchange in due course.

On behalf of the Board
**Li Wentao**
*Chairman*

Hong Kong, 15 April 2003

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Harbin Brewery Group Limited (the "Company") will be held at Taishan Room (Level 5), Island Shangri La Hong Kong, Pacific Place, Supreme Court Road, Hong Kong, on Thursday, 22 May 2003 at 4:00 p.m. for the following purposes:

1. To receive and adopt the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 December 2002;

2. (A) To re-elect retiring Directors;
   (B) To authorise the Board of Directors to fix Directors' remuneration;

3. To re-appoint Auditors and to authorise the Board of Directors to fix Auditors' remuneration;

4. To consider and if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   **"THAT**

   (a) subject to paragraph 4 (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to issue, allot and deal with additional shares or securities convertible into shares of the Company and to make or grant offers, agreements and options including warrants which would or might require shares to be allotted, issued or dealt with be generally and unconditionally approved;

   (b) the Directors of the Company be authorized to make offers or agreements or grant options during the Relevant Period (as defined below) which would or might require shares to be allotted and issued either during or after the end of the Relevant Period pursuant to paragraph 4 (a) above;

   (c) the aggregate nominal value of the shares allotted or agreed to be allotted by the Directors of the Company pursuant to the approvals in paragraphs 4 (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph 4 (d)) or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of shares or rights to acquire shares of the Company, or (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, the total nominal amount of additional shares to be issued, allotted, dealt with or agreed conditionally or unconditionally to be issued, allotted or dealt with shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company's shareholders in general meetings; and

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held."; and

"right issue" means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the law of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities.

5. To consider and if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**"THAT**

(a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, rules and regulations of The Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited and paragraph (b) of this resolution, be and is hereby generally and unconditionally approved;

(b) the total nominal amount of shares of the Company to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company's shareholders in general meetings; and

(iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.";

6. To consider and if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

   **"THAT** conditional upon the passing of the ordinary resolutions nos.4 and 5 as set out in the notice convening this meeting, the general mandate granted to the Directors of the Company pursuant to the ordinary resolution no.4 as set out in the notice convening this meeting to exercise the powers of the Company to allot, issue and deal with the shares of the Company be and is hereby extended by the addition thereto of the total nominal amount of shares of the Company repurchased by the Company pursuant to the exercise by the Directors of the powers of the Company to purchase such shares since the granting of the general mandate referred to in the ordinary resolution no.5 as set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of passing of this resolution.".

By order of the Board
**LAM Pong Sui**
*Company Secretary*

Hong Kong, 15 April 2003

*Registered Office:*
Century Yard,
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

*Principal place of business in Hong Kong:*
11th Floor
Worldwide House
19 Des Voeux Road Central
Hong Kong

*Notes:*

(a) A shareholder of the Company, who is the holder of two or more shares of the Company, entitled to attend and vote at this meeting is entitled to appoint one or more than one proxy to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(b) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tengis Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding this meeting or any adjournment thereof.

(c) Delivery of an instrument appointing a proxy should not preclude a shareholder from attending and voting in person at this meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(d) The Register of Members of the Company will be closed from 20 May 2003 to 22 May 2003 (both days inclusive), during which period no transfer of shares of the Company will be registered and effected. In order to qualify for attending this meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate share transfer forms must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 19 May 2003.

(e) An Explanatory Statement containing further details regarding ordinary resolution no. 5 as required by the Rules Governing the Listing of Securities of the Stock Exchange will be dispatched to the shareholders of the Company together with the annual report 2002.

Please also refer to the published version of this announcement in The Standard.