



THE KWONG SANG HONG INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 30TH NOVEMBER, 2003

RESULTS

The Board of Directors of The Kwong Sang Hong International Limited (the “Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th November, 2003 together with the comparative figures for 2002:–

Audited Consolidated Income Statement for the year ended 30th November, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)
Turnover	2	144,618	49,044
Cost of sales		<u>(135,976)</u>	<u>(31,479)</u>
Gross profit		8,642	17,565
Other operating income	4	57,132	7,803
Selling and marketing expenses		(1,422)	(2,457)
Administrative expenses		(10,548)	(9,794)
Other operating expenses	6	<u>(19,435)</u>	<u>(163,963)</u>
Profit (loss) from operations		34,369	(150,846)
Finance costs		(8,231)	(2,526)
Investment income		1,632	5,464
Other losses	7	(87,121)	(151,730)
Share of results of associates		<u>1,932</u>	<u>(1,093)</u>
Loss before taxation		(57,419)	(300,731)
Taxation	8	<u>(18,703)</u>	<u>7,478</u>
Loss after taxation		(76,122)	(293,253)
Minority interests		<u>2,510</u>	<u>36,946</u>
Loss attributable to shareholders		<u><u>(73,612)</u></u>	<u><u>(256,307)</u></u>
Loss per share	9		
Basic		<u><u>(7.67) cents</u></u>	<u><u>(26.7) cents</u></u>

Notes:

1. Basis of presentation and comparative figures

In the current year, the Group has adopted Statements of Standard Accounting Practice (“SSAP”) No. 12 (Revised) “Income Taxes” issued by the Hong Kong Society of Accountants. The principal effect of the implementation of the revised standard is in relation to deferred tax. It requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has resulted in an increase in accumulated losses of HK\$19,807,000 as at 1st December, 2002 (a decrease in accumulated profits of HK\$28,494,000 as at 1st December, 2001) and an increase in the loss for the year of HK\$18,059,000 (2002: a decrease in the loss for the year of HK\$8,687,000).

2. Turnover

Turnover represents the aggregate of the amounts received and receivable from sales of properties, property rental income and cosmetics goods sold to outside customers less returns.

3. Segmental information

Business segments

For management purposes, the Group is currently organised into three operating divisions - property development, property leasing and cosmetics. These divisions are the basis on which the Group reports its primary segmental information.

Principal activities are as follows:

- Property development – Property development and sales of properties
- Property leasing – Property rental
- Cosmetics – Manufacturing and trading in cosmetics products

Segmental information about these businesses is presented below.

For the year ended 30th November, 2003

	Property development <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Cosmetics <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>111,242</u>	<u>28,948</u>	<u>4,428</u>	<u>–</u>	<u>144,618</u>
Segment result	<u>(16,031)</u>	<u>68,802</u>	<u>1,495</u>	<u>–</u>	54,266
Unallocated corporate expenses					<u>(19,897)</u>
Profit from operations					34,369
Finance costs					(8,231)
Investment income					1,632
Other losses	(87,260)	321	–	(182)	(87,121)
Share of results of associates	(359)	1,129	(51)	1,213	<u>1,932</u>
Loss before taxation					(57,419)
Taxation					<u>(18,703)</u>
Loss after taxation					<u>(76,122)</u>

3. Segmental information (continued)
For the year ended 30th November, 2002

	Property development <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Cosmetics <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
Segment revenue	<u>16,800</u>	<u>25,164</u>	<u>7,080</u>	<u>–</u>	<u>49,044</u>
Segment result	<u>(85,354)</u>	<u>(50,112)</u>	<u>1,776</u>	<u>–</u>	(133,690)
Unallocated corporate expenses					<u>(17,156)</u>
Loss from operations					(150,846)
Finance costs					(2,526)
Investment income					5,464
Other losses	(150,780)	1,109	–	(2,059)	(151,730)
Share of results of associates	(240)	–	(1,096)	243	<u>(1,093)</u>
Loss before taxation					(300,731)
Taxation					<u>7,478</u>
Loss after taxation					<u>(293,253)</u>

Geographical segments

The following table provides an analysis of the Group's revenue and contribution to profit (loss) from operations by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market		Contribution to profit (loss) from operations	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	122,334	32,531	(13,309)	(103,265)
Elsewhere in the People's Republic of China ("PRC")	<u>22,284</u>	<u>16,513</u>	<u>67,575</u>	<u>(30,425)</u>
	<u>144,618</u>	<u>49,044</u>	54,266	(133,690)
Unallocated corporate expenses			<u>(19,897)</u>	<u>(17,156)</u>
Profit (loss) from operations			<u>34,369</u>	<u>(150,846)</u>

4. Other operating income

	Year ended 30th November,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Included in other operating income:		
Net surplus on revaluation of investment properties	45,100	–
Negative goodwill released	2,537	137
Forfeiture of unclaimed dividends	2,376	–
Forfeiture of sales deposits received	2,368	3,741
Claims received on price difference from forfeited property sales	<u>–</u>	<u>1,231</u>

5. Staff expenses

	Year ended 30th November,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors' emoluments	955	928
Other staff expenses	3,614	4,738
Provident fund scheme contributions	<u>122</u>	<u>233</u>
	<u>4,691</u>	<u>5,899</u>

6. Other operating expenses

	Year ended 30th November,	
	2003	2002
	HK\$'000	HK\$'000
Legal expenses and compensation in respect of lawsuits	13,882	2,644
Allowance for properties held for sale	3,580	12,795
Allowance for loans receivable	1,900	12,521
Loss on disposal of investment properties	73	–
Impairment loss recognised in respect of properties held for development	–	66,114
Deficit on revaluation of investment properties	–	69,300
Loss on disposals of plant and equipment	–	589
	<u>19,435</u>	<u>163,963</u>

7. Other losses

	Year ended 30th November,	
	2003	2002
	HK\$'000	HK\$'000
Impairment loss on interests in associates		
– amounts due from associates	86,960	149,672
– interest in an associate	–	2,058
Loss on disposal of an associate	161	–
	<u>87,121</u>	<u>151,730</u>

8. Taxation

	Year ended 30th November,	
	2003	2002
	HK\$'000	HK\$'000
		(Restated)
The charge (credit) comprises:		
<i>Current tax</i>		
The Company and subsidiaries		
– Hong Kong		
current year	416	1,057
prior years	(185)	(41)
– Other than Hong Kong	217	–
	<u>448</u>	<u>1,016</u>
Associates		
– Hong Kong	209	176
– Other than Hong Kong	(13)	17
	<u>196</u>	<u>193</u>
	<u>644</u>	<u>1,209</u>
<i>Deferred tax</i>		
The Company and subsidiaries		
– Hong Kong		
current year	(2,465)	297
attributable to change in tax rate	(124)	–
– Other than Hong Kong	20,648	(8,984)
	<u>18,059</u>	<u>(8,687)</u>
	<u>18,703</u>	<u>(7,478)</u>

Hong Kong Profits Tax has been provided for at the rate of 17.5% (2002: 16.0%) on the estimated assessable profits for the year. Taxation on profits of subsidiaries and associates arising outside Hong Kong has been provided for in accordance with the relevant local jurisdictions.

Deferred tax has been provided for at the rates that are expected to be applied in the year when the liability is settled or the asset is realised.

9. Loss per share

The calculation of the basic loss per share is based on the loss for the year of HK\$73,612,000 (2002 (restated): HK\$256,307,000) and on 959,899,416 (2002: 959,899,416) ordinary shares in issue during the year.

DIVIDENDS

No interim dividend was declared for the year (2002: Nil). The Board does not recommend the payment of any final dividend for the year ended 30th November, 2003 (2002: Nil).

BUSINESS REVIEW

Turnover for the year ended 30th November, 2003, which was derived from cosmetic trading, property rental and property trading, amounted to HK\$144.6 million (2002: HK\$49.0 million), representing an increase of 195.1% as compared with last year. The increase was mainly attributable to the property trading, which included the sales of more than 95% of Greenville Residence in Yuen Long with sales proceeds of HK\$98.5 million, one workshop of Kwong Kin Trade Centre in Tuen Mun with sales proceeds of HK\$0.4 million and all the remaining units of Tin Wan Court in Aberdeen with sales proceeds of HK\$10.1 million. Together with other income from properties held for sale, property development revenue of HK\$111.2 million was recorded (2002: HK\$16.8 million). Gross rental income from investment properties increased by HK\$3.7 million to HK\$28.9 million this year (2002: HK\$25.2 million) with rental mainly generated from Hing Wai Centre in Aberdeen, Shun Hing Square in Shenzhen and Peregrine Plaza in Shanghai, contributing over 97% of the total gross rental income. The sales of cosmetic trading decreased by 38.0% to HK\$4.4 million for the year (2002: HK\$7.1 million). The decline was attributable to the outbreak of the Severe Acute Respiratory Syndrome (SARS) during the first half of the year, as well as the promotional sales programme launched in year 2002 which had boosted the comparative sales turnover of year 2002.

The Group recorded HK\$34.4 million profit from operations as compared to HK\$150.8 million loss from operations last year. The turnaround was mainly attributable to the net revaluation surplus of the Group's investment properties of HK\$45.1 million recognised this year, contrasting to the revaluation deficit of HK\$69.3 million last year. During the year, the allowance for properties held for sale of HK\$3.6 million was recognised over HK\$12.8 million last year. In addition, there was no additional impairment loss in respect of properties held for development recognised for the year whilst the impairment loss amounted to HK\$66.1 million was recognised last year.

Investment income, which mainly comprised dividend income, interest income and gain from investments in securities, decreased by HK\$3.9 million to HK\$1.6 million for the year (2002: HK\$5.5 million). The decrease was mainly due to the unrealised holding loss from investments in securities amounted to HK\$1.7 million recognised this year, as compared with gain of HK\$2.8 million recognised last year. Furthermore, no dividend income was recorded this year as compared with HK\$1.8 million last year.

The Group recognised the impairment loss on amounts due from associates of HK\$87.0 million for the year as compared to HK\$149.7 million last year. The impairment loss was mainly due to loss recognised on write-down of a redevelopment project at Tai Yuen Street/Wanchai Road held by an associate.

RESULTS

Loss attributable to shareholders for the year ended 30th November, 2003 amounted to HK\$73.6 million (2002 (restated): HK\$256.3 million). Loss per share for the year was HK7.7 cents (2002 (restated): HK26.7 cents). Profit from operations for the year amounted to HK\$34.4 million (2002: loss from operations of HK\$150.8 million).

FINANCIAL AND INTEREST INCOME / EXPENSES

Interest income for the year ended 30th November, 2003 decreased to HK\$1.9 million from HK\$2.3 million last year. This was due to the decrease in bank interest earned at the low level of bank interest rates offered. Finance costs capitalised for the year ended 30th November, 2003 increased to HK\$5.1 million over HK\$1.3 million last year. Interest expenses charged to the income statement increased to HK\$8.2 million from HK\$2.5 million last year. The Group accordingly recorded a net interest expense in the amount of HK\$6.3 million for the year as compared with HK\$0.2 million in year 2002.

DEBT AND GEARING

As at 30th November, 2003, the Group's bank and other borrowings increased to HK\$409.6 million (2002: HK\$327.9 million), of which HK\$17.5 million was payable within one year and HK\$392.1 million was payable after one year. HK\$255.9 million of the borrowings was secured while the remaining HK\$153.7 million was unsecured. Bank balances and cash amounted to HK\$22.0 million (2002: HK\$14.4 million), resulting in net borrowings of HK\$387.6 million (2002: HK\$313.5 million).

Total debt to equity ratio was 31.9% (2002 (restated): 24.2%), which is expressed as a percentage of bank and other borrowings over the total net assets of HK\$1,283.8 million (2002 (restated): HK\$1,357.6 million). The net debt to equity ratio was 30.2% (2002 (restated): 23.1%), being a percentage of net borrowings over the total net assets. The increase in debt was due to the increase in borrowings for financing of development projects.

As at 30th November, 2003, the Group's borrowings were wholly denominated in Hong Kong dollars and carried at interest rates calculated with reference to Hong Kong Interbank Offered Rate. The Group did not have any financial instruments used for hedging purpose.

The Group's income were mainly denominated in Hong Kong or United States Dollars, partly in RMB. No hedging for non-Hong Kong Dollars assets or investment was made.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

During the year under review, the Group employed a total of 14 staff. Remuneration packages comprised salary and year-end bonuses based on individual merits.

NET ASSET VALUE

The Group's total net assets as at 30th November, 2003 amounted to HK\$1,283.8 million, a decrease of HK\$73.8 million or 5.4% as compared with the value of HK\$1,357.6 million (restated) as at 30th November, 2002. Total net asset value per share was HK\$1.34 (2002 (restated): HK\$1.41). The decrease mainly reflected the loss of HK\$73.6 million sustained for the year.

PROPERTY VALUATION

As at 30th November, 2003, a property valuation has been carried out by Norton Appraisals Limited, registered professional surveyors, in respect of the Group's investment properties. That valuation was used in preparing 2003 financial statements of the Group. The Group's investment properties were valued at HK\$499.9 million (2002: HK\$477.3 million), comprising a net surplus on revaluation of HK\$45.1 million recognised for the year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30th November, 2003, the Group's investment properties, properties under development for sale and time deposits with an aggregate book value of HK\$985.8 million (2002: HK\$1,018.6 million) were pledged to secure general banking facilities of the Group. The contingent liabilities of the Group in respect of guarantees given to banks and financial institutions for general facilities made available to associates and an investee company as at 30th November, 2003 were HK\$344.6 million (2002: HK\$62.3 million).

PROPERTY

In Hong Kong

Property Development

Greenville Residence in Yuen Long is a development project wholly-owned by the Group, consisting of 64 residential units with a total gross floor area of about 46,000 square feet, and 96 car parking spaces. Its Occupation Permit and Certificate of Compliance were obtained in December 2002 and January 2003 respectively. During the year, over 95% of units were sold, with total sales proceeds of HK\$98.5 million.

All the remaining units of Tin Wan Court in Aberdeen were sold during the year, generating sales proceeds of HK\$10.1 million.

During the year, the Group disposed of 14,087 square feet of office space in Star House in Tsimshatsui and one workshop of Kwong Kin Trade Centre in Tuen Mun, generating sales proceeds of HK\$22.5 million and HK\$0.4 million respectively.

In March 2003, the Group acquired a site at Lot No. 1861 in D.D. No. 100 in Sheung Shui. The site will be developed into a residential villa complex comprising 78 houses with a total gross floor area of about 153,860 square feet. Approval was obtained in May 2003 for the master layout plan and the building plan. Construction works commenced in August 2003. Foundation works were completed and superstructure works are in progress. It is expected that the project will be completed in the last quarter of 2004. The Group plans to launch the pre-sale of the project in mid-2004.

As for the Tai Yuen Street/Wanchai Road redevelopment project undertaken with the Urban Renewal Authority in which the Group holds 25% interest, basement works at Site A of Phase 1 are in progress. For Site B of Phase 1, superstructure works have commenced in August 2003. Upon completion, Phase 1 of the project will comprise three high rise residential towers with about 652 residential units and total gross floor area of about 510,752 square feet. In February 2004, planning approval has been obtained to change the use of Phase 2 from office to residential. Under the residential scheme, there will be a high rise residential tower with about 252 residential units and total gross floor area of about 159,727 square feet. Phase 1 is scheduled for completion in second half of 2005. It is planned that Phase 1 will be offered for pre-sale in the second half of 2004.

Yeung Uk Road redevelopment project was wholly-owned by the Group. This 56-storey development will comprise 960 service apartment units with restaurant, shops, car parking spaces, and full clubhouse facilities with swimming pool. The total gross floor area of the whole development is about 585,600 square feet. Foundation works were completed and the superstructure works are in progress. The whole project is scheduled for completion in the last quarter of 2005. The Group plans to launch the pre-sale of the project in the second half of 2004.

Property Investment

Rental income contributed from Hing Wai Centre and Kwong Kin Trade Centre remained stable, generating a total gross rental of HK\$7.3 million for the year (2002: HK\$7.0 million).

In Mainland China

Peregrine Plaza, Shanghai (100% interest)

The Group has increased its interests to 100%. The property continues to perform well in rental contribution. Located in one of the most prestigious commercial districts in Shanghai, Huaihai Zhong Road, this 23-storey office/shopping complex comprises 15,330 square metres gross floor area of office space, 6,815 square metres gross floor area of retail shop space and 72 car parking spaces, giving a total gross floor area of 24,812 square metres. Apart from 313 square metres of office space which had been sold, the remaining portion of the property is for leasing purpose as a long-term investment for the Group.

As at 30th November, 2003, occupancy rates of the office and retail spaces stood high at 98% and 93% respectively.

Shun Hing Square, Shenzhen (100% interest)

The Group holds 100% interest of the 50th floor, Shun Hing Square, Shenzhen. It is a commercial property located in one of the prime commercial districts in Shenzhen with total gross floor area of 2,161 square metres. As at 30th November, 2003, the property was fully let.

Shuohu Court, Wuhan (75% interest)

The Group disputes the judgement delivered by the Supreme People's Court of the People's Republic of China on 28th May, 1998 and has lodged an appeal for re-trial. The appeal was formally accepted on 14th March, 2002 and hearing was conducted twice on 23rd May, 2002 and 14th June, 2002. At present, the Group is waiting for the Courts' judgement re-trial.

In Asian Region

Somerset Chancellor Court in Ho Chi Minh City of Vietnam in which the Group has 13.4% interest, comprising offices and serviced apartments, was satisfactorily rented out.

COSMETICS

The Group's sales turnover of cosmetic trading for the year decreased by 38% as compared to last year. Apart from the impacts of the SARS outbreak in March, the decline was attributable to the promotional sales programme launched in year 2002 which had boosted the comparative turnover figure of last year. Distinguished from these effects, the Group was able to maintain the sales turnover at a comparable level to that of previous years.

To improve sales and broaden the customers' base, we had focused our efforts on rebuilding sales, especially for marketing the new products. New products like herbal tea, facial and body care products were introduced in the market in the second half of 2003. Customer responses are very encouraging. In the coming few months, other new cosmetic products will also be marketed.

In light of the gradual recovery of the local economy with reduced deflation recorded towards the end of the year, we are ready to launch a series of promotional campaigns such as magazine advertisements and exhibitions. We will also target to set up more sales counters in high customer traffic areas for the new products. Looking ahead, we anticipate high potential for further growth.

PROSPECTS

The property development projects of the Group are all making good progress. Superstructure works had commenced for both D.D.100 project in Sheung Shui and the Yeung Uk Road project in Tsuen Wan, with schedules for completion by end of 2004 and end of 2005 respectively. The Group will plan to launch the pre-sale programme for the property development projects, the earliest launch will be in mid-2004. After the containment of SARS, Hong Kong economy is regaining momentum towards the recovery path, with the deflation reduced, unemployment rates improved and there is signs of upturn of the property market. If the low interest rate environment and the prevailing property market conditions and sentiment is sustainable, it is expected that the pre-sale of the Yeung Uk Road redevelopment project, the largest property development project of the Group, the Sheung Shui development project and the Tai Yuen Street/Wanchai Road redevelopment project will make significant contributions to the Group. Rental generated from Hong Kong and the PRC properties will continue to contribute recurrent and stable income stream to the Group. We will continue to streamline the operation with strict cost control. The Group is steering towards the harvest years and is well positioned to capture investment opportunities for further development.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30th November, 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

APPRECIATION

I take this opportunity to thank our shareholders for their continued support and my fellow directors and our staff for their hard work throughout the year.

On behalf of the Board
Thomas Lau, Luen-hung
Chairman

Hong Kong, 15th March, 2004

Remarks: All information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website in due course.

*Website: <http://www.kwongsanghong.com.hk>
<http://www.iprasia.com/listco/ksh>*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of The Kwong Sang Hong International Limited (the "Company") will be held at the Gloucester Room, 2nd Floor, Mandarin Oriental Hong Kong, 5 Connaught Road Central, Hong Kong on Friday, 23rd April, 2004 at 10:00 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the Financial Statements, Directors' Report and Auditors' Report for the year ended 30th November, 2003.
2. To re-elect retiring Directors and to authorise the Directors to fix the remuneration of the Directors.
3. To re-appoint Auditors and to authorise the Directors to fix the remuneration of the Auditors.

As Special Business

4. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase issued shares of HK\$0.40 each in the capital of the Company subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the directors;
- (c) the aggregate nominal amount of the shares which are authorised to be purchased by the directors of the Company pursuant to the approval in paragraph (a) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes 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 expiration of the period within which the next annual general meeting of the Company is required by law or the Company’s bye-laws to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting.”

5. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend 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 bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” shall have the same meaning as that ascribed to it under resolution no. 4 as set out in the notice convening the meeting of which this resolution forms part; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong).”

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“**THAT** conditional upon the passing of the resolutions nos. 4 and 5 as set out in the notice convening the meeting of which these resolutions form part, the general mandate granted to the directors of the Company pursuant to the resolution no. 5 as set out in the notice convening the meeting of which this resolution forms part be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company under the authority granted pursuant to the resolution no. 4 as set out in the notice convening the meeting of which this resolution forms part, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution.”

7. To consider and, if thought fit, pass the following resolution as a special resolution of the Company:

“**THAT** the bye-laws of the Company (the “Bye-laws”) be and are hereby amended by:

(a) adding the following definitions in Bye-law 1:

““clearing house” shall mean a recognised clearing house as referred to in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorised share depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

“Listing Rules” shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);”;

(b) deleting the existing definition of “Hong Kong” in Bye-law 1 and substituting therefor the following new definition of “Hong Kong”:

““Hong Kong” shall mean the Hong Kong Special Administrative Region of the People’s Republic of China;”

(c) adding the following sentence into Bye-law 66 after the words “by proxy or by representative.” but before the words “ Subject to any special rights or restrictions.....”:

“Notwithstanding anything contained in these Bye-laws, where more than one proxy is appointed by a member of the Company which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.”;

(d) adding the following as a new Bye-law 66(A) immediately after Bye-law 66:

“66(A) Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”;

(e) deleting the existing Bye-law 71(A) and substituting therefor the following new Bye Law 71(A):

“71(A) Notwithstanding Bye-Law 71, where a member is a clearing house, it may appoint to the extent permitted by the Companies Act 1981 (Bermuda) such person or persons as it thinks fit to act as its proxy (or proxies) at any members’ general meeting or any meeting of any class of members provided that, if more than one person is so appointed, the appointment must specify the number and class of shares in respect of which each such person is so appointed. The person so appointed will be entitled to exercise the same power on behalf of the clearing house as that clearing house (or its nominees) could exercise if it were an individual member of the Company, including the right to vote individually on a show of hands.”;

(f) deleting the existing Bye-law 112 and substituting therefor the following new Bye-law 112:

“112. No person other than a Director retiring at a meeting shall, unless recommended by the Directors, be appointed a Director at a general meeting unless at least seven days’ previous notice in writing shall have been given to the Company of the intention of any member qualified to vote at the meeting to propose any person other than a retiring Director for election to the office of Director with notice executed by that person of his willingness to be appointed. The period for lodgment of the notice required under this Bye-law shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days.”;

(g) deleting the existing Bye-law 119.1 and substituting therefor the following new Bye-law 119.1:

“119.1 A Director shall not be entitled to vote on any board resolution approving any contract or arrangement in which he or any of his associates is materially interested and not be counted in the quorum present at the meeting at which such contract or arrangement is considered.”;

(h) deleting the existing Bye-law 119.2 and substituting therefor the following new Bye-law 119.2:

“119.2 The prohibitions in Bye-law 119.1 shall not apply to the following matters namely:–

119.2.1 any contract or arrangement for giving any security or indemnity to such Director or his associate(s) in respect of money lent by him or any of them or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

119.2.2 any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

119.2.3 any contract or arrangement concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

119.2.4 any proposal or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;

119.2.5 any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(a) the adoption, modification or operation of any employees share scheme or any share incentive or share option scheme under which the Director or his associate(s) may benefit; or

(b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their respective associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or his associate(s) as such any privilege or advantage not accorded to the employees to which such scheme or fund relates;

119.2.6 any contract or arrangement in which the Director or his associate(s) is/are interested in a same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest or debentures or other securities of the Company;

119.2.7 in the case of any share capital listed on a stock exchange in Hong Kong, such other exceptions applicable to all companies listed thereon as shall be approved and notified to those companies by such exchange.

For the purpose of Bye-law 119, “associate(s)” in relation to any Director, shall have the meaning ascribed to it under the Listing Rules.”; and

(i) adding the following new Bye-law 119.4 immediately after Bye-law 119.3:

“119.4 If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director or his associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting or his associate(s), such question shall be decided by a resolution of the Board (for which purpose such chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman or his associate(s) as known to such chairman has not been fairly disclosed to the Board. For the purposes of this paragraph and in relation to an alternate Director, an interest of his appointor or his associate(s) shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director has otherwise.”;

and THAT any director of the Company be and is hereby authorised to take such further action as he/she may, in his/her sole and absolute discretion, think fit for and on behalf of the Company to implement the aforesaid amendments to the existing Bye-laws.”

8. To transact any other business.

By Order of the Board
Lam, Kwong-wai
Company Secretary

Hong Kong, 15th March, 2004

Notes:

- 1) *Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.*
- 2) *In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company’s principal office in Hong Kong at 26th Floor, MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.*
- 3) *With respect to the resolution set out in resolution no. 4 of the notice, approval is being sought from shareholders for a general mandate to be given to the directors to purchase shares of the Company.*
- 4) *With respect to the resolutions set out in resolution nos. 5 and 6 of the notice, approval is being sought from shareholders for general mandates to be given to the directors to allot, issue and deal with shares of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.*
- 5) *An explanatory statement containing the information with respect to the resolutions set out in resolution nos. 4 to 7 of the notice of the meeting will be sent to the shareholders together with the 2003 Annual Report.*

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