



哈爾濱啤酒集團有限公司
HARBIN BREWERY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0249)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

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” or “Harbin Brewery”) for the year ended 31 December 2003 together with the comparative amounts for 2002 as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> <i>(Restated)</i>
TURNOVER	4	1,401,821	1,118,642
Cost of sales		<u>(790,930)</u>	<u>(644,081)</u>
Gross profit		610,891	474,561
Other revenue	4	11,760	28,938
Selling and distribution costs		(190,350)	(142,886)
Administrative expenses		(190,885)	(119,647)
Other operating expenses		<u>(51,867)</u>	<u>(30,299)</u>
PROFIT FROM OPERATING ACTIVITIES	5	189,549	210,667
Finance costs	6	<u>(50,541)</u>	<u>(50,596)</u>
PROFIT BEFORE TAX		139,008	160,071
Tax	7	<u>(17,068)</u>	<u>(35,003)</u>
PROFIT BEFORE MINORITY INTERESTS		121,940	125,068
Minority interests		<u>(7,562)</u>	<u>(14,887)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>114,378</u>	<u>110,181</u>
Transfer to proposed reserve fund		<u>10,875</u>	<u>4,768</u>
Transfer to proposed enterprise expansion fund		<u>10,875</u>	<u>4,768</u>
DIVIDENDS	8		
- Interim		13,954	—
- Proposed final		<u>21,060</u>	<u>—</u>
		<u>35,014</u>	<u>—</u>
EARNINGS PER SHARE	9		
- Basic, HK cents		<u>11.71</u>	<u>13.97</u>
- Diluted, HK cents		<u>11.41</u>	<u>13.74</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>
NON-CURRENT ASSETS	<u>2,132,295</u>	<u>1,676,004</u>
CURRENT ASSETS	670,141	605,647
CURRENT LIABILITIES	<u>(806,497)</u>	<u>(659,219)</u>
NET CURRENT LIABILITIES	<u>(136,356)</u>	<u>(53,572)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	1,995,939	1,622,432
NON-CURRENT LIABILITIES	(755,866)	(671,396)
MINORITY INTERESTS	<u>(170,465)</u>	<u>(141,213)</u>
	<u>1,069,608</u>	<u>809,823</u>
Represented by:		
SHAREHOLDERS' EQUITY	<u>1,069,608</u>	<u>809,823</u>

Notes:

1. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following new and revised SSAPs are effective for the first time for the current year’s financial statements and have had a significant impact thereon:

- SSAP 12 (Revised): “Income taxes”
- SSAP 35: “Accounting for government grants and disclosure of government assistance”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements by adopting these SSAPs are summarised as follows:

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward or unused tax losses (deferred tax).

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. The profit attributable to shareholders for the year ended 31 December 2002 has therefore been restated from HK\$108,769,000 to HK\$110,181,000.

SSAP 35 prescribes the accounting for government grants and other forms of government assistance.

The adoption of this SSAP has had no significant impact on the amounts recorded for government grants as shown in these financial statements. However, additional disclosures are now required and are detailed in note 5.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

No business or geographical segment information is presented as the Group's customers and operations, which related substantially to the production and distribution of beer, are located in Mainland China.

4. 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:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover:		
Sale of beer	<u>1,401,821</u>	<u>1,118,642</u>
Other revenue:		
Sale of raw materials, packaging materials and by-products	6,600	4,006
Consultancy fee income	—	12,360
Government subsidies	4,404	11,297
Interest income	<u>756</u>	<u>1,275</u>
	<u>11,760</u>	<u>28,938</u>
	<u><u>1,413,581</u></u>	<u><u>1,147,580</u></u>

5. PROFIT FROM OPERATING ACTIVITIES

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> <i>(Restated)</i>
Depreciation	125,445	97,311
Amortisation of intangible assets, other than goodwill and negative goodwill*	2,359	2,362
Amortisation of reusable packaging materials*	20,639	14,783
Amortisation of goodwill*	8,173	5,128
Amortisation of negative goodwill*	(68)	—
Minimum lease payments under operating leases on land and buildings	2,973	2,596
Auditors' remuneration	3,164	2,638
Staff costs (excluding directors' remuneration):		
Wages and salaries	120,702	82,993
Pension scheme contributions	<u>18,684</u>	<u>14,213</u>
	<u>139,386</u>	<u>97,206</u>
Provision for doubtful debts	12,248	2,695
Loss on disposal of fixed assets	4,308	3,649
Government subsidies**	(4,404)	(11,297)
Exchange (gains) / losses, net	48	(27)
Interest income	<u>(756)</u>	<u>(1,275)</u>

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

** Various government grants have been received by certain PRC subsidiaries in connection with tax refund and the implementation of the work relating to the environmental protection system. The government grants released have been included in other revenue. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	46,354	45,052
Interest on other loans	78	301
Interest on an amount due to a joint venture partner of a subsidiary	1,221	1,289
Interest on convertible notes	<u>24</u>	<u>1,090</u>
	47,677	47,732
Other finance cost:		
Amortisation of deferred expenditure	<u>2,864</u>	<u>2,864</u>
	<u>50,541</u>	<u>50,596</u>

7. TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the year (2002: 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 the existing legislation, interpretations and practices in respect thereof.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> <i>(Restated)</i>
Group:		
Current — Mainland China		
Charge for the year	20,634	35,705
Under / (over) provision in prior years	(1,055)	265
Deferred	<u>(2,511)</u>	<u>(967)</u>
Total tax charge for the year	<u>17,068</u>	<u>35,003</u>

The Company's PRC subsidiaries 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.

8. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interim — 1.4 cents (2002: Nil) per ordinary share	13,954	—
Proposed final — 2.1 cents (2002: Nil) per ordinary share	<u>21,060</u>	<u>—</u>
	<u>35,014</u>	<u>—</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$114,378,000 (2002 (restated): HK\$110,181,000), and the weighted average of 976,583,168 (2002: 788,684,932) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2003 is based on the net profit attributable to shareholders for the year of HK\$114,378,000 (2002 (restated): HK\$110,181,000), as adjusted for the interest on convertible notes of HK\$24,000 (2002: HK\$1,090,000). The weighted average number of ordinary shares used in the calculation is the 976,583,168 (2002: 788,684,932) ordinary shares in issue during the year, as used in the basic earnings per share calculation; the weighted average of 306,287 (2002: 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 25,709,852 (2002: 7,238,942) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

10. CONTINGENT LIABILITIES

At 31 December 2003, the Group had given guarantees of approximately HK\$5,401,000 (2002: HK\$8,047,000) to a bank in connection with the credit facilities granted to certain employees of a subsidiary for financing the construction of employees' quarters. Upon the issuance of the building ownership certificate, the employees' quarters will be mortgaged to secure the credit facilities and the mortgage will then replace the guarantees.

11. 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\$700,586,000 (2002: HK\$609,624,000).

In addition, the Group's syndicated bank loan at the balance sheet date of approximately US\$6.9 million (2002: US\$11.4 million) is secured by the following:

- (i) Floating charge over the assets of certain of the Company's subsidiaries; and
- (ii) Share mortgage/assignment of the ownership rights of certain of the Group's interests in subsidiaries.

12. 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.

FINAL DIVIDEND

The Board recommends a final dividend of HK2.1 cents per share to be approved at the forthcoming annual general meeting to be held on Friday, 25 June 2004. This final dividend, if approved, will be paid on Friday, 16 July 2004 to shareholders whose names appear on the Register of Members of the Company on Friday, 25 June 2004.

Together with the interim dividend of HK1.4 cents per share, the total dividend per share for the year 2003 is HK3.5 cents, representing a dividend payout ratio of approximately 30.6%.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 23 June 2004 to Friday, 25 June 2004 (both days inclusive) during which period no transfer of shares of the Company will be registered and effected. In order to qualify for the final dividend, 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 4:30 p.m. on Monday, 21 June 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The second half of 2003 showed noticeable improvements in the Group's performance over the first half when business was affected by the SARS outbreak. During the year under review, Harbin Brewery recorded a turnover of HK\$1,402 million, an increase of 25.3% from 2002. Apart from organic growth, full integration was completed during the year in respect of all the acquired breweries, bringing significant contributions to the Group's turnover.

The Group achieved an output volume of 1,148,676 kl in 2003, representing a growth of 27.3% over 2002. The average price was HK\$1,220.4 per kl in 2003, a slight decrease of 1.4% as compared to 2002. The overall gross margin for the year was 43.6%, increasing from 42.4% in 2002. This was attributable to the effective cost control brought about by higher operating efficiencies as well as the change in the product mix during the year, offsetting the unfavourable impact caused by the SARS epidemic.

In 2003, the profit from the operating activities of the Group amounted to HK\$190 million, a drop of 10% over 2002. This was caused by an increase in promotion and marketing expenses for expanding the geographic coverage, as well as the inclusion of administrative expenses from the acquired breweries. However, the net profit attributable to shareholders during the year was HK\$114 million, representing a slight increase of 3.8% from 2002. This was contributed by the tax refund policy facilitated by reinvestments of profits. Basic earnings per share were HK11.71 cents in 2003.

Business Review

The Group implemented stringent cost control measures and effective management practices which successfully improved the operating efficiencies of the acquired breweries, while also helping to offset the undesirable impacts caused by the poor market sentiment as a result of the SARS epidemic during the first half of 2003. The encouraging operating results in the acquired breweries helped to enlarge Harbin Brewery's market share and to further strengthen its market position in the PRC.

(i) *Turnover analysis by product mix*

The Group'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 sales of the Original products achieved the highest growth and remained as the major income source for the Group during the year, representing 81.8% of the total turnover. Turnover of the Original products increased by 32% to HK\$1,147 million.

With an expanded distribution network and stronger marketing efforts after the SARS outbreak, sales of higher-end beer products, Classic and Premium products, maintained a growth of 1.9% in 2003, contributing to 18.2% in aggregate to the Group's total turnover. The sales of the Classic products, contributing to 11.7% of the total turnover, dropped by 4% to approximately HK\$164 million owing to weak consumption incentives from sectors such as hotels and restaurants during the SARS epidemic. On the other hand, the turnover from the Premium products recorded an increase of 14.5% in 2003 to reach HK\$91 million, accounting for 6.5% of the total turnover.

(ii) *Turnover analysis by geographic location*

Turnover from the Northeast Region of China amounted to HK\$1,243 million, representing an increase of 17.5% over 2002. This accounted for 88.7% of the total turnover, and remained as the major market for the Group.

As the single largest market, the sales in Heilongjiang Province contributed 60.8% to the Group's total turnover. Turnover from Jilin Province recorded an increase of 11.3%. Liaoning Province and the Non-Northeast Region of China recorded the highest growth rates of 49.1% and 161.5% respectively in terms of turnover.

(iii) ***2002 & 2003 Acquired Breweries***

The three breweries acquired in 2002 (“2002 Acquired Breweries”) were under smooth operations during the year. In addition, the two breweries acquired in 2003 (“2003 Acquired Breweries”) underwent complete integration in 2003. These acquired breweries in aggregate contributed 22.5% to the total turnover during the year, and brought about positive contribution to the Group’s profit. The Group expects that these breweries will generate more impressive contributions in the coming years.

(iv) ***Overall production operations***

The Group’s business scale expanded substantially in recent years through acquisitions and internal upgrades. Currently the Group operates 13 breweries in the PRC, with an aggregate designed production capacity reaching approximately 1,300,000 kl per annum. The utilisation rate of all breweries during the year was 88.4%.

(v) ***Market penetration***

Being a key market player in the Northeast Region of China, the Group is set to extend its market penetration outside the region. During the year, the Group set up new sales offices in Shanghai, Hangzhou, Xian, Zhengzhou, Guangzhou and Shijiazhuang to strengthen Harbin Brewery’s foothold in these areas. In addition, with an increase in the total number of distributors nationwide, the Group has set up a much extensive network for its “Harbin” products.

Change of Substantial Shareholder

On 27 June 2003, SABMiller Holdings Limited (“SABMiller Holdings”), through Gardwell Limited (“Gardwell”, which is beneficially owned as to 95% by SABMiller Holdings and 5% by the Group’s certain executives), entered into a conditional sale and purchase agreement with CEDF (Brewery) Holdings Limited (“CEDF Brewery”), the Group’s substantial shareholder, to acquire 295 million shares of the Company from CEDF Brewery, which is equivalent to approximately 29.64% of the Company’s enlarged share capital (upon completion), at a consideration of HK\$675.55 million. The sale and purchase agreement was completed on 28 July 2003. On the same day, the Company and SABMiller Asia BV entered into the Strategic Investor Agreement for a three-year term for the purpose of regulating their relationship with each other and certain aspects of the affairs of and their dealings with the Group.

Prospects

Although the China beer industry is expected to reach the peak of merger and acquisition activities in the near future, competition in the beer market remains intense. This continues to bring new challenges to brewers to stay ahead of the marketplace. Harbin Brewery will expand by improving the operating efficiencies of all its breweries for a higher output capacity and further maximise their utilisation rate. At the same time, the Group will remain prudent in its development through strategic acquisitions for optimal returns.

An extended market coverage and proactive response to consumers’ tastes are necessary to sustain Harbin Brewery’s business growth in the highly competitive market in China. The Group, while upholding its position as a leading regional brand in the Northeast Region of China, will continue to establish a stronger presence in markets like the Northern China and Southern China to raise the profile of the “Harbin” brand.

China is one of the largest beer consuming nations in the world, and is the one recording the highest growth rate. With an increased population in the middle class, their changing spending pattern and preference have facilitated a favourable market environment for mid- to high-end products. Harbin Brewery will step up its marketing initiatives to capture this high growth segment in the coming years and elevate its profit level.

FINANCIAL RESOURCES AND LIQUIDITY

The Group's total assets increased by 23% from approximately HK\$2,282 million as at 31 December 2002 to approximately HK\$2,802 million as at 31 December 2003. Net assets increased by 32% from approximately HK\$810 million as at 31 December 2002 to approximately HK\$1,070 million as at 31 December 2003. The increase in net assets was attributable to the net proceeds raised from the completion of the top-up placement in March 2003 and the net cash inflow from the Group's operating activities. Cash and bank balances amounted to approximately HK\$140 million as at 31 December 2003.

The debt to equity ratio of the Group was 79% as at 31 December 2003, further improved from 97% as at 31 December 2002. The net debt to equity ratio of the Group was 66% as at 31 December 2003.

USE OF 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. As at 31 December 2003, the Group had fully utilised the net proceeds. Of that amount, the Group utilised approximately HK\$149 million for the repayment of shareholders' and bank loans. A further approximately HK\$109 million was used for the acquisition and capital expenses of the 2002 Acquired Breweries. Approximately HK\$87 million of the remaining net proceeds was 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.

On 10 March 2003, the Group raised net proceeds of approximately HK\$90 million by issuing 44 million new ordinary shares at HK\$2.1 per share upon the completion of the top-up placement. As at 31 December 2003, the Group fully utilised the net proceeds for the acquisition and capital expenses of the 2003 Acquired Breweries.

HUMAN RESOURCES AND REMUNERATION OF EMPLOYEES

As at 31 December 2003, the Group employs a total of 7,540 full time employees in Hong Kong and the PRC. The Group recognises 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

On 9 January 2003, the noteholders exercised their rights to fully convert the notes into 13,974,358 shares of the Company at HK\$1.56 per share, representing approximately 1.51% of the enlarged issued share capital of the Company as at the same day.

On 10 March 2003, the Company completed the top-up placement in raising net proceeds of approximately HK\$90 million by placing a total of 44 million shares, equivalent to 4.53% of the enlarged issued share capital of the Company as at the same day.

On 17 March 2003, the Group completed its acquisition of a 70% equity interest in Shenyang Xinyisi Brewery Company Limited (currently renamed as Harbin Brewing (Shenyang) Company Limited) at a cash consideration of HK\$18 million.

On 9 April 2003, the Group completed its acquisition of a 60% equity interest in Yanji Nuobao Brewing Company Limited (currently renamed as Harbin Brewing (Yanji) Company Limited) at a cash consideration of HK\$20 million.

On 22 May 2003, Mr. Lee Kong Leong, Mr. Chen Zhixiong, Mr. Tse Kwok Lam and Mr. Chong Tao Boon retired as directors at the Company's annual general meeting. On the same day, Mr. Zhu Wenwei, Mr. Louis W. Moelchert, Jr. and Mr. Martin A. Murbach were appointed non-executive directors while Mr. Sam Zuchowski was appointed independent non-executive director of the Company.

On 27 June 2003, SABMiller Holdings, through Gardwell, acquired 295 million shares from CEDF Brewery, equivalent to approximately 29.64% of the Company's enlarged issued share capital upon completion, at a consideration of HK\$675.55 million. The sale and purchase agreement was completed on 28 July 2003. On the same day, Mr. Louis W. Moelchert, Jr. and Mr. Martin A. Murbach resigned as non-executive directors, while Mr. Roy E. Bagattini and Mr. Jonathan F. Solesbury were appointed non-executive directors of the Company.

On 28 July 2003, the Company and SABMiller Asia BV entered into a Strategic Investor Agreement for a three-year term for the purpose of regulating their relationship with each other and certain aspects of the affairs and their dealings with the Group.

On 21 August 2003, the Group completed its acquisition of an additional 30% equity interest in Harbin Brewing (Songjiang) Company Limited at a consideration of approximately HK\$13 million, resulting in Harbin Brewing (Songjiang) Company Limited becoming 100% owned by the Group.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange, throughout the accounting period covered by the annual report, 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 2003 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.

By order of the Board

Li Wentao

Chairman

Hong Kong, 22 April 2004

As at the date of this announcement, the executive directors are Mr. Li Wentao, Mr. Lo Peter, Mr. Fu Hui, Mr. Au Peter Jeva and Mr. Bao Liusuo; the non-executive directors are Dr. Tong Kay Tak Tom, Mr. Zhu Wenwei, Mr. Roy E. Bagattini, Mr. Jonathan F. Solesbury, Dr. Sit Fung Shuen Victor and Mr. Sam Zuchowski*.*

** Independent non-executive directors*

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 Oregon Room, The American Club Hong Kong, 47/F., Exchange Square Two, Central, Hong Kong, on Friday, 25 June 2004 at 4:00 p.m. for the following purposes:

As ordinary business

1. To receive and adopt the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2003;
2. To declare a final dividend;
3. (A) To re-elect retiring Directors;
(B) To authorise the Board of Directors to fix Directors’ remuneration;
4. To re-appoint Auditors and to authorise the Board of Directors to fix Auditors’ remuneration;

As special business

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

“THAT the articles of association of the Company (the “Articles of Association”) be and are hereby amended by:

- (a) deleting the existing definition of “clearing house” in Article 2(1) of the Articles of Association and substituting therefor the following new definition of “clearing house”:

“clearing house” 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.

- (b) adding the following words into the first sentence of Article 66 of the Articles of Association after the words “Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles”:

“or the rules of any Designated Stock Exchange”

- (c) deleting “.” at the end of sub-article (d) of Article 66 of the Articles of Association and substituting therefor “,” and adding the following words following sub-article (d) of Article 66 of the Articles of Association:

“(or otherwise required by the rules of any Designated Stock Exchange).”

- (d) adding the following sentence into Article 66 of the Articles of Association as the last paragraph:

“If any shareholder is required to abstain from voting or may only vote for or against a matter according to the rules of any Designated Stock Exchange, any vote by such shareholder or his proxy in violation of the relevant rules or restrictions referred to above shall not be counted in the voting results.”

- (e) deleting the existing Article 88 of the Articles of Association and substituting therefor the following new Article 88:

“No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (if the Notices are submitted after the notice of the meeting) within seven (7) days after the dispatch of the notice of the meeting appointed for such election and no less than seven (7) days prior to the date of such meeting.”

- (f) deleting the existing Article 103 of the Articles of Association and substituting therefor the following new Article 103:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates (as defined in the rules of the Designated Stock Exchange) is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or any of his associates any security or indemnity 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;
- (ii) 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 any of his associates has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or 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;
- (iv) any contract or arrangement in which he or any of his associates is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest or the interest of any of his associates in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which he or any of his associates is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his

associates (as defined by the rules, where applicable, of the Designated Stock Exchange) is in aggregate beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived); or

- (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(2) A company shall be deemed to be a company in which a Director owns five (5) per cent. or more if and so long as (but only if and so long as) he and his associates (as defined by the rules, where applicable, of the Designated Stock Exchange), (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

(3) Where a company in which a Director together with his associates (as defined by the rules, where applicable, of the Designated Stock Exchange) holds five (5) per cent. or more is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

(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 and such question is not resolved by his voluntarily agreeing to abstain from voting, 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 such question shall be decided by a resolution of the Board (for which purpose such chairman 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 as known to such chairman has not been fairly disclosed to the Board.”

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

“THAT conditional upon the grant of the approval by the Listing Committee of The Stock Exchange of Hong Kong Limited to the listing of, and permission to deal in, the shares of HK\$0.10 each (the “Shares”) in the share capital of the Company to be issued pursuant to the exercise of options to be granted under the share option scheme of the Company dated 17 June 2002 (the “Share Option Scheme”) and any other share option schemes of the Company up to the

10% Limit (as defined below) as refreshed under the Share Option Scheme, the total number of Shares to be allotted and issued pursuant to the grant or exercise of any options under the Share Option Scheme and any other share option schemes of the Company (excluding options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or any other Schemes of the Company on the date of passing of this resolution) be and is hereby subject to a maximum limit equal to the number of Shares in issue on the date of passing of this resolution (“the 10% Limit”), and that the directors of the Company be and are hereby unconditionally authorised to grant options to subscribe for Shares up to the 10% Limit and to exercise all powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options.”

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

“THAT

- (a) subject to paragraph 7 (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 authorised 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 7 (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 7 (a) and (b) above, otherwise than pursuant to (i) a rights issue (as defined in paragraph 7 (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.

“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.”

- 8. 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.”

- 9. 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.7 and 8 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.7 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.8 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, 22 April 2004

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

Principal place of business in Hong Kong:
Suite 615, 6th Floor
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Notes:

- (a) A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote on his/her behalf. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member 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 the meeting or any adjournment thereof.
- (c) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the 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 Wednesday, 23 June 2004 to Friday, 25 June 2004 (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 4:30 p.m. on Monday, 21 June 2004.
- (e) An Explanatory Statement containing further details regarding ordinary resolution no. 8 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 2003.

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