



KARL THOMSON HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2004

SUMMARY OF RESULTS

The Directors of Karl Thomson Holdings Limited ("the Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 March 2004 together with last year's comparative figures as follows:

CONSOLIDATED INCOME STATEMENT For the year ended 31 March 2004

	NOTES	2004 HK\$'000	2003 HK\$'000
Turnover	3	47,031	29,242
Other operating income		4,417	1,239
Allowance for bad and doubtful debts	(413)	(19,335)	
Amortisation of intangible assets	(6)	(1,844)	
Depreciation	(2,418)	(2,169)	
Finance costs	5	(45)	(106)
Other operating expenses		(30,191)	(23,977)
Staff costs, including Directors' remuneration	(10,197)	(14,316)	
Bad debts written off		—	(796)
Impairment loss recognised in respect of a license and right to use a website and trademark		—	(22,690)
Impairment loss recognised in respect of the license to use technical knowhow and Webtrade products		—	(6,362)
Profit (loss) before taxation	6	8,178	(61,114)
Taxation credit	7	6	125
Profit (loss) before minority interests		8,184	(60,989)
Minority interests		(36)	18,258
Net profit (loss) for the year		8,148	(42,731)
Earnings (loss) per share	8		
Basic and diluted		HK1.8 cents	HK(9.3) cents

Notes:

1. GENERAL

The Company is an exempted company incorporated under the Companies Act 1981 of Bermuda (as amended). Its ultimate holding company is J&A, which is incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal activities of the Group are the provision of financial services, including stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products broking, securities margin financing and corporate finance advisory services.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA.

SSAP 12 (Revised)

Income Taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

3. TURNOVER

	2004 HK\$'000	2003 HK\$'000
Commission and brokerage	40,222	19,737
Interest income from:		
Clients	5,349	7,500
Authorised institutions	204	517
Other	36	143
Advisory fee income	1,220	1,337
Advertising income	—	8
	47,031	29,242

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions, namely, broking and securities margin financing. These divisions are the basis on which the Group reports its primary segment information. The principal activities of these divisions are as follows:

Broking — provision of stockbroking, futures and options broking and mutual funds as well as insurance-linked investment plans and products broking

Securities margin financing — provision of securities margin financing

Segment information about these businesses is presented below:

Income statement for the year ended 31 March 2004

	Broking HK\$'000	Securities margin financing HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE				
Segment turnover	41,289	2,713	3,029	47,031
RESULTS				
Segment profit (loss)	7,971	(796)	1,296	8,471
Unallocated expenses				(293)
Profit before taxation				8,178
Taxation credit				6
Profit after taxation and before minority interests				8,184

Income statement for the year ended 31 March 2003

	Continuing operations			Discontinued operation	
	Broking HK\$'000	Securities margin financing HK\$'000	Others HK\$'000	Operation of Distribution Platforms HK\$'000	Consolidated HK\$'000
REVENUE					
Segment turnover	21,403	5,862	1,969	8	29,242
RESULTS					
Segment loss	(18,454)	(11,054)	(5,833)	(25,014)	(60,355)
Unallocated expenses					(759)
Loss before taxation					(61,114)
Taxation credit					125
Loss after taxation and before minority interests					(60,989)

5. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank overdrafts	1	1
Finance leases	17	88
Other bank borrowings	27	17
	45	106

6. PROFIT (LOSS) BEFORE TAXATION

	2004 HK\$'000	2003 HK\$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	722	703
Contributions to retirement benefits scheme (including in staff costs)	321	242
Loss from error trades	52	24
Loss on disposal of fixed assets	5	334
Operating lease rentals in respect of rented premises	4,093	4,384
(Gain) loss on trading securities	(1,443)	1,405
Negative goodwill released to income statement (included in other operating income)	—	(27)

7. TAXATION CREDIT

	2004 HK\$'000	2003 HK\$'000
Hong Kong Profits Tax Overprovision in prior years	6	125
No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by estimated tax losses brought forward.		

The taxation for the year can be reconciled to the profit (loss) before taxation per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit (loss) before taxation	8,178	(61,114)
Taxation (charge) credit at domestic income tax rate of 17.5% (2003: 16%)	(1,431)	9,778
Tax effect of income not taxable for tax purpose	36	92
Tax effect of estimated tax losses not recognised	(567)	(5,472)
Overprovision in prior years	6	125
Tax effect of expenses not deductible for tax purpose	(157)	(4,544)
Tax effect of utilisation of estimated tax loss previously not recognised	1,934	78
Others	185	68
Taxation credit for the year	6	125

At 31 March 2004, the Group has unused estimated tax losses of approximately HK\$35,834,000 (2003: HK\$43,645,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2004 HK\$'000	2003 HK\$'000
Net profit (loss) for the year	8,148	(42,731)
Number of ordinary shares for the purpose of basic and diluted loss per share	460,000	460,000

The computation of diluted earnings (loss) per share for both years did not assume the exercise of the Company's share options as their exercise prices were higher than the average market price for shares for the year.

DISTRIBUTABLE RESERVES

At 31 March 2004, the Company had no reserves available for distribution to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's core businesses are securities and futures brokerage, securities margin financing, financial management advisory services and investment banking. The Group benefits from the rapidly recovery of the financial market in Hong Kong in the second half of 2003 and reported an audited net profit attributable to shareholders of HK\$8,148,000 for the year ended 31 March 2004, a remarkable improvement compared to last year's loss attributable to shareholders of HK\$42,731,000. Earnings per share amounted to HK1.8 cents (2003: loss per share of HK9.3 cents). The Group's turnover for the year totalled HK\$47,031,000 (2003: HK\$29,242,000), an increase of 60.8% over last year. During the year, the Group continued to apply a prudent credit policy and a more efficient cost control, the allowance for bad and doubtful debts and operating expenses (excluding the commission rebate to commission-based employees) were decreased compared to last year.

During the year, the Group has entered into a conditional subscription agreement on a HK\$30,000,000 convertible note issued by Asia Tele-Net Corporation Limited (Stock Code: 679) ("ATNT"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The funding of the subscription would be satisfied by internal resources of the Company. The transactions were approved by the independent shareholders of the Company at a special general meeting on 23 March 2004 and the convertible note was issued to the Group in May 2004. The convertible notes bear an interest rate of 5% over the prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum in case of the redemption of the convertible note by ATNT. Under the terms of the convertible notes, the Group has an option to convert the notes at HK\$0.20 per share within a two-year term and a maximum of 150,000,000 shares of ATNT can be converted. Therefore, upon full conversion, the Group will hold a maximum of 35.17% of ATNT and ATNT will effectively become an associate company of the Group. The investment will not only contribute interest income to the Group, but also provide the Group an opportunity to diversify its investment and expand to other business sector should the Group decides to exercise the option to convert. The business of ATNT includes electroplating equipment manufacturing, FPD process equipment and horizontal wet processing equipment business and entertainment production services business. With the global economic recovery, the Group is optimistic about the future prospect and share price of ATNT.

MARKET OVERVIEW

After the outbreak of SARS as well as the Iraqi war last year, Hong Kong economy suffered severely and the investment sentiment of the financial market reached its trough. However, along with the launching of policies by the Mainland in the second half of 2003 which strengthened the economic development of Hong Kong including the signing of the Closer Economic Partnership Agreement (the "CEPA") with Mainland and the relaxation of travel restrictions on Mainland visitors to Hong Kong, and the adjustment of the existing land policies by the Hong Kong Government which included the restriction of land supply and stabilization of the property prices, the domestic economy recovered rapidly in the second half of 2003. Following the surge of retail consumption steered by "Individual Travel Scheme", the improvement of low-skilled workers' prospects, the recovery of the property market, the improvement of bad and doubtful debts level in the banking sector, the deceleration of personal bankruptcies, the persistence growth in cargo-freight business, as well as numerous huge Mainland enterprises aiming at raising capital through listing in Hong Kong, the confidence of investment market gradually improved. Hang Seng Index rose by 46.9% from 8,634 points on 1 April 2003 to 12,681 on 31 March 2004 and trading volume grew by 110.7% compared to the same period last year. The Group was able to capture the opportunities offered by the recovery of the Hong Kong economy and the stabilization of investor's confidence and therefore achieved better result compared to the last corresponding period.

SECURITIES, FUTURES AND OPTIONS BROKERAGE BUSINESS

The brokerage business reported growth in turnover to HK\$23,787,000 (2003: HK\$16,726,000), representing 42.2% increase over last year. Operating profit increased remarkably from loss of HK\$18,454,000 in last year to profit of HK\$5,563,000 in current year. The improvement in business outlook and investment sentiment was attributable to the dissipation of the stimulation on the economic development infrastructure by the Central Government and the influx of Chinese individual tourists. Hang Seng Index grew from 8,634 points on 1 April 2003 to 12,681 on 31 March 2004 and trading volume grew 110.7% compared to the same period last year. This business contributes 50.6% and 68.3% of the Group's turnover and operating profit respectively and will continue to be the key source of turnover and profit to the Group.

FINANCIAL MANAGEMENT ADVISORY SERVICE

The financial management advisory service reported turnover totalled HK\$17,502,000 (2003: HK\$4,677,000) and operating profit of HK\$2,408,000 (2003: loss of HK\$394,000) which the turnover and operating profits were above last year. This remarkable improvement of turnover and operating profit was mainly due to further expansion of the business during the year. Currently, the Group has 71 financial planners who market and

advise our clients on different investment plans which suit their needs. This business represents 37.2% and 29.6% respectively of the Group's turnover and net profit for the year. As the concept of personal financial planning is expected to widely accept by the customer, the Group expects this business will continue to growth healthily and become the core profit contributor to the Group.

SECURITIES MARGIN FINANCING

The securities margin financing business reported turnover of HK\$2,713,000 (2003: HK\$5,862,000), a 53.7% decrease over last year, and operating loss of HK\$796,000 (2003: loss of HK\$11,054,000), a 92.8% decrease of loss over last year. This business represents 5.8% of the Group's turnover for the year. Last year's result of this business included a provision for bad and doubtful debts of HK\$11,847,000 while current year's result had included a provision for bad and doubtful debts of HK\$2,767,000. Excluding such effect, the operating profit increased 148.5% compared to last financial year. With the recovery of the economy and the continuous application of a prudent credit policy, an improvement of provision for bad and doubtful debts of HK\$2,767,000 with the decrease of 76.6% was resulted. The Group will continue to uphold its prudent credit policy in providing securities margin financing business to customers.

INVESTMENT BANKING

The Group began its investment banking business in 2001 and the business reported a healthy and stable growth. During the year, this business reported turnover of HK\$1,222,000 (2003: HK\$1,337,000), a decrease of 8.6% compared to last year. Although the turnover was decreased as compared to last year, with the application of a more efficient cost structure of the business during the year, the operating profit was improved to HK\$519,000 (2003: HK\$204,000), representing a 154.4% growth. This business, which mainly engages in providing financial advisory services for listed companies in Hong Kong, corporate finance advisory on merger and acquisitions and fund raising services via private placement, share placement and share offering, contributes approximately 2.6% and 6.4% to the Group's turnover and operating profit respectively. During the year, this business has completed several transactions in financial advisory for companies listed on the Stock Exchange on notifiable transactions and acted as financial adviser for fund raising transactions of both listed and private companies. This business will continue its strategy of building a team which provides personal and professional services to the clients. With the recovery of the financial market in Hong Kong, the Group is confident that the business will report a healthy growth in the coming year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The financial position of the Group remained sound and healthy in this financial year. The Group's total shareholders' funds was HK\$116,277,000 at 31 March 2004 compared to HK\$108,129,000 last year. At 31 March 2004, the Group's cash and cash equivalents totalled HK\$66,526,000 (2003: HK\$49,959,000) which was mainly denominated in Hong Kong dollars.

The Group generally finances its operations with internally generated funds. Although the Group has obtained facilities which are renewable annually from several banks, the capital required for daily operations are generally met by the Group's internal resources. At 31 March 2004, the Group had no significant contingent liabilities and any bank borrowings.

DIVIDEND

The Directors will not recommend a final dividend (2003: Nil) at the forthcoming Annual General Meeting.

USE OF PROCEEDS RAISED FROM THE IPO

The Company's Shares were successfully listed on the Main Board of the Stock Exchange on 8 September 2000 and 52,500,000 new ordinary shares of HK\$0.10 each were offered to the public at HK\$1.20 per share, which raised a total of approximately HK\$63,000,000 for future expansion. The proceeds which amounted to HK\$53,869,000, net of the relevant listing expenses. As stated in its annual report 2003, the balance of the net proceeds not yet utilized of approximately HK\$9,366,000 which contributed HK\$366,000 from the expansion of the sales team and promotion and HK\$9,000,000 from the setting up of additional branch offices.

During this financial year, the net proceeds for the expansion of the sales team and promotion was fully utilized. In view of the poor market condition for opening a new branch office due to the economic downturn since 2001, the Company has decided not to open an additional branch office and therefore the Company has re-allocated an amount of HK\$9,000,000 for setting up of an additional branch office for brokerage purposes to the subscription of convertible note issued by ATNT during the financial year.

HUMAN RESOURCES

At 31 March 2004, the Group employed total of 134 staff (2003: 111), with 48 full-time staff (2003: 51) and the related employee costs totalled HK\$10,197,000 (2003: HK\$14,316,000) and 86 commission-based employees (2003: 60). With the continuous application of tight cost control, the employee cost has reduced. The Group is an equal opportunity employer, with the selection and promotion of individuals based on suitability for the position offered. The salary and benefit levels of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group has a share option scheme for the purchase of ordinary shares in the Company.

PROSPECTS

Although the market is still facing with the uncertainties brought from the bottoming-out of interest rate reaching its trough, the surge in oil prices, the increase of international terrorist activities and the little U.S. election, the Group is cautiously optimistic about the prospect of the Hong Kong economy. With U.S. and the global interest rate still hitting its historical low, the launching of various policies by the Mainland which serve to strengthen the economic development of Hong Kong including the arrangement of the CEPA between Hong Kong and Mainland, 9+2 the Pan-Pearl River Delta Regional Development Project, the relaxation of travel restrictions on Mainland visitors, the raising capital by Mainland corporations through listing in Hong Kong, together with the Hong Kong Government's shift of attitude towards the land policies, active assistance in developing Hong Kong's bond market and attain better regulatory standard for the local financial industry, all these factors contributes to render Hong Kong's goodwill as an international financial hub in the long-run.

With the recovery of the consumer market, the improvement of the labor market conditions, the more stable property prices, the improvement of the negative equities, the actively raising fund by Mainland enterprises in Hong Kong through IPO and the leverage on Hong Kong's position as a window to open up their overseas business as well as the foreign corporations treat Hong Kong as a gateway to the Mainland, the prospect of economic conditions in Hong Kong is still alive with hope.

The Group foresees that despite the keen competition among our industrial counterparts and from other local banking giants, a stable growth is expected to persist. The broking and securities margin financing businesses are able to benefit from the increase in market turnover. The financial advisory services would also able to gain from the increased demand for corporate finance transactions. The low interest rate environment, the development of bond market as well as the continuous recovery of the domestic economy will certainly pave for a stable growth in the wealth management industry. The Group is confident to achieve a stable growth in profit in the coming year.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 31 August 2004 to 7 September 2004, both days inclusive, during which period no transfer of shares will be effected. The Company's Share Registrar is Standard Registrars Limited located at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that the Independent Non-executive Directors were not appointed for a specific term as required by paragraph 7 of the Code, but are subjected to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

To comply with the Code as set out in Appendix 14 of the Listing Rules, the Company set up an audit committee for the purpose of reviewing and providing supervision of the financial reporting process and internal control system of the Group. The audit committee comprises the two Independent Non-executive Directors. During the year, the audit committee has met twice for the purpose of reviewing the Group's interim and final results.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

During the year ended 31 March 2004, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DETAILED RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

The financial and other information required by paragraph 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Lam Kwok Hing
Chairman

Hong Kong, 19 July 2004

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting of Shareholders of the Company will be held at Unit 701, Tower One, Lippo Centre, 89 Queensway, Hong Kong on 7 September 2004, Tuesday, at 10:00 a.m. for the purpose of considering and, if thought fit, passing, the following resolution numbered 5 as special resolution and with or without modifications, resolutions numbered from 1 to 4 and 6 to 7 as ordinary resolutions as indicated:

ORDINARY RESOLUTIONS

1. **“THAT** to receive and consider the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 March 2004.”
2. **“THAT** to re-elect the retiring Director of the Company and to fix the remuneration of Directors.”
3. **“THAT** to appoint an additional Independent Non-Executive Director.”
4. **“THAT** to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company and authorize the Directors to fix their remuneration.”

SPECIAL RESOLUTION

5. **“THAT** the bye-laws of the Company (the **“Bye-Laws”**) be and are hereby amended by:
 - A. deleting the following definitions of “associates” and “Clearing House” in Bye-Law 1 (A) and substituting therefor the following new definitions of “associate(s)” and “Clearing House”:

““associate(s)” in relation to any Director, shall have the same meaning ascribed to it under the Listing Rules;

“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) and any amendments thereto for the time being in force or a clearing house or authorised shares 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 definitions in Bye-Law 1(A):

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

“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);”
 - C. deleting the words “2 months” in line 2 of Bye-Law 15 and substituting therefor the words “the relevant time limit as prescribed in the applicable laws or as the relevant stock exchange may from time to time determine, whichever is shorter.”;
 - D. deleting the existing Bye-Law 70 in its entirety and substituting therefor the following as new Bye-Law 70:

“70. At any general meeting a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is required by the Listing Rules or is demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

 - (i) by the chairman of such meeting; or
 - (ii) by at least three shareholders present in person or by a duly authorized corporate representative or by proxy for the time being entitled to vote at the meeting; or
 - (iii) by any shareholder or shareholders present in person or by a duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or
 - (iv) by any shareholder or shareholders present in person or by a duly authorised corporate representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a shareholder or in the case of a shareholder being a corporation by its duly authorised corporate representative shall be deemed to be the same as a demand by a shareholder.

Unless a poll is required by the Listing Rules or duly demanded and, in the later case, the demand is not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against the resolution.”
 - E. deleting the existing Bye-Law 76 in its entirety and substituting therefor the following as new Bye-Law 76(A):

“76. (A) Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every shareholder who is present in person or by a duly authorised corporate representative or by proxy shall have one vote, and on a poll every shareholder present in person or by a duly authorised corporate representative or by proxy, shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid up (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of this Bye-Law as paid up on the share). Notwithstanding anything contained in these Bye-Laws, where more than one proxy is appointed by a shareholder of the Company which is a Clearing House (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll a shareholder entitled to more than one vote need not use all his votes or cast his votes in the same way.”
 - F. adding the following as a new Bye-Law 76(B) immediately after Bye-Law 76(A) and adding the words “Votes cast in contravention of the Listing Rules” as a marginal note to Bye-Law 76(B):

“(B) 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.”;
 - G. deleting the existing Bye-Law 81 in its entirety and substituting therefor the following new Bye-Law 81:

“81. Any shareholder of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. Votes may be given either personally or by a duly authorised corporate representative or by proxy. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder. In addition, a proxy or proxies representing either an individual shareholder or a shareholder which is a corporation, shall be entitled to exercise the same powers on behalf of the shareholder which he or they represent as such shareholder could exercise, including the right to vote on a show of hands in accordance with Bye-Law 76(A).”;
 - H. deleting the existing Bye-Law 98(H) in its entirety and substituting therefor the following new Bye-Law 98(H):

“(H) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is to the knowledge of such Director materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:-

- (i) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent 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 by the Company of any security 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/have 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;
- (iii) any contract or arrangement concerning an offer of the 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 the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract 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 an executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company in which the Director and any of his associate(s) are not in aggregate beneficially interested in five (5) per cent. or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (vi) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors or their associate(s) and employees of the Company or of any of its subsidiaries and does not give the Director or his associate(s) as such any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and
- (vii) any proposal or arrangement concerning the adoption, modification or operation of any employees’ share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit.;

For the purpose of Bye-Law 98(H), “subsidiary” or “subsidiaries” shall have the same meaning ascribed to it under the Listing Rules.”

- I. deleting the existing Bye-Law 98(I) in its entirety and substituting therefor the following new Bye-Law 98(I):

“(I) A company shall be deemed to be a company in which a Director and/or any of his associate(s) owns five (5) per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he and/or his associate(s) is/are (either directly or indirectly) the holder(s) of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company (or of any third company through which his/their interest is/are derived) or of the voting rights of any class of shares available to the shareholders of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has/have no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are 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 or his associate(s) is/are interested only as a unit holder.”;
- J. deleting the existing Bye-Law 98(J) in its entirety and substituting therefor the following new Bye-Law 98(J):

“(J) Where a company in which a Director and/or any of his associate(s) holds five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights of any class of shares available to the shareholders of the company is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.”;
- K. deleting the existing Bye-Law 98(K) in its entirety and substituting therefor the following new Bye-Law 98(K):

“(K) 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) 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 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 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.”;
- L. deleting the existing Bye-Law 103 in its entirety and substituting therefor the following new Bye-Law 103:

“103. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. 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 general meeting appointed for such election and end no later than (7) seven days prior to the date of such general meeting, provided that such period shall be at least (7) seven days.”;

and **THAT** any director of the Company be and is hereby authorised to take such further action as he/she may, at 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.”

ORDINARY RESOLUTIONS

6. **“THAT**
 - A. (i) subject to paragraph A(iii) and pursuant to the Listing Rules, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) 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 and options which might require the exercise of such power by and is hereby generally and unconditionally approved;

- (ii) the approval in paragraph A(i) shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the expiry of the Relevant Period;
- (iii) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to the approval in paragraph A(i) , otherwise than pursuant to a Rights Issue (as hereinafter defined) or any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or right to acquire shares in the Company shall not exceed 20% of the aggregate of the total nominal value of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
- (iv) for the purposes of this Resolution”

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

1. the conclusion of the next annual general meeting of the Company; or
2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act or any applicable law to be held; or
3. the passing of an Ordinary Resolution by the shareholders of the Company in general meeting revoking, varying or revising the authority given to the Directors of the Company by this Resolution; and

“Rights Issue” means an offer of shares in the capital of the Company or an offer or issue of options or, warrants or other securities granting the right to subscribe for shares, open for a period fixed by the Directors of the Company to holders of shares on the register of shareholders of the Company on a fixed record date in proportion to their then holdings of shares, subject to all cases 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, or the requirements of any recognized regulatory body or any stock exchange in any territory outside Hong Kong.

- B. (i) subject to paragraph B(ii) and all applicable laws and/or the requirement of the Listing Rules or of any other stock exchange as amended from time to time, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase the shares of the Company on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares in the Company pursuant to the approval granted in paragraph B(i) during the Relevant Period shall not exceed 10% of the aggregate of nominal value of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval be limited accordingly; and
- (iii) for the purposes of this Resolution:

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

 1. the conclusion of the next annual general meeting of the Company; or
 2. the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act or any applicable law to be held; or
 3. the passing of an Ordinary Resolution by the shareholders of the Company in general meeting revoking, varying or revising the authority given to the Directors of the Company by this Resolution; and
- C. conditional upon Resolutions Nos. 6A and 6B above being passed, the aggregate nominal value of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution No. 6B above shall be added to the aggregate nominal amount of share the capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution No. 6A above.”

7. **“THAT**, subject to and conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) granting listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company (“Shares”) to be issued pursuant to the exercise of options which may be granted under the new share option scheme (a copy of which is produced to this meeting and signed by the chairman of this meeting for the purpose of identification) (“**New Share Option Scheme**”); and (ii) the Bermuda Monetary Authority granting approval for the grant of options under the New Share Option Scheme and the allotment and issue of Shares upon the exercise of such options,

- A. the existing share option scheme (“**Existing Share Option Scheme**”) adopted on 16 August 2000 be and is hereby terminated and no further options will be granted under the Existing Share Option Scheme [but in all other respects the provisions of the Existing Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Existing Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme; and
- B. the rules of the New Share Option Scheme be and are hereby approved and adopted.”

By Order of the Board
LUI CHOI YIU ANGELA
Company Secretary

Hong Kong, 19 July 2004

Notes:

- (1) Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.
- (2) The form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be under its seal or the hand of an officer, attorney or other person duly authorised.
- (3) The form of proxy and the power of attorney or other authority, if any, under which it is signed or a notorially certified copy thereof must be lodged at the Company’s branch share registrar in Hong Kong, Standard Registrars Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 48 hours before the time appointed for holding the Annual General Meeting or any adjourned meeting (as the case may be) and in default the proxy shall not be treated as valid. Completion and return of the form of proxy shall not preclude members from attending and voting in person at the Annual General Meeting or at any adjourned meeting (as the case may be) should they so wish.
- (4) Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members in respect of such share shall be accepted to the exclusion of the votes of the other joint holders.
- (5) The Register of Members will be closed from Tuesday, 31 August 2004 to Tuesday, 7 September 2004, both days inclusive, during which period no transfer of shares will be effected.