



KARL THOMSON HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2003

SUMMARY OF RESULTS

The Directors of Karl Thomson Holdings Limited (“the Company”) would like to announce the audited consolidated results of the Company and its subsidiaries (“the Group”) for the year ended 31 March 2003 together with last year’s comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

	NOTES	For the year ended 31 March	
		2003	2002
		HK\$’000	HK\$’000
Turnover	3	29,242	32,385
Other operating income		1,239	2,230
Allowance for bad and doubtful debts		(19,335)	—
Amortisation of intangible assets		(1,844)	(10,616)
Bad debts written off		(796)	—
Depreciation		(2,169)	(1,689)
Consultancy fee		—	(12,110)
Finance costs	6	(106)	(344)
Impairment loss recognised in respect of a license and right to use a website and trademark	7	(22,690)	(86,897)
Impairment loss recognised in respect of the license to use technical knowhow and Webtrade products	8	(6,362)	—
Other operating expenses		(23,977)	(23,433)
Staff costs, including directors’ remuneration		(14,316)	(18,254)
Loss before taxation	9	(61,114)	(118,728)
Taxation credit (charge)	10	125	(6)
Loss before minority interests		(60,989)	(118,734)
Minority interests		18,258	45,330
Net loss for the year		<u>(42,731)</u>	<u>(73,404)</u>
Loss per share	11		
Basic and diluted		HK(9.3) cents	HK(16.1) 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 Investment Limited, 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 STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currencies
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity but has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

3. TURNOVER

	2003	2002
	HK\$’000	HK\$’000
Commission and brokerage	19,737	22,198
Interest income from:		
Clients	7,500	8,035
Authorised institutions	517	1,416
Other	143	575
Advisory fee income	1,337	—
Advertising income	8	161
	<u>29,242</u>	<u>32,385</u>

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 and insurance-linked investment plans and products broking

Securities margin financing — provision of securities margin financing

In prior year, the Group was also involved in the operation of distribution platforms for online advertising. This operation was discontinued during the year (see note 5).

Segment information about these businesses is presented below:

Income statement for the year ended 31 March 2003

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

Income statement for the year ended 31 March 2002

	Continuing operations			Discontinued operation	Consolidated
	Broking	Securities margin financing	Others	Operation of distribution platforms	
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
REVENUE					
Segment turnover	<u>25,171</u>	<u>6,415</u>	<u>638</u>	<u>161</u>	<u>32,385</u>
RESULTS					
Segment (loss) profit	<u>(6,902)</u>	<u>1,633</u>	<u>(421)</u>	<u>(99,827)</u>	<u>(105,517)</u>
Unallocated expenses					(13,211)
Loss before taxation					(118,728)
Taxation					(6)
Loss after taxation					<u>(118,734)</u>

Geographical segments

All of the activities of the Group are based in Hong Kong and all of the Group’s turnover and loss before taxation are derived from Hong Kong.

5. DISCONTINUED OPERATIONS

During the year, the Group ceased the operation of distribution platforms for online advertising due to uncertain and sluggish economic condition.

The results of the operation of distribution platforms for online advertising for the period from 1 April 2002 to the date of discontinuance, which have been included in the consolidated financial statements, were as follows:

	1.4.2002 to 31.12.2002	1.4.2001 to 31.3.2002
	HK\$’000	HK\$’000
Turnover	8	161
Other income	2	—
Amortisation of a licence and right to use a website and trademark	(1,310)	(10,081)
Impairment loss recognised in respect of a license and right to use a website and trademark	(22,690)	(86,897)
Loss on disposal of fixed assets	(334)	—
Operating expenses	(690)	(3,010)
Loss before taxation	(25,014)	(99,827)
Taxation	—	—
Loss after taxation and before minority interests	(25,014)	(99,827)
Minority interests	11,132	42,401
Net loss attributable to the Group	<u>(13,882)</u>	<u>(57,426)</u>

During the year, the operation of distribution platforms for online advertising utilised approximately HK\$10,000 (2002: HK\$3,088,000) to the Group’s net operating cash flows, utilised nil (2002: HK\$241,000) for investing activities.

6. FINANCE COSTS

	2003	2002
	HK\$’000	HK\$’000
Interest on borrowings wholly repayable within five years:		
Bank overdrafts	1	2
Finance leases	88	114
Other borrowings	17	228
	<u>106</u>	<u>344</u>

7. During the year, the operation of distribution platforms for online advertising was ceased. Thus, the Directors recognise an impairment loss of HK\$22,690,000 in respect of the license and right to use a website and trademark.

8. During the year, the Group cancelled the license to use technical knowhow and Webtrade products agreement entered into with GL Trade SA without paying or receiving any compensation. Thus, the Directors recognise an impairment loss of HK\$6,362,000 in respect of the license to use technical knowhow and Webtrade products.

9. LOSS BEFORE TAXATION

	2003	2002
	HK\$’000	HK\$’000
Loss before taxation has been arrived at after charging (crediting):		
Auditors’ remuneration	703	717
Contributions to retirement benefits scheme (including in staff costs)	242	784
Goodwill written off	—	9
Loss from error trades	24	27
Loss on trading securities	1,405	—
Loss on disposal of fixed assets	334	—
Operating lease rentals in respect of rented premises	4,384	6,684
Negative goodwill released to income statement (included in other operating income)	(27)	—

10. TAXATION CREDIT (CHARGE)

	2003	2002
	HK\$’000	HK\$’000
Hong Kong Profits Tax		
Provision for the year	—	(6)
Overprovision in prior year	125	—
	<u>125</u>	<u>(6)</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for the year.

Hong Kong Profits Tax was calculated at 16% on the Groups estimated assessable profits for the year ended 31 March 2002.

11. LOSS PER SHARE

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

	2003	2002
	HK\$’000	HK\$’000
Net loss for the year	<u>42,731</u>	<u>73,404</u>

	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	460,000	454,849

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

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 March 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the financial year under review, both the global and the regional economy failed to recuperate from the recession. The local market staged a brief rebound which stimulated in part by a price surge of the technology-related shares in the United States in early 2002. However, given the ebb and flow of the economy as reflected in economic figures of the United States, the pace of economic recovery has not quickened along with the moves by the Federal Reserve’s reduction in interest rates since early 2001, events which gave a blow to investors’ confidence were hot on heel one after another. The unveiling of the accounting scandals of large-scaled corporations in the United States, the deterioration of the employment market, the hesitation in business investments and the crisis as a result of the Iraqi war had led to the market’s apprehension with the prospects and investors’ sentiment plunged. As the monetary policy has become the panacea for the Federal Reserve to galvanize the economy, the trend of interest rates has driven conservative capital to switch to the bond market. On the other hand, uncertainty in geopolitics, which has been lingering on since the end of last year, has also made idle money to refrain investment in the stock market and drove to the gold market for safe havens instead of the stock market. Under these circumstances, the Hang Seng Index dropped to 8,772 on 10 October 2002, such decline was accompanied by the adverse performance of the average daily trading volume of Hong Kong stocks which fell to HK\$3.3 billion. While the favorable factors, such as the reduction of interest rates by the United States, the nine stabilization measures announced by the government of Hong Kong and the strong performance in the overall domestic export, the stock market returned from a wobbly to a steady pace at the end of the year. The Hang Seng Index rebounded for two successive months to a high of 10,247 on 3 December 2002.

However, given the income of investors decreased and the local consumer spending and investor sentiment continued to be weak, the business environment for both the securities industry and the investment banking sector deteriorated. According to the statistics released by the government of Hong Kong, the deflation of Hong Kong in 2002 was average of 3%. The situation of which was so severe that in accordance with the “Report on the Development of Human Beings, 2003” published by the United Nations which states that the deflation in Hong Kong was ranked third among developed countries or regions in the world. Four years’ consecutive deflation has dealt a severe blow to the various sectors of Hong Kong. It is not an exaggeration to state that deflation is even more fearsome than a tiger. The downward movement of property prices, rentals and salary level form a vicious circle for the entire economic system including production costs and prices that it seems unlikely to improve in the short run. The low interest rate environment could have been favorable to business and could help improving both corporate and individual financial status by providing leeway to gather strength. However, the case was just the opposite due to the war between the United States and Iraq and the SARS outbreak in early 2003, the Hang Seng Index dropped from the end of 2002 annual highest to a low of 8,332 on 25 April 2003. Lives were loss as SARS struck, and the Hang Seng Index retreated from several defensive positions. The market was filled with gloom, despair and panic.

According to the statistics released by the Hong Kong Exchanges and Clearings Limited, the average daily turnover on the main board continued to fall since 2000, from HK\$12.34 billion then to HK\$8.02 billion in 2001, and further to HK\$6.47 billion in 2002, with a trading volume of 9.41 billion shares, 6.13 billion shares and 6.27 billion shares respectively, and number of transactions was 144,000, 96,000 and 79,000 respectively; the Hang Seng Index fell from a closing of 15,095 at the end of 2000 to a closing of 11,397 at the end of 2001, and again to a closing of 9,321 at the end of 2002. Over the past three years, the Hang Seng Index had dropped by 38% which indicated that both the market performance and the trading incentive have been turned from bad to worse.

The unemployment rate reached its historical high as per the latest released figures, as well as the continuous fall in salary index had made the consumer spending remains subdued. The publics are losing confidence in the future prospects. As such, the stock market continued to be feeble. Performance of the core operations of the Group is highly correlated to movements of the stock market fluctuation. As a market participant which targets mainly on clients in the retail market, the Group adheres to its client-oriented business philosophy although facing with the declining turnover in a turbulent market. Adjusting to changes in the general environment, the Group applies stringent controls in operating costs and explores business proactively with growth potential in order to survive in the highly competitive and difficult commercial environment.

Impairment Loss

During the financial year under review, persistence in the slow-down of the economy, uncertainty of the investment environment and the cutting of corporate expenses led to difficulties in recovering the resources spent on advertisements. As it was, the Board decided to cease the operation of LuckySurfAsia.com, the distribution platform for online advertising, a provision for an impairment loss of HK\$22,690,000 in value of investment in respect of the license and right to use a website and trademark for online advertising was made. Besides, the securities industry in the territory continued facing difficult operating environment which gave a blow to the development of online business for securities trading, the Board, after careful consideration, decided to cease the joint venture with GL Trade SA in relation to the jointly developed online securities platform and a provision for an impairment loss of HK\$6,362,000 for the license to use technical knowhow and Webtrade products was made. During the period, the doubtful debt provision arising from certain of the Group’s stockbroking, securities margin financing and licensed money lending businesses with an aggregate of HK\$19,335,000 was made.

Brokerage Business

For the past financial year, no significant improvement was seen in the domestic economy and investment sentiment was poor, our income from securities, futures and options broking services represented 57.2% of the Group’s total operating income which dropped approximately by 33.6% to HK\$16,726,000 (2002: HK\$25,171,000). Although the Group has terminated the joint venture with GL Trade SA regarding online trading platforms due to cost-effectiveness, the Group has mastered the technical knowhow in the course of building the online trading platform and has acquired the knack of platform development. With the Group’s expertise and sufficient financial resources, the Board is confident in the prospects of its online securities trading operation.

Securities Margin Financing

Interest income generated from securities margin financing dropped by 8.6 % as compared to last year to HK\$5,862,000 (2002: HK\$6,415,000). The Group adheres to its consistent and prudent business strategies and risk management measures. However, given the sluggish market conditions, a provision for bad and doubtful debts of HK\$11,847,000 in respect of the securities margin financing business.

Investment Banking

Despite the adverse market condition and sluggishness of the financing market, the Group’s corporate finance and financial advisory services continued with healthy growth. Karl Thomson Financial Advisory Limited, the subsidiary of the Company, has been proactive to offer financial advisory services on notifiable transactions as well as independent financial advisory services to corporate clients for listed companies on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and participated in share offer and placing. During the financial year under review, these operations generated approximately HK\$1,337,000 in operating revenue for the Group.

Financial Management Advisory Service

In addition to traditional securities dealing transaction and sales of investment products, the Group has been proactive in providing comprehensive investment and financial management advisory services through its wholly-owned subsidiary, Karl Thomson Investment Consultants Limited. Our experienced financial planners adopt a prudent approach to design tailor-made investment portfolios for our clients. With the interests of our clients at the forefront of our minds, we endeavor to pursue the objective of value-adding to the wealth of our clients. The Group has also developed close connection with internationally renowned asset management companies and insurance companies. It participates as an agent in the sales of fund and insurance brokerage services. During the financial year under review, these operations generated approximately HK\$4,677,000 in brokerage income, which is a remarkable achievement.

Financial Review

Financial Position

Amid the unrelenting operating environment, the financial position of the Group remained sound and healthy. As at 31 March 2003, the total shareholders’ fund stood at HK\$108,515,000 (2002: HK\$ 169,504,000), or HK\$0.2 per share.

Liquidity, Financial Resources and Funding

The Group generally finances its operations with internally generated cash flows. As at 31 March 2003, the cash and cash equivalent for the Group was approximately HK\$49,959,000 (2002: HK\$29,828,000), represented an increase of 67.5% as compared to last year. The Group has sufficient financial resources and is in sound financial position to meet the capital requirements for its recurring expenses and business expansion. Although the Group has obtained facilities which are renewable annually from several banks, the capital required for daily operations are generally met by the utilization of the Group’s internal resources. The Group has no bank borrowings apart from the occasional utilization of overdraft facilities and a fixed deposit of approximately HK\$7,548,000 pledged to a banks to secure general banking facilities, nor has it any contingent liabilities.

During the year ended 31 March 2003, the Group had no material acquisition and disposal, nor had any material investment or acquisition of asset.

The assets of the Group and currency are mainly denominated in Hong Kong dollars, and fluctuations in foreign currencies do not constitute any significant risk.

Human Resources

For the year ended 31 March 2003, the Group’s total staff cost (excluding director’s fees) amounted to HK\$14,316,000 (2002: HK\$18,254,000). It is the Group’s operating strategy to make an active effort to expand its sales force to capture further market share. As at 31 March 2003, the Group has employed 51 full-time employees (2002: 67) and 60 (2002: 14) commission-based employees. Remuneration packages for its employees are based on industry practice and performance of individual employees. The Group also adopted a share option scheme for its staff of senior level. None of the grantees exercised their options under the scheme. The Group places great emphasis on the on-job staff training and total quality management to better prepare its staff. In order to catch the pace of the changes of the marketplace, the Group organized regular training programmes for its staff.

Prospects

Although there is no significant improvement in the economy of Hong Kong, the general business environment is now struggling through the high unemployment rate, financial deficit, deflation and moderate growth. The Group firmly believes that adverse factors have been fully reflected in the market, and the economy of Hong Kong has gone through the worst time and is now on the healthy track of recovery. Markets around the world are optimistic that with the double-barreled measure of lowering interest rates and tax cuts in the second half of the year, the economy will gradually recover, and the markets are in earnest hope that the Federal Reserve Funds reduce the interest rate for 13 times to the present historical low of 1%, the economy may be galvanized and be able to bottom out from the recession. Mr. Bush, the President of the United States obviously stimulated the economy as a step in preparation for the campaign of his second term. We are confident that the local economy will be able to be re-launched.

To pursue and capture every opportunity arising from the global economic recovery and the up-rise of China's economy, the Group will add value to the wealth of its clients and to consolidate its market position in the future. We shall adhere to our client-oriented business philosophy. Apart from focusing on providing our clients with diversified financial services, we shall also be committed to make our best efforts and continue to implement prudent risk management and control measures. By enhancing our management, we shall be able to maintain our competitive strengths. We have developed a long-term and well-conceived plan of development for serious marketing efforts in the Greater China region and develop more diversified services and new financial products. We are committed to establish our market position in the development and launching of comprehensive online financial products, such as online securities trading and the marketing of asset management products through our online securities trading platform.

Along with the tremendous growth in China economy, huge reserve has emerged amongst domestic capital market. As the concept of wealth management develops, the people aspire to explore more investment opportunities. Following investment by various foreign investors via the QFII scheme that enrich the shareholders base, we are even more confident that our long-term aspiration to channel hot money from Northern to Southern China will crystalise in near future. This certainly adds benefits to a bright future of the Hong Kong financial markets. Meanwhile, numerous domestic enterprises aim to raise their capital base through listing at the stock market. Given the high liquidity and well-established infrastructure of Hong Kong, as well as its status as renowned international financial hub, Hong Kong is an obvious choice to attract hot money or corporate funds so as to achieve effective and well-structured finance of funds flows and economy development at both ends. With the closer economic ties between China and Hong Kong, as evidenced by the CEPA signed in early July this year, various domestic industries are expected to benefit from its growth.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 28 August 2003 to 4 September 2003, 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 2003 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 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 2003, 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, 25 July 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at Unit 701, Tower One, Lippo Centre, 89 Queensway, Hong Kong on 4 September 2003, Thursday, at 11:00 a.m. for the following purposes:

- 1. To receive and consider the audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 March 2003.
- 2. To re-elect the retiring Directors of the Company for the ensuing year and to authorise the Board to fix the Director's remuneration.
- 3. To ratify the appointment and re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the ensuing year and to authorise the Board to fix their remuneration.
- 4. To consider and, if thought fit, pass with or without amendments, the following Resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

A. THAT

- (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 be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph A(i) shall authorise 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 members 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. THAT

- (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 SEHK or on any other stock exchange on which the shares of the Company may be listed and recognised by the SFC and the SEHK 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.

C. THAT conditional upon Resolutions Nos. 4A and 4B 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. 4B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution No. 4A above.

By Order of the Board
LUI CHOI YIU ANGELA
Company Secretary

Hong Kong, 25 July 2003

Notes:

- 1. Any Member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and on a poll, vote in his stead. A proxy need not be a Member of the Company. A form of proxy for use at the meeting is enclosed.
- 2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at Unit 801, Tower One, Lippo Centre, 89 Queensway, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notariially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- 3. The Register of Members will be closed from Thursday, 28 August 2003 to Thursday, 4 September 2003, both days inclusive, during which period no transfer of shares will be effected.
- 4. Concerning item 4A above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the Members as a general mandate for the purposes of Section 57B of the Companies Ordinance and the Listing Rules.
- 5. Concerning item 4B above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in circumstances which they deem appropriate for the benefits of the shareholders.
- 6. Concerning items 4A and 4B above, the Explanatory Statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, will be set out in a separate letter from the Company to be enclosed with the 2002/2003 Annual Report.