



BOTO INTERNATIONAL HOLDINGS LIMITED

寶途集團國際有限公司

(incorporated in Bermuda with limited liability)

ANNUAL RESULTS ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31st MARCH 2002

FINANCIAL HIGHLIGHTS

	2002 (HK\$ million)	2001 (HK\$ million)
• Turnover	1,072.9	909.6
• Operating profit before taxation	148.0	161.9
• Profit attributable to shareholders	141.4	156.4
• Basic earnings per share	HK4.14 cents	HK4.63 cents
• Shareholders' funds	875.1	810.8

OPERATING RESULTS

The Board of Directors ("the Board") of Boto International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2002 together with comparative figures for the financial year ended 31st March 2001 as follows:

Consolidated Income Statement

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	1,072,912	909,598
Cost of sales		(709,423)	(566,749)
Gross profit		363,489	342,849
Other income		5,976	5,716
Distribution costs		(130,606)	(97,855)
Administrative expenses		(87,036)	(83,211)
Profit from operations	3	151,823	167,499
Finance costs		(6,491)	(12,686)
Bank interest income		2,698	8,529
Share of loss of an associate		-	(1,453)
Profit before taxation		148,030	161,889
Taxation	4	6,772	5,794
Profit before minority interest		141,258	156,095
Minority interests		163	278
Net profit for the year		141,421	156,373
Dividends	5	24,058	82,615
Earnings per share	6		
Basic		4.14 cents	4.63 cents
Diluted		4.13 cents	4.48 cents

Consolidated Balance Sheet

	2002 HK\$'000	2001 HK\$'000
Non-current assets		
Property, plant and equipment	612,140	534,984
Motion pictures production	24,426	5,314
Goodwill	2,768	2,325
Investments in securities	1,211	1,211
	640,545	543,834
Current assets		
Inventories, at cost	244,558	286,483
Trade and other receivables	79,475	76,342
Taxation recoverable	5,030	572
Bank deposits	80,315	72,972
Bank balances and cash	75,692	125,532
	485,070	561,901
Current liabilities		
Trade and other payables	110,830	120,910
Taxation payable	5,594	3,397
Obligations under finance leases – due within one year	10,338	1,955
Bank borrowings – due within one year	65,838	63,758
Convertible notes – due within one year	-	64,837
	192,600	254,857
Net current assets	292,470	307,044
Total assets less current liabilities	933,015	850,878
Minority interests	748	1,904
Non-current liabilities		
Obligations under finance leases – due after one year	7,175	-
Bank borrowings – due after one year	49,500	37,700
Deferred taxation	518	518
	57,193	38,218
NET ASSETS	875,074	810,756
CAPITAL AND RESERVES		
Share capital	68,799	67,717
Reserves	806,275	743,039
	875,074	810,756

Notes:

1. Adoption of new and revised statements of standard accounting practice

In 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. Adoption of these new and revised SSAPs have introduced additional and revised disclosure requirements which have been incorporated in these financial statements. Comparative disclosures for the prior year have been restated in order to achieve a consistent presentation.

(i) *Dividends proposed or declared after the balance sheet date*
In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component in reserves. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increased the dividend reserve of the Group and of the Company, respectively, as at 1st April 2001 by HK\$54,880,000.

(ii) *Segment reporting*
In current year, the Group has followed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March 2001 have been amended so that they are presented on a basis consistent with that for current year.

(iii) *Provisions*
In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized when the Group has a present obligation as a result of a past event which it is probable that it will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy had no significant effect on the financial statements for current or prior year.

(iv) *Intangible assets*
SSAP 29 "Intangible Assets" has introduced a formal framework for accounting for intangible assets. Adoption of this Standard had no material effect on the results and disclosures for current or prior year and, accordingly, no prior period adjustment was required.

(v) *Goodwill*
Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable assets at the date of a subsidiary and is capitalized and amortised on a straight-line basis over its estimated useful life of ten years. Adoption of SSAP 30 "Business Combinations" had no significant effect on the Group's accounting policy nor on the results for current or prior year.

2. Segmental Information

Analysis of the Group's turnover and contribution to operating profit by business segments and geographical segments is as follows:

Business segments

For management purpose, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Christmas trees	-	manufacture and sale of Christmas trees
Leisure furniture	-	manufacture and sale of leisure furniture
Motion pictures	-	production and licensing of computer graphics animation pictures

Segmental information about these businesses is presented below.

For the year ended 31st March 2002

	Christmas trees HK\$'000	Leisure furniture HK\$'000	Computer graphics animation pictures HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	882,727	188,625	1,560	1,072,912
RESULT				
Segment results	211,716	19,821	1,346	232,883
Other income				5,976
Unallocated corporate expenses				(87,036)
Profit from operations				151,823
Bank interest income				2,698
Finance costs				(6,491)
Profit before taxation				148,030
Taxation				6,772
Profit before minority interests				141,258

For the year ended 31st March 2001

	Christmas trees HK\$'000	Leisure furniture HK\$'000	Computer graphics animation pictures HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	827,920	81,678	–	909,598
RESULT				
Segment results	230,982	14,012	–	244,994
Other income				5,716
Unallocated corporate expenses				(83,211)
Profit from operations				167,499
Bank interest income				8,529
Finance costs				(12,686)
Share of loss of an associate				(1,453)
Profit before taxation				161,889
Taxation				5,794
Profit before minority interests				156,095

Geographical segments

Analysis of the Group's turnover by geographical market is as follows:

	Total turnover		Contribution to Operating results	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
North America	868,654	671,480	179,041	165,633
United Kingdom and Continental Europe	169,163	191,814	44,848	66,150
Asia Pacific	33,243	37,193	8,700	10,798
Others	1,852	9,111	294	2,413
	1,072,912	909,598	232,883	244,994
Other income			5,976	5,716
Unallocated corporate expenses			(87,036)	(83,211)
Profit from operations			151,823	167,499

3. Profit from operations

Profit from operations has been arrived at after charging (crediting):

	2002 HK\$'000	2001 HK\$'000
Directors' remuneration	13,430	17,328
Other staff costs	146,639	115,228
Total staff costs	160,069	132,556
Less: amounts capitalised in motion pictures production	(11,112)	(9,342)
	148,957	123,214
Depreciation and amortisation of property, plant and equipment		
– assets owned by the Group	41,874	35,221
– assets held under finance leases	439	538
	42,313	35,759
Less: amounts capitalised in motion pictures production	(1,743)	–
	40,570	35,759
Rentals in respect of premises under operating leases	5,866	5,590
Less: amounts capitalised in motion pictures production	(808)	(60)
	5,058	5,530
Auditors' remuneration:		
Current year	1,075	1,145
Underprovision in previous year	–	49
Amortisation of goodwill	314	123
Amortisation of motion pictures production	213	–
Loss (gain) on disposal of property, plant and equipment	1,278	(967)

Included in the total staff cost is an aggregate amount of approximately HK\$1,547,000 (2001: HK\$300,000) in respect of contribution to retirement benefit scheme paid or payable by the Group.

4. Taxation

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year		
Current year's provision	6,450	3,396
(Over)underprovision in prior years	(782)	27
	5,668	3,423
Overseas taxation	1,104	2,371
	6,772	5,794

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax.

Overseas tax is calculated at the tax rates prevailing in the respective jurisdictions.

On 30th March 2001 and 21st March 2002, a subsidiary of the Company received two notices of additional assessment from the Inland Revenue Department of Hong Kong ("IRD") in respect of the years of assessment 1994/95 and 1995/96 respectively. The subsidiary was not in agreement to the above notices of additional assessment and has lodged objections with the IRD. Pending settlement of the objections, the IRD has agreed with that subsidiary the respective provisional payment of the amounts of HK\$5 million on 11th May 2001 and HK\$3.63 million on 16th May 2002. The amount of HK\$5 million paid on 11th May 2001 has been included in taxation recoverable in the consolidated balance sheet as at 31st March 2002.

5. Dividends

	2002 HK\$'000	2001 HK\$'000
Interim dividend paid – HK0.7 cents per share (2001: HK0.6 cents per share)	23,844	20,315
Final dividend proposed (Note a) – nil (2001: HK1.8 cents per share)	–	61,314
Underprovision of final dividend arising from share options (Note b)	214	986
	24,058	82,615

Notes:

- (a) The directors do not recommend the payment of a final dividend for the year ended 31st March 2002.
- (b) The amount represented the underprovision for the additional 2001 final dividend arising from the issue of 11,900,000 (2001: 59,750,000) new shares in the Company subsequent to the balance sheet date which ranked for the final dividend for the previous year.

6. Earnings Per Share

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

	2002 HK\$'000	2001 HK\$'000
Earnings		
Net profit for the year	141,421	156,373
Effect of dilutive potential ordinary shares in respect of interest on and provision for premium payable on redemption of convertible notes	16	7,100
Earnings for the purposes of diluted earnings per share	141,437	163,473
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,415,070,205	3,380,294,178
Effect of dilutive potential ordinary shares in respect of		
Convertible notes	2,760,964	251,937,984
Share options	9,048,976	13,770,738
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,426,880,145	3,646,002,900

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st March 2002.

CONDITIONAL SPECIAL CASH DIVIDEND

Subject to the completion of the New Disposal Agreement and the New Boto Property Disposal Agreement as defined and detailed in the announcement of the Company dated 11th July 2002, the Board proposes to declare and pay a special cash dividend ("Special Cash Dividend") of HK0.26 for each Share held by Shareholders whose names appear on the register of members of the Company on the record date of Friday, 30th August 2002. Completion of the New Disposal Agreement and the New Boto Property Disposal Agreement currently is expected to take place on Thursday, 22nd August 2002, following which the Special Cash Dividend will be paid on or before Wednesday, 4th September 2002.

It should be noted that the latest time for trading in the Shares cum entitlement to the Special Cash Dividend would be 4:00 p.m. on Friday, 23rd August 2002. The register of members of the Company will be closed from Wednesday, 28th August 2002 to Friday, 30th August 2002, during which no transfer of Shares will be effected. In order to qualify for the Special Cash Dividend, all duly completed transfer forms accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong branch share registrar, Secretaries Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 27th August 2002.

It should be noted that the Special Cash Dividend is conditional upon the completion of the New Disposal Agreement and the New Boto Property Disposal Agreement, whose completion conditions are at present yet to be fulfilled.

It is strongly recommended that any Shareholder or other person dealing in the Shares and is in any doubt about his or her position should seek advice from his or her professional adviser.

The various dates stated above are subject to any changes that may arise from the despatch date of the circular to the Shareholders on the transactions. In the event of any changes on such dates, there will be a separate announcement for the revised dates.

BUSINESS REVIEW

The Group's turnover for the year ended 31st March 2002 rose to HK\$1,073 million, representing an increase of 18%. The increase was principally arisen from the growth in the leisure furniture sales of approximately 1.3 times over that of the prior year.

North America remained as the Group's largest market, followed with the United Kingdom and Continental Europe, accounting for 81% and 15.6% respectively of the total turnover from the sale of Christmas festive products and leisure furniture. The Group also recorded its first year's revenue from its third business of motion pictures.

Despite the increase in turnover, sales volume of high-profit margin products, such as non-decorated Christmas trees, decreased significantly by 38.5% and there was a remarkable shift in consumers' demand for the low-margin products, such as the pre-lit and fibre optic decorated Christmas trees and the leisure furniture of which sales volume increased by 117.2% and 130.9% respectively. The significant consumers demand shift in the Christmas festive product categories and the Company's successful strategic diversification growth on the leisure furniture business had resulted in the increased turnover but with lower marginal benefit on gross profit contribution.

The Group experienced much unexpected economic changes since the interim financial period ended 30th September 2001. In particular, the impact of the 11th September 2001 terrorist attacks in the United States was not prominently surfaced until after the Christmas season. The various favourable United States consumers spending sentiments reported at around the 2001 year Christmas were proven short lived. The Group's largest customer Kmart Corporation filed for a Chapter 11 bankruptcy protection order in late January 2002, and some customers delayed their 2002 season buying decisions. These caused some non-insignificant losses of off season sales to the Group for the financial year ended 31 March 2002, where such off season sales, albeit at lower sale value and margins, often generate a certain amount of gross profits to cover the fixed administrative and factory overhead costs in the period.

Further, stringent labour protection legislation imposed by the Government of the People's Republic of China since around late August 2001 boosted the labour cost of production and hampered the productivity of the manufacturing plant in Shenzhen.

These factors caused the principal deterioration in the gross profit margin for the Group from 40.1% for the first half year to 33.9% for the full year ended 31st March 2002 and from 37.7% for the previous full financial year.

This deterioration in gross profit contribution, together with the substantial increases in the distribution costs, in particular the various sales incentive allowances and rebates paid, or payable, to the corporate customers with strengthening commercial bargaining power, contributed to the decline in profit attributable to shareholders to HK\$141.4 million, a drop of 9.6%. Basic earnings per share were HK4.14 cents, compared to HK4.63 cents for the previous financial year. Shareholders' funds increased by 7.9% to HK\$875.1 million.

Christmas Festive Products

For the year ended 31 March 2002, artificial Christmas trees remained as the largest source of revenue to the Group, the sales value of which increased by 18.1% to HK\$748.9 million, representing 69.9% of the Group's total revenue. The increase was mainly attributed to the United States market with a material shift in consumers product preference from the traditional non-decorated items at lower sale prices (but at higher profit margin to the Group) to the fashion contemporary decorated items at much higher sale prices (but at much lower profit margin to the Group).

The sales of the traditional non-decorated Christmas trees fell by 38.5% from HK\$403.5 million to HK\$248.1 million from previous year, while the pre-lit and fibre optic decorated Christmas trees increased by 117.2% from HK\$230.6 million to HK\$500.8 million over the same period. The sales of festive accessories for the year ended 31st March 2002 was HK\$133.8 million, a drop of 31% compared to HK\$193.8 million achieved in previous financial year.

Leisure Furniture

Leisure furniture made a satisfactory result for the year under review. Contributing to 17.6% of the total turnover, sales of leisure furniture increased by \$106.9 million to HK\$188.6 million, an increase of 130.9%.

With increased production capacity in the self-contained factory in Shenzhen, China and tight cost control measures, the Group was able to produce a wide variety of leisure furniture on a competitive basis, and therefore be able to capture more sales from the distribution of these products through a larger distribution network.

Motion Pictures

Imagi Animation Studios Limited (formerly known as Boto.Net Solutions Limited) and its subsidiaries (the "Imagi Group") began to produce its first 3-Dimensional ("3D") computer graphics animation television series of 26 episodes, "Zentrix", in 2001.

The Imagi Group has been aggressively marketing the distribution and negotiating the licensing rights of "Zentrix" with various international distributors, television networks and toys companies from around the world. In December 2001, Imagi (Zentrix) Licensing B.V., a wholly-owned subsidiary of the Imagi Group, entered into an international distribution license agreement (the "License Agreement") with an European broadcaster, M6 Droits AudioVisuels ("M6 DA"), for the broadcasting distribution rights of "Zentrix". M6 DA is the international distribution subsidiary of M6, the second largest media organization in France in terms of advertisement revenue, that markets and sells M6 Group's own productions and co-productions to television networks in more than 50 countries and manages a portfolio of rights to these productions. Pursuant to the terms of the License Agreement, M6 DA has the exclusive license to distribute "Zentrix" to video, pay per view and TV distribution.

In June 2002, Imagi (Zentrix) Licensing B.V. entered into a derivative right licensing agreement (the "DRL Agreement") with M6 Interactions, the consumer products division of M6 Group whereby the DRL Agreement gives M6 Interactions an exclusive right to license the derivative rights of "Zentrix" for use on, or in relation to, the manufacture, distribution and sale of authorized objects in the territory of Europe.

Under the terms of the above licensing agreements, the Imagi Group began to earn royalty income from the licensing of the distribution and broadcasting rights over its first animation production "Zentrix". Turnover derived therefrom amounted to HK\$1.6 million for the year ended 31st March 2002.

Honours and Awards

The first success of "Zentrix" was seen in the 35th US International Film and Video Festival held in Los Angeles in June 2002 where "Zentrix" received the "Gold Camera Award" in the Animation: Computer category. The festival is one of two international competitions operated under the auspices of the United States Festival Association, and the Award is one of the world's leading events devoted to the selection and recognition of outstanding business, television, documentary, industrial, information, and entertainment productions. 1,500 entries received from 33 nations were assessed and reviewed by an executive committee composed of senior advisors headed up by the festival chairman to assure a consistent, uniformly high level of quality among the winners.

Further, "Zentrix" was nominated as the "Best Series for Children of the Year" in the Pulcinella Awards 2002 at the Cartoons on the Bay Festival held in Positano, Italy on 18-22 April 2002. Cartoons on the Bay Festival is an international festival and a conference on television animation in Europe. Entrants, including tv series, tv movies, shorts and web programmes, from all over the world competed for 40 nominations – five programmes for each of the eight different categories – at the Pulcinella Awards 2002 where a total of 10 statuettes were awarded by a prestigious international panel of judges from some of the most respected animation houses and publications and the major international TV channels.

Appointment of Shinichi Kobayashi and Masao Maruyama

In order to enhance the presence of the Imagi Group in Japan and to better position its motion pictures business with a vision to exploit the business opportunities exist in this exciting and high growth digital entertainment industry, the Imagi Group appointed Shinichi Kobayashi and Masao Maruyama as the Chief Executive Officer and Chief Creative Officer respectively of Imagi International Japan Company Limited, a 82.5% owned subsidiary of Imagi Animation Studios Limited, in 2002.

PROSPECTS

The Board considers the Company's principal products, Christmas festive trees and accessories, and its key markets for them, in particular, the United States, are reaching a relatively mature stage with low growth prospects as compared to the computer graphics animation business with high growth potential. Profit margins on the Group's Christmas festive products had been steadily rising since the early years of Boto and had reached its peak performance between the years 1999 and 2000, but they are under pressure and are expected to decline as a result of the shift to lower profit-margin products, driven by the acute shift in consumers demand on product designs and the stronger bargaining position of major retail chains which are the Group's principal customers. There is a strong need for an extraordinary growth in sales volume in order to maintain the total profit contribution to the Group in the years to come.

The Group's largest customer, Kmart Corporation, went into Chapter 11 bankruptcy proceedings at the end of January 2002, leading to a significant reduction in its sales and forward orders for the Group's products for the coming year. The Group is striving with continuous efforts to capture additional sales from other customers and new accounts to compensate for the reduction in sales orders from Kmart Corporation, and it is hopeful that the Christmas sales in the current financial year would be maintained with no further deterioration in profit margin. Nevertheless, the Board considers this effort as a great challenge given the present matured stage of the global industry potentials.

The Group commenced its leisure furniture business about five years ago. Notwithstanding the substantial increase in sales volume, market competition has been intensive. The large manufacturers in the industry, mostly from the United States and Taiwan who have production bases in the mainland China, are dominating the global market. The Group is a small new player in the leisure furniture industry, and has so far strategised its marketing and distribution channels on the specialty

stores which traditionally demand for limited volume of merchandise but with higher profit margins to the Group. In order for the Group to expand its market share from its current business base, it intends to expand its distribution channels beyond the specialty stores and to reach the mass retailers where the demand volume is often very significant but will generate much lower profit margins.

FUTURE INTENTION OF THE GROUP

The Board believes that the Group's markets, in particular for Christmas festive products in the United States, and the Company's principal products, namely, the Christmas festive products and leisure furniture, are reaching a relatively matured stage where the business growth prospects are relatively low as compared to the high growth potential offered by the Group's motion pictures business.

The Board considers that it would be an excellent opportunity for the Company to accept the proposed disposal of the Group's Christmas festive products business and the leisure furniture business as announced by the Company on 11th July 2002 to the Greenland Investments Holdings Limited to be owned as to 75% by the limited partnerships affiliated with The Carlyle Group, and as to 25% by the Company through its wholly owned subsidiary Topway Asset Limited. (All terms used are as defined in the Company's Announcement published on 11th July 2002.)

Following the Disposal, the Group will continue trading, particularly in further developing its motion pictures business that is currently carried on by the Imagi Group, the Imagi Group is presently focusing its resources on the production of "Zentrix", a 3D computer graphics animated cartoon television series comprising 26 episodes of duration of 26 minutes each.

Currently, the Imagi Group is negotiating a license agreement with a global leader in electronic gaming and toys manufacturing for the licensing of "Zentrix" in Japan. It covers various aspects of licensing rights relating to, among others, broadcasting, merchandising, DVD/video and television games.

The Imagi Group is committed to establishing itself as a leader in the digital animation and entertainment industry in Asia.

ADOPTION OF THE NEW SHARE OPTION SCHEME

The Board notes that on 23rd August 2001 the Stock Exchange announced amendments to chapter 17 (share option schemes) of the Listing Rules which came into effect on 1st September 2001. In compliance with the above amendments to the Listing Rules, the Board considers that it is in the interest of the Company to terminate the Existing Share Option Scheme and adopt the New Share Option Scheme.

A summary of the principal terms of the New Share Option Scheme is set out in the Appendix to a circular to be distributed to shareholders of the Company next week.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales Orders

As of the date of this announcement, the Group has already received sales orders in relation to Christmas festive products and leisure furniture for the forthcoming year ending 31st March 2003 amounted to HK\$740 million and HK\$60 million respectively.

Major Customers and Suppliers

For the year ended 31st March 2002, sales attributable to the largest and the five largest customers accounted for 37.5% (2001: 25.9%) and 64.9% (2001: 56.1%) of the total turnover respectively. Purchases attributable to the largest and the five largest suppliers accounted for 19.6% (2001: 20.4%) and 45.8% (2001: 46.1%) of the total purchases respectively.

None of the Directors, their respective associates (as defined in the Listing Rules), or any shareholder of the Company (who or which, to the knowledge of the Directors, own more than five per cent of the issued share capital of the Company) has any interest in any of the Group's five largest customers or suppliers.

Liquidity and Capital Resources

The Group generally finances its operations with internally generated cash flows and banking facilities. As at 31st March 2002, the Group had available aggregate banking facilities of HK\$373 million of which approximately HK\$132.9 million was utilized. The Group's cash deposits and bank balances as at that date amounted to HK\$156.0 million. The Board believes that the Group has sufficient financial resources to discharge its debts and to finance its operations and capital expenditures.

The Group has maintained a sound capital structure, achieving a long-term gearing ratio of 5.4% and a current ratio of 2.5 as of the year end date.

Human Resources

As of 31st March 2002, the Group has a total workforce of approximately 7,300 people, while approximately 7,100 were employed in Shenzhen, China, the remaining worked in Hong Kong. During the low season for the production of Christmas festive products from October 2001 to January 2002, the average number of employees employed in Shenzhen decreased to approximately 3,000 people. The Group's employees are remunerated according to the nature of their duties and market trends, with incentives offered in the form of bonuses and share options based on individual performance. In view of the amendment to Chapter 17 of the Listing Rules which came into effect on 1st September 2001, the Group has adopted a new share option scheme as those described in the Annual Report for the year ended 31st March 2002.

CLOSURE OF REGISTER OF MEMBERS FOR THE ANNUAL GENERAL MEETING ATTENDANCE

The Register of Members of the Company will be closed from 14th August 2002 to 16th August 2002, both days inclusive, during which period no transfer of shares can be registered.

In order to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificate must be lodged with the Company's Hong Kong branch share register, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 pm on 13th August 2002.

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

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

AUDIT COMMITTEE

The Audit Committee meets regularly with the Group's senior management and the external auditors to consider and review the Group's financial statements, the nature and scope of audit reviews, and the effectiveness of the system of internal control and compliance and made recommendations to the Board. The members of the Audit Committee are Mr. Oh Kok Chi (Chairman of the Committee) and Mr. Alexander Reid Hamilton.

CODE OF BEST PRACTICE

None of the Company's Directors are aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by this report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited save and except for two minor breaches on "Connected Transactions" as described in the Company's announcement dated 17th July 2002.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

All information pertaining to annual results of the Group for the year ended 31st March 2002 required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board
Philip Lam
Deputy Managing Director

Hong Kong, 18th July 2002



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2002 annual general meeting of the Company will be held on 16/F., Eight Commercial Tower, 8 Sun Yip Street, Chai Wan, Hong Kong on 16th August 2002 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st March 2002;
2. To authorise the Board of Directors to fix the remuneration of the Directors;
3. To re-appoint the Auditors, Deloitte Touche Tohmatsu, and to authorise the Board of Directors to fix their remuneration;
4. By way of special business, to consider and if thought fit, pass with or without modification the following resolutions as ordinary resolutions;

(I) **"THAT:**

- (a) subject to paragraph (b) of this Resolution, a general mandate be and is hereby unconditionally given to Directors of the Company to exercise all the powers of the Company during the Relevant Period (as hereinafter defined) to allot, issue, dispose of or otherwise deal with the shares in the capital of the Company (including making and granting offers, agreements and options which would or might require the exercise of such powers, whether during the continuance for the Relevant Period or thereafter); (Note (2))
- (b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted or dealt with pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period, otherwise than pursuant to the following, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly:
 - (i) a rights issue where allotment, issue or grant of shares are made pursuant to an offer of shares in the Company for a period fixed by the Directors to shareholders whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard, as appropriate, to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or stock exchange in, or in any territory applicable to the Company);
 - (ii) an issue of shares under any share 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 of shares or rights to acquire shares of the Company;
 - (iii) the exercise of rights of subscription or conversion attaching to any warrants or convertible notes issued by the Company or any securities which are convertible into shares of the Company;
 - (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on the shares of the Company in accordance with the Bye-laws of the Company; 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 expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
 - (iii) the revocation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting".

(II) **"THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange (as amended from time to time), be and is hereby generally and unconditionally approved and authorised; (Note (2))
- (b) the aggregate nominal amount of the securities of the Company to be purchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the nominal amount of the respective securities of the Company in issue as at the date of passing this Resolution and the approval pursuant to paragraph (a) 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 expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting".

- (III) **"THAT** conditionally upon Resolutions Number 4(I) and 4(II) being passed, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and otherwise deal with the shares in the capital of the Company pursuant to Resolution 4(I) be and is hereby extended by the addition to the aggregate nominal value of the share capital which may be allotted by Directors pursuant to such general mandate an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 4(II), provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution."

- (IV) **"THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, any new shares (the "Shares") in the capital of the Company which may fall to be issued pursuant to the exercise of options that may be granted under the new share option scheme of the Company (the "New Share Option Scheme") (a copy of which marked "A" is produced to this meeting and initialed for the purpose of identification by the Chairman of the meeting);

- (a) the New Share Option Scheme be and is hereby approved and adopted;
- (b) the Directors of the Company be and are hereby authorised to :
 - (i) grant options to subscribe for Shares under the New Share Option Scheme;
 - (ii) allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the New Share Option Scheme, provided that the total number of Shares that may be issued upon the exercise of options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution;
 - (iii) administer the rules of the New Share Option Scheme, to modify and/or amend the rules of the New Share Option Scheme from time to time subject to the provisions of such rules, and to do all such acts and things as they may consider necessary or expedient to give effect to the New Share Option Scheme; and
- (c) the existing share option scheme adopted by the Company on 12th February 1997 be and is hereby terminated in accordance with its terms."

By Order of the Board
Philip Lam
 Company Secretary

Hong Kong, 18th July 2002

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) An Explanatory Statement in relation to Resolutions 4(I), 4(II) and 4(IV) will be sent to shareholders and other persons who are entitled thereto together with the Annual Report of Company for the year ended 31st March 2002.