



九龍建業有限公司  
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

**HIGHLIGHTS**

- Development plan for the site at Ngau Chi Wan (gross floor area: about 2,100,000 sq. ft.) was approved by the Town Planning Board in August 2003.
- Target for the next 5 years is to deliver an annual earnings growth rate of 20% per share.
- Group profit for 2003 increased by \$45.6 million (29%) to \$201.5 million.

	2003 HK\$'000	2002 HK\$'000 (Restated)	Variance
Turnover	<u>673,812</u>	<u>591,157</u>	<u>+14%</u>
Profit attributable to shareholders	<u>201,500</u>	<u>155,854</u>	<u>+29%</u>
Earnings per share	<u>41.7 cents</u>	<u>32.2 cents</u>	<u>+29%</u>
Dividends per share	<u>28 cents</u>	<u>25 cents</u>	<u>+12%</u>

**GROUP RESULTS**

The Board of Directors of Kowloon Development Company Limited (the "Company") hereby announces that profit attributable to shareholders of the Company and its subsidiaries (the "Group") for the year ended 31 December 2003 was \$201.5 million (2002: \$155.9 million), an increase of 29% over that of 2002. The earnings per share of the Group was ¢41.7 (2002: ¢32.2) and the net asset value per share at 31 December 2003 was \$6.8 (2002: \$6.7).

## Consolidated Income Statement

The audited consolidated results of the Group for the year ended 31 December 2003, together with the comparative figures of 2002 are as follows:

	<i>Note</i>	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)
<b>Turnover</b>	2	<b>673,812</b>	591,157
Other revenue		<b>4,061</b>	7,444
Depreciation		<b>(567)</b>	(1,273)
Staff costs		<b>(31,432)</b>	(31,503)
Cost of inventories		<b>(384,776)</b>	(319,637)
Other operating expenses		<b>(24,934)</b>	(44,935)
<b>Profit from operations</b>		<b>236,164</b>	201,253
Finance costs		<b>(11,036)</b>	(7,580)
Share of profits less losses of associated companies		<b>7,496</b>	2,373
Profit on disposal of investment in a subsidiary company		–	49
Profit on disposal of investment in associated companies		–	589
Impairment loss on goodwill of an associated company previously charged against investment revaluation reserve		–	(4,000)
Profit/(Loss) on disposal of investment in non-trading securities		<b>2,399</b>	(4,792)
<b>Profit before taxation</b>		<b>235,023</b>	187,892
Income tax	3	<b>(33,480)</b>	(30,497)
<b>Profit after taxation</b>		<b>201,543</b>	157,395
Minority interests		<b>(43)</b>	(1,541)
<b>Profit attributable to shareholders</b>		<b>201,500</b>	155,854
<b>Dividends attributable</b>			
Interim dividend paid of 6 cents (2002: 5 cents) per share		<b>29,026</b>	24,188
Final dividend proposed after the balance sheet date of 22 cents (2002: 20 cents) per share		<b>124,689</b>	96,754
		<b>153,715</b>	120,942
<b>Earnings per share</b>	4		
Basic		<b>41.7 cents</b>	32.2 cents
Diluted		<b>N/A</b>	32.2 cents

Notes:

## 1. Change in accounting policies

The accounting policies and methods of computation used in the preparation of the Group's account are consistent with those used in the accounts for the year ended 31 December 2002 except that the Group has changed its accounting policy following the adoption of Statements of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants ("HKSA").

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallize in the foreseeable future. Deferred tax assets were not recognized unless their realization was assured beyond reasonable doubt.

With effect from 1 January 2003, in order to comply with SSAP 12 (revised) issued by the HKSA, the Group adopted a new policy for deferred tax. Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. As a result of the adoption of this accounting policy, the Group's net assets as at 31 December 2003 have been decreased by \$5,777,781 (2002: \$5,419,638) and the Group's profit attributable to shareholders for the year ended 31 December 2003 have been decreased by \$358,143 (2002: \$5,170,676). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior year.

## 2. Segment information

### (a) Business segments

	Group turnover		Contribution to Group operating profit	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Continuing operations:				
Property investment	179,308	183,586	163,768	173,930
Property development	228,320	294,058	25,398	25,255
Finance and investments	235,666	81,137	52,621	4,657
Other businesses	30,518	29,627	12,192	15,519
	<u>673,812</u>	<u>588,408</u>	<u>253,979</u>	<u>219,361</u>
Discontinued operations:				
Other businesses	–	2,749	–	(98)
	<u>673,812</u>	<u>591,157</u>	<u>253,979</u>	<u>219,263</u>
Unallocated group expenses			<u>(17,815)</u>	<u>(18,010)</u>
Profit from operations			<u>236,164</u>	<u>201,253</u>

(b) **Geographical segments**

	<b>Group turnover</b>		<b>Contribution to Group operating profit</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>621,185</b>	558,832	<b>198,924</b>	185,668
North America	<b>23,431</b>	12,201	<b>23,281</b>	2,234
Europe	<b>27,298</b>	16,676	<b>12,712</b>	12,505
Others	<b>1,898</b>	3,448	<b>1,247</b>	846
	<b><u>673,812</u></b>	<b><u>591,157</u></b>	<b><u>236,164</u></b>	<b><u>201,253</u></b>

**3. Income tax**

	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Current tax – Hong Kong	<b>24,043</b>	24,022
Deferred tax		
– Current year	<b>5,792</b>	5,629
– Attributable to change in tax rate	<b>1,172</b>	–
	<b><u>31,007</u></b>	<u>29,651</u>
Share of associated companies' taxation		
– Hong Kong	<b>276</b>	201
– Overseas	<b>2,197</b>	645
	<b><u>33,480</u></b>	<u>30,497</u>

Hong Kong profits tax has been provided for at the rate of 17.5% (2002: 16%) on the estimated assessable profits. Overseas taxation has been provided for at the applicable tax rates ruling in the respective jurisdictions.

**4. Earnings per share**

(a) **Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of \$201,499,732 (2002: \$155,854,039 (restated)) and 483,767,850 ordinary shares (2002: 483,767,850 ordinary shares) in issue during the year.

(b) **Diluted earnings per share**

In 2002, the calculation of diluted earnings per share was based on the profit attributable to ordinary shareholders of \$155,854,039 (restated) and the weighted average of 483,898,016 ordinary shares after adjusting for the effects of dilutive potential ordinary shares in respect of share options granted. All the outstanding share options were surrendered at a price of \$0.58 per share during the unconditional cash offer made by Intellinsight Holdings Limited, the immediate holding company of the Group, and were cancelled in January 2002.

No diluted earnings per share for the year has been presented as the Company has no dilutive potential ordinary shares for the year.

## **DIVIDENDS**

Being optimistic about the Group's continuous growth in profit in 2004, the Board of Directors recommends the payment of a final dividend of ¢22 per share (2002: ¢20 per share) for 566,767,850 shares after the issue of 83,000,000 new shares in January 2004. The final dividend is expected to be paid on 4 May 2004 following approval at the Annual General Meeting to be held on 3 May 2004 and together with the interim dividend of ¢6 per share paid on 30 October 2003, gives an aggregate dividend of ¢28 per share for 2003 (2002: ¢25 per share) and represents an increase of 12% over that of 2002. Total dividend for 2003 amounts to \$153.7 million which is 27.1% over last year's figure of \$120.9 million.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Monday, 26 April 2004 to Monday, 3 May 2004, both dates inclusive. To qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 23 April 2004.

## **BUSINESS REVIEW**

In January 2003, the Group acquired all the residential units of The Bonham Mansion at Mid-levels which were subsequently 100% sold in September. All 75 units of the residential tower La Maison Du Nord in Kennedy Town were launched to the market following completion of the construction in late October 2003 and a majority of those units were sold in 2004. Steady and recurring rental income from investment property remained as a major profit contributor to the Group.

Despite the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS") in 2003, the management took advantage of the low interest rate environment and actively made some financial investments. Profit from those investments constitutes an important portion of the Group's 2003 profit which has achieved a 29 % increase over the profit of 2002.

The management believes that the property market of Macau has begun to recover in 2003 after years of consolidation. As such, in the second half of 2003 it started to negotiate with its controlling shareholder, Polytec Holdings International Limited ("Polytec Holdings") and this subsequently led to the acquisition of an 80% interest in La Baie Du Noble, a property development project in Macau, at a consideration of \$400 million through the acquisition of a wholly-owned subsidiary of Polytec Holdings. Details of the acquisition were provided to shareholders in a circular dated 30 January 2004. The acquisition was approved by independent shareholders on 16 February 2004 and completed on 24 February 2004. Up to March 2004, over 30% of the residential units of La Baie Du Noble have been pre-sold.

The acquisition is a good first step for the Group to invest in the Macau property market. The Group will be continuously looking for good investment opportunities in Macau.

In 2004, rental income from investment properties will continue to be the main profit contributor to the Group. After the completion of the sale of La Maison Du Nord in March 2004, next to come on stream will be sales from the residential units of Padek Palace in Kowloon City which will be offered to the market in the second or third quarter of this year. It is expected that turnover and profit from sale of development properties will increase in 2004.

In January 2004, the Group issued 83,000,000 new shares and raised \$568.55 million to strengthen its capital base and allow the Group to grow rapidly while maintaining stability.

## **REVIEW OF OPERATIONS**

### **PROPERTY INVESTMENTS**

Due to the general downward pressure on the overall office rental in Hong Kong last year, it was inevitable for tenancies to be renewed at lower rates. The reduction in rental rates had caused the gross rental income generated by the investment property portfolio of the Group in 2003 to drop by \$4.3 million or 2.34% to \$179.3 million (2002: \$183.6 million). As both New Mandarin Plaza and Sino Centre contributed a full year rental to the results of the Group in 2003, an increase in rental income from these two properties have been recorded for the year under review.

#### **Commercial properties**

In line with the Group's decision to transform Pioneer Centre into a youth-oriented focal point in Mongkok, the Group has initiated a renovation programme for the shopping mall of Pioneer Centre. Partial renovation for the Basement One Floor was completed in 2003 and has successfully drawn in youngster-appeal tenants. A new layout has been planned for the First Floor of the shopping mall in an effort to enhance customer flow and sales of retail tenants. The Group also intends to renovate the Second and Third Floor of the shopping mall along the same line in 2004. It is expected that the alteration works may have short term negative impacts on rental, but management believes that the new layout will eventually boost rental values of the shops in the longer term.

Pioneer Centre has been able to maintain its occupancy at a high level. Occupancy rate as at 31 December 2003 for office space was 96.33% (2002: 97.74%) while that for the retail shops was 95.92% (2002: 96.05%). Total rental income generated from Pioneer Centre declined modestly to \$148.9 million in 2003 from \$159.2 million last year.

The 20th Floor of Argyle Centre Phase 1 in Mongkok was fully let at the end of both 2003 and 2002. Due to its relatively stable tenant list, this property was able to maintain its rental income at last year's level of \$2.6 million.

Rental contribution from the retail shops on the First Floor of the Commercial Podium of New Mandarin Plaza in Tsimshatsui East for the full year of 2003 amounted to \$7.3 million as against \$6.2 million recorded for the nine months in 2002 when the shops were acquired. Occupancy of the shops improved slightly from 79.25% as at 31 December 2002 to 80.90% at the end of 2003.

The 51 retail shops in Sino Centre, Mongkok acquired by the Group in June 2002 achieved an occupancy rate of 95.06% at year end (2002: 94.30%). The shops' rental contribution for the full year of 2003 totalled \$13 million as compared to \$6.7 million for 6 months in 2002.

#### **Residential properties**

Leasing of the serviced apartments of The Elgin (in Mid-levels) improved in the year under review due to the adoption of more competitive rental rates. Average occupancy increased from 61.03% in 2002 to 88% in 2003.

#### **Car parks**

Income from car parks of the Group decreased in 2003 in line with the weak economy.

## PROPERTY SALES

### Development projects completed during the year

During the year, the Group completed the following developments:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u> (%)	<u>Attributable Gross Floor Area</u> (sq. ft.)
1. The Bonham Mansion No. 63 Bonham Road Hong Kong	Residential	100	62,712
2. La Maison Du Nord No. 12 North Street Kennedy Town Hong Kong	Residential	100	34,365
			<hr/> <hr/> <b>97,077</b>

In light of the weak economy and SARS outbreak in the first half of 2003, management had delayed completion dates for some of the Group's development projects. As a result, only the residential units of The Bonham Mansion at 63 Bonham Road, Mid-levels acquired by the Group in January 2003 were launched to the market after the SARS outbreak. Sale of all 104 units of The Bonham Mansion was finalized in September the same year contributing a moderate profit to the Group in 2003. As the Group has postponed the sale of the residential units of La Maison Du Nord at 12 North Street, Kennedy Town, a majority of the units was only sold in 2004. Following completion of the sale of all the units of La Maison Du Nord in March, the relevant profits will be reflected in the results of 2004. Due to the aforesaid reason, turnover from sale of properties in 2003 declined to \$228.3 million from \$294.1 million recorded for 2002.

## PROPERTY DEVELOPMENT

### Progress of development projects

The progress of the Group's development projects is summarized as follows:

<u>Location</u>	<u>Usage</u>	<u>Group's Interest</u> (%)	<u>Attributable Gross Floor Area</u> (sq. ft.)	<u>Status</u>	<u>Expected Date of Completion</u>
<i>Hong Kong</i>					
1. Padek Palace No. 377 Prince Edward Road West Kowloon City Kowloon	Residential	100	54,876	Interior fitting out works in progress	Mid 2004
2. Nos. 31 & 31A-G Robinson Road Mid-Levels Hong Kong	Residential	100	128,084	Superstructure works in progress	End of 2005/ Early 2006

3.	No. 33 Ka Wai Man Road Kennedy Town Hong Kong	Residential	A Joint Venture with the Urban Renewal Authority	78,372	Foundation works in progress	1st half of 2006
4.	No. 35 Clear Water Bay Road Ngau Chi Wan Kowloon	Commercial and Residential	100	2,101,428	Land premium in negotiation	2007/2008

Macau

5.	La Baie Du Noble Lote S Novos Aterros da Areia Preta Macau	Commercial and Residential	80	1,280,000	Superstructure works in progress	2nd half of 2005
				<u>3,642,760</u>		

*Padek Palace at 377 Prince Edward Road West, Kowloon City*

Padek Palace is a 22-storey deluxe residential tower featuring a clubhouse, 51 car parks, a swimming pool and 68 residential units. The property will be launched to the market in the middle of 2004 following the issue of a Certificate of Compliance.

*31 & 31A-G Robinson Road, Mid-Levels*

The development is being developed into a deluxe residential tower comprising a swimming pool, car parks, a clubhouse and recreational facilities. In view of the current robust demand for luxurious residential units, management has decided to modify the design and layout plans for the whole project. Construction work is scheduled to commence in the middle of 2004 following completion of the design modification.

*33 Ka Wai Man Road, Kennedy Town*

This residential project joint-ventured with the Urban Renewal Authority involves the development of a high class residential tower with car parks, a clubhouse and a swimming pool.

*35 Clear Water Bay Road, Ngau Chi Wan*

The site will be developed into a comprehensive residential development with a shopping mall and community facilities. The development plan was approved by the Town Planning Board in August 2003. Site formation and foundation work are expected to commence in the fourth quarter of 2004.

*La Baie Du Noble at Lote S, Novos Aterros da Areia Preta, Macau*

This 80% owned development project involves the development of a luxury coast-front residential property comprising five residential blocks erected over a 3-storey commercial, car parking and recreation podium.

**PROPERTY MANAGEMENT**

The Group is committed to offer a quality management service to the residents and tenants of residential and commercial properties it manages. As at 31 December 2003, the size of the property portfolio managed by its subsidiary, Country House Property Management Limited, was about 816,000 sq. ft. La Maison Du Nord at 12 North Street, Kennedy Town added another 34,400 sq. ft. to this management portfolio in February 2004.

In 2003, the Group's property management associate added 226,000 sq. ft. in Kwong Fuk Shopping Centre to its management portfolio.



## **OTHER BUSINESSES**

### **Financial Services**

The money-lending business of Kowloon Development Finance Limited has made a reasonable profit contribution to the Group in 2003. Kowloon Development Finance Limited is mainly involved in the provision of property mortgages, including second mortgages to home-purchasers and investors in the Group's property developments.

### **Film Distribution**

Films from the Group's film library made a small profit contribution to the Group in 2003.

### **Distribution and Sale of Footwear**

The Group's 20% interest in Southern Success Corporation, a wholesaler and retailer of footwear, has contributed \$3.5 million to the Group's profit in 2003 as compared to \$0.7 million for the previous year. The management of Southern Success Corporation remains optimistic on the company's performance in 2004.

## **STAFF REMUNERATION AND TRAINING**

The Group (excluding associates) employed 135 employees at the year end date. Staff remuneration for the year amounted to \$31.4 million. The Group provides medical benefits and retirement schemes to all employees who are remunerated based on their capabilities and performance. In-house training and external training opportunities are also provided to employees. The Group has a share option scheme which was approved by the shareholders on 21 May 2003, and staff and Directors are entitled to be granted share options under the scheme.

## **FINANCIAL REVIEW**

### **FINANCIAL RESOURCES AND BANK BORROWINGS**

The total bank borrowings of the Group as at 31 December 2003 were \$2,209 million, an increase of \$686 million from last year's figure. The increase in bank loans was attributable to capital expenditure on the Group's development projects and an increase in financial investments. Bank borrowings of about \$370 million or 16.75% are repayable within one year. The gearing ratio calculated on the basis of bank borrowings to shareholders' equity at 31 December 2003 was 67.21% (2002: 46.96%) and subsequently reduced to 42.63% after the allotment of 83 million new shares on 19 January 2004.

All banking facilities are arranged on a floating rate basis. The Group did not enter into any interest rate swap arrangement during the year. Management will closely monitor the interest exposure and consider hedging when appropriate.

Taking into account committed and undrawn financing facilities, the Group has sufficient liquid funds to satisfy its capital commitments and working capital requirements. Recurrent rental income from the Group's investment properties and cash inflow from property sales in Hong Kong and Macau scheduled for 2004 will further strengthen the financial position of the Group.

The Group has little exposure to currency risk as most of the Group's operations are in Hong Kong and transactions are denominated in local currency.

### **FINANCE AND INVESTMENTS**

As at 31 December 2003, the Group had invested a total of \$458.5 million in financial investments which included \$63.6 million marketable securities and \$388.2 million investment in a note with triple A rating.

In the year under review, the Group's finance and investment activities achieved an increase in net profit to \$44.6 million as compared with \$3.3 million in 2002. The substantial improvement was largely attributable to the consistently low interest rate as foreseen by the management and the conservative approach adopted by the management which steered the Group through financial volatilities during the outbreak of SARS.

## **COMMITMENTS**

As at 31 December 2003, the Group had contracted commitments of \$164.2 million for financial investments and another \$52.7 million for properties.

Commitments authorised but not contracted for were \$232.1 million which related mainly to properties under development.

## **CONTINGENT LIABILITIES AND PLEDGE OF ASSETS**

The Group has given guarantees in the amount of \$7 million to an insurance company in respect of performance bonds entered into by the associates engaged in property management services.

As at 31 December 2003, properties and securities of the Group with an aggregate carrying value of \$3,936.8 million and time deposits of \$5.7 million were pledged to banks to secure credit facilities or as margin for financial investments.

## **PROSPECTS**

Management believes that the worldwide economy in 2004 will be better than that of 2003 and Hong Kong will continue with its economic recovery which has started in the second half of 2003.

In 2004 the Group will continue to focus on the property sector. It will strive to improve rental income from its portfolio of investment properties and endeavour to expand the landbank of its development properties. The Group will also seek to maintain a stable profit from financial investments in 2004.

While the management remains optimistic about the global and local economic growth in 2004, it will pay attention to the prolonged weak US currency. The price of oil which has advanced to its highest level over the decade and the recent jump in price of raw material, precious metals and commodities will all jeopardize the prevailing low interest rate environment and bring uncertainties to the economy in 2005. Management will closely monitor those uncertainties and take cautious steps to cope with any adverse changes in order to safeguard the investments of the Group.

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of shares**

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares during the year.

### **Audit Committee**

The Audit Committee, comprising four Non-executive Directors a majority of whom are Independent Non-executive Directors, meets at least twice a year to review interim and final results of the Group prior to recommending them to the Board for approval and to discuss matters relating to the effectiveness of the Group's financial reporting process and internal controls. Senior representatives of the auditors and senior executives of the Company are invited to attend the meetings.

### **Compliance with the Code of Best Practice**

None of the Directors is aware of any information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, at any time during the year.

*A detailed announcement of results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Group (www.kdc.com.hk) in due course.*

By Order of the Board  
**Or Wai Sheun**  
Chairman

Hong Kong, 29 March 2004

## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the annual general meeting (“**Meeting**”) of Kowloon Development Company Limited (the “**Company**”) will be held at the Crystal Ballroom, Basement 3, Holiday Inn Golden Mile Hong Kong, 50 Nathan Road, Kowloon, Hong Kong on Monday, 3 May 2004 at 11:00 a.m. for the following purposes:

### **As Ordinary Business**

- (1) To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31 December 2003.
- (2) To declare a final dividend.
- (3) To elect directors and to fix their remuneration.
- (4) To appoint auditors and to authorise the directors to fix their remuneration.

### **As Special Business**

#### **Ordinary resolutions**

To consider and, if thought fit, to pass the following resolutions:

- (5) **THAT:**
  - (A) subject to paragraph (C), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be generally and unconditionally approved;
  - (B) the approval in paragraph (A) 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 end of the Relevant Period;
  - (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (A), otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of options granted under any share option scheme adopted by the Company or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly; and
  - (D) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:-

    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law and/or the Company’s articles of association to be held; and

- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion 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 recognised regulatory body or any stock exchange in, Hong Kong or any territory outside Hong Kong).

(6) **THAT:**

- (A) subject to paragraph (B) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited, be generally and unconditionally approved;
- (B) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange on which the securities of the Company may be listed and which is recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (A) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly;
- (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 law and/or the Company’s articles of association to be held; and
- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting.

(7) **THAT:**

conditional upon the passing of Resolutions (5) and (6) as set out in this notice convening the Meeting of which this Resolution forms part, the general mandate granted to the directors of the Company pursuant to Resolution (5) as set out in this notice convening the Meeting of which this Resolution forms part be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company under the authority granted pursuant to Resolution (6) as set out in this notice convening the Meeting of which this Resolution forms part, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution.

**Special resolution**

- (8) To amend Articles 2, 16, 103(A)(vii), 104(B)(i)-(iii), 109 and 111 of, and to add a new Article 85(C) to the Company’s Articles of Association.

By Order of the Board  
**Wai Yuk Hing, Monica**  
*Company Secretary*

Hong Kong, 29 March 2004

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting to be held on 3 May 2004 (“AGM”) is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the office of the Company’s registrars, Computershare Hong Kong Investor Services Limited, on 19th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting thereof.
3. All directors, except the Chairman, are subject to retirement by rotation pursuant to the Company’s articles of association. In relation to item (3) set out in this Notice regarding election of directors, Mr Seto Gin Chung, John, Mr Lok Kung Chin, Hardy and Mr Li Kwok Sing, Aubrey will retire at the AGM by rotation and, being eligible, offer themselves for re-election. The biographical details and interests in the shares of the Company of all the retiring directors are provided in the “Biographical Details of Directors and Senior Management” section and the “Report of the Directors” section in the 2003 Annual Report of the Company. None of the retiring directors have signed any service contract with the Company and being non-executive directors, their emoluments will be reviewed annually taking into consideration prevailing market practice. For 2002 and 2003, each non-executive director was paid a director’s fee of \$100,000. Moreover, none of the retiring directors is related to any directors, senior management or substantial or controlling shareholders of the Company.
4. With reference to items (5), (6) and (7) set out in this Notice, the directors wish to state that they have no immediate plans to repurchase any existing shares or to issue any new shares pursuant to the relevant mandate. An explanatory statement containing further details regarding the general mandate to repurchase shares as referred to in item (6) will be included in a circular which is intended to be dispatched to members on or about 7 April 2004.
5. In item (8) above, members are asked to approve amendments to the articles of association of the Company for compliance with the recent changes in the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The articles of association of the Company is written in English and hence the Chinese version of the Resolution as mentioned in item (8) is for reference only. In case of any inconsistency, the English version shall prevail. The circular to members referred to in Note 4 above will include the proposed resolution of item (8) and the effect of the proposed amendments to the Company’s articles of association.

“Please also refer to the published version of this announcement in the South China Morning Post”