



CENTRAL CHINA ENTERPRISES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code:351)

ANNUAL RESULTS

The board of directors (the “Board”) of Central China Enterprises Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 together with comparative figures for the previous year are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

		2003	2002
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	91,996	1,606
Cost of sales		(90,787)	(848)
Gross profit		1,209	758
Other revenues		–	302
Other income		5,025	–
Distribution costs		(18)	(59)
Administrative expenses		(31,039)	(55,118)
Other operating expenses		(10,420)	(13,744)
Loss from operations	4	(35,243)	(67,861)
Finance costs	5	(1,577)	(1,912)
Net investment loss	6	(6,917)	(35,398)
Share of result of associate		(15,051)	(13,593)
Loss on disposal of discontinued operation	7	(71)	–
Impairment losses	8	–	(29,209)

Loss before taxation		(58,859)	(147,973)
Income tax	9	<u>–</u>	<u>–</u>
Loss after taxation		(58,859)	(147,973)
Minority interests		<u>–</u>	<u>(7)</u>
Net loss for the year		<u>(58,859)</u>	<u>(147,980)</u>
Loss per share	10	<u>(2.21) cents</u>	<u>(5.56) cents</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants (“HKSA”), accounting principles generally accepted in Hong Kong, the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

In the current year, the Group has adopted SSAP 12 (revised) “Income taxes”. The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arisen, except for those timing differences that were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. This change in accounting policy has not had any material effect for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

The financial statements have been prepared under the historical cost convention as modified by the marking to market of certain investments in securities.

2. TURNOVER

Turnover represents the amount received and receivable for goods sold to outside customers, less returns and allowances, service income and guaranteed return for the year, and is analyzed as follows:–

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Continuing operations:		
Sale of computer hardware and maintenance support services	91,264	–
Software design and development	732	1,250
Return from a power plant in the PRC (<i>Note</i>)	–	–
Return from an investment in a motor spare parts business in the PRC (<i>Note</i>)	–	–
	91,996	1,250
Discontinued operation:		
Internet software services	–	356
	91,996	1,606

Note:

No return has been recognized in the current and prior years as the recoverability of the guaranteed return is considered by the directors to be uncertain.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business Segments

For management purposes, the Group is currently organized into four operating divisions: (i) computer hardware and provision of maintenance support services; (ii) provision of software design and development; (iii) power plant; and (iv) motor spare parts business. These divisions are the bases on which the Group reports its primary segment information.

The principal activities of the divisions are as follows:

Computer hardware and maintenance support services	– Sale of computer hardware and provision of maintenance support services.
Software design and development	– E-commerce consultancy, software development, system integration, website design and sale of software
Power plant	– Guaranteed income investment in a power plant in the PRC
Motor spare parts business	– Guaranteed income investment in a motor spare parts business in the PRC

There were no sales or other transactions between the business segments.

The Group was also engaged in the provision of Internet software services. This operation was disposed of during the year ended 31 December 2003.

2003

	Discontinuing operation	Continuing operations					
	Internet software services HK\$'000	Computer hardware and maintenance support services HK\$'000	Software design and development HK\$'000	Power plant HK\$'000	Motor spare parts business HK\$'000	Unallocated corporate expenses HK\$'000	Consolidated HK\$'000
TURNOVER							
External sales	-	91,264	732	-	-	-	91,996
RESULTS							
Segment loss	(21)	(1,338)	(13,621)	-	-	-	(14,980)
Unallocated corporate expenses	-	-	-	-	-	(20,263)	(20,263)
Loss from operations	(21)	(1,338)	(13,621)	-	-	(20,263)	(35,243)
Finance costs	-	-	(13)	-	-	(1,564)	(1,577)
Net investment loss	-	-	-	-	-	(6,917)	(6,917)
Share of result of associate	-	-	-	-	-	(15,051)	(15,051)
Loss on disposal of discontinuing operation	-	-	-	-	-	(71)	(71)
Loss before taxation	(21)	(1,338)	(13,634)	-	-	(43,866)	(58,859)
Income tax	-	-	-	-	-	-	-
Loss after taxation	(21)	(1,338)	(13,634)	-	-	(43,866)	(58,859)
Minority interests	-	-	-	-	-	-	-
Net loss for the year	(21)	(1,338)	(13,634)	-	-	(43,866)	(58,859)

2002

	Discontinuing operation	Continuing operations						
		Computer hardware and Internet software services HK\$'000	maintenance support services HK\$'000	Software design and development HK\$'000	Power plant HK\$'000	Motor spare parts business HK\$'000	Unallocated corporate HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales		356	–	1,250	–	–	–	1,606
RESULTS								
Segment loss		(64)	–	(16,377)	(504)	–	–	(16,945)
Unallocated corporate expenses		–	–	–	–	–	(50,916)	(50,916)
Loss from operations		(64)	–	(16,377)	(504)	–	(50,916)	(67,861)
Finance costs		–	–	(3)	–	–	(1,909)	(1,912)
Net investment gain (loss)		2	–	–	–	–	(35,400)	(35,398)
Share of result of associate		–	–	–	–	–	(13,593)	(13,593)
Impairment losses		–	–	(20,000)	(8,992)	–	(217)	(29,209)
Loss before taxation		(62)	–	(36,380)	(9,496)	–	(102,035)	(147,973)
Income tax		–	–	–	–	–	–	–
Loss after taxation		(62)	–	(36,380)	(9,496)	–	(102,035)	(147,973)
Minority interests		–	–	–	–	–	(7)	(7)
Net loss for the year		(62)	–	(36,380)	(9,496)	–	(102,042)	(147,980)

Geographical segments

In presenting information on the basis of geographical segments, segment revenues are based on the geographical location of customers. There were no sales between the geographical segments. Carrying amount of segment assets and additions to property, plant and equipment are based on the geographical location of the asset.

	Segment revenues		Carrying amount of segment assets		Additions to property, plant and equipment	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	87,176	–	58,817	83,890	1,566	5,345
Other regions of PRC	3,010	1,606	383	26,218	64	467
Taiwan	1,366	–	–	–	–	–
Australia	381	–	–	–	–	–
Others	63	–	2,358	5,477	–	–
	<u>91,996</u>	<u>1,606</u>	<u>61,558</u>	<u>115,585</u>	<u>1,630</u>	<u>5,812</u>

4. LOSS FROM OPERATIONS

	2003	2002
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Auditor's remuneration	<u>674</u>	<u>529</u>
Depreciation and amortization of:		
– guaranteed income investments	–	504
– property, plant and equipment		
– owned assets	2,862	2,701
– leased assets	122	39
– goodwill arising on acquisition of subsidiary (included in other operating expenses)	10,420	11,475
– goodwill arising on acquisition of associates (included in other operating expenses)	<u>–</u>	<u>2,269</u>
	<u>13,404</u>	<u>16,988</u>

Gain on disposal of property, plant and equipment	(25)	(49)
Allowance for trade and other receivables	368	11,000
Reversal of allowance for trade and other receivables	(5,000)	–
Cost of inventories	90,785	–
Operating lease rentals in respect of land and buildings	2,727	5,567
Research and development costs	1,100	202
	<hr/>	<hr/>
Staff costs, including directors' remuneration		
– Salaries, wages and other benefits	18,192	24,185
– Contributions to defined contribution retirement scheme	143	166
	<hr/>	<hr/>
	18,335	24,351
	<hr/>	<hr/>

5. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	1,524	1,902
Interest element of finance leases	13	3
Other interests	40	7
	<hr/>	<hr/>
Total borrowing costs	1,577	1,912
	<hr/>	<hr/>

6. NET INVESTMENT LOSS

	2003 HK\$'000	2002 HK\$'000
Dividend income	17	30
Gain on disposal of unlisted investments in the PRC	–	700
Interest income	219	303
Loss on disposal of investment securities	(1,200)	–
Loss on disposal of other investments	(5,953)	(10,560)
Unrealised holding loss on other investments	–	(25,871)
	<u>(6,917)</u>	<u>(35,398)</u>

The unrealized holding loss on other investments has been calculated by reference to the market prices of the equity securities at the balance sheet date.

7. DISCONTINUING OPERATION

On 28 November 2003, the Group disposed of its entire equity interest in Fortune Sino Investments Limited, which owned the entire equity interest in Originsoft (Zhengzhou) Co., Ltd., to Mr. Zhang Yun Zhi (張 蘊 志) at a consideration of RMB100,000 (approximately HK\$94,000). Fortune Sino Investments Limited was incorporated in Hong Kong and was an investment holding company, whereas Originsoft (Zhengzhou) Co., Ltd. was established in the PRC and was engaged in the provision of Internet software services. For the period from 1 January 2003 to 28 November 2003 (date of disposal) Fortune Sino Investments Limited and its subsidiary contributed an aggregate of turnover of HK\$Nil and a loss after taxation of approximately HK\$21,000 to the Group.

The turnover, results, cash flows and net assets of the Internet software services segment were as follows:

Internet software services
From 1 January 2003
to 28 November 2003
HK\$'000

Turnover	–
Operating costs	(21)
	<hr/>
Loss from operations	(21)
Income tax	–
	<hr/>
Profit after taxation	(21)
	<hr/>
Net cash flows used in operating activities	40
Net cash flows used in investing activities	–
Net cash flows used in financing activities	–
	<hr/>
Total net cash inflow	40
	<hr/> <hr/>

As at 28 November 2003
HK\$'000

Property, plant and equipment	97
Current assets	170
	<hr/>
Total assets	267
Total liabilities	(3,630)
	<hr/>
Net liabilities	(3,363)
	<hr/> <hr/>
Net liabilities disposed of	3,363
Loan assigned	(3,528)
Proceeds from disposal	94
	<hr/>

Loss on disposal of discontinuing operation	(71)
Tax thereon	<u>—</u>
After-tax loss on disposal	<u>(71)</u>

The net cash outflow on disposal is determined as follows:

Proceeds from disposal	94
Less: Cash and cash equivalents in subsidiaries disposed of	<u>(22)</u>
Disposal of subsidiaries, net of cash disposed	<u>72</u>

8. IMPAIRMENT LOSSES

	2003	2002
	HK\$'000	HK\$'000
Impairment losses recognized in respect of:		
– property, plant and equipment	—	217
– goodwill on acquisition of subsidiaries	—	20,000
– guaranteed income investments	<u>—</u>	<u>8,992</u>
	<u>—</u>	<u>29,209</u>

9. INCOME TAX

Hong Kong profits tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the year. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong did not have any assessable profit for the year ended 31 December 2003 (2002: Nil).

No provision for PRC income tax has been made in the financial statements as the companies operating in the PRC had no assessable profit for the year ended 31 December 2003 (2002: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2003 is based on net loss of the Group of approximately HK\$58,859,000 (2002: HK\$147,980,000) and on the weighted average of 2,663,370,218 ordinary shares (2002: 2,663,370,147 ordinary shares) in issue during the year.

No diluted loss per share has been calculated as the exercise of the share options would result in a decrease in loss per share for both years.

DIVIDEND

As at the balance sheet date, the Company did not have any reserves available for dividend (2002: Nil).

BUSINESS REVIEW

Overview

The Group's turnover for the year ended 31 December 2003 increased to approximately HK\$91,996,000 (2002: HK\$1,606,000), representing an increase of 5,628% as compared to that of previous financial year. The gross profit from operations for the year recorded was approximately HK\$1,209,000 (2002: 758,000), showing an improvement of 59.5% over last year. Loss from operations was decreased by 48% shown at approximately HK\$35,243,000 (2002: HK\$67,861,000) while the net loss attributable to shareholders was approximately HK\$58,859,000 (2002: HK\$147,980,000), representing a decrease of 60% when compared with last year. The loss per share stood at 2.21 cents (2002: 5.56 cents).

Business Review

During the year under review, the Group adhered to its prudent strategy by focusing strategically in exploitation of business opportunities for Sharpo, the operating unit of the Group's core businesses, and divesting resources to strengthen Sharpo's operations in the competitive business environment. In the second half of the year, the Group established a branch specializing in trading and distribution of related computer hardware which made positive contribution to both of the turnover and revenue to the Group and successfully built up a suppliers' network. Although the Group's trading and distribution business was at an initial start up stage, its

performance was very encouraging. It was able to bring in new clients and offered synergy to the existing operations of Sharpo as well. Efforts will be made to further improve its profit margin and expand the client base.

Due to weak performance of the Company's shares in the stock market, the Company had encountered difficulties in attracting investors to inject funds for ongoing operations and new ventures. During the year, the Company underwent a capital reorganization exercise involving share consolidation, capital reduction, share subdivision and reduction of share premium account and ultimately, obtained sanction from the High Court of Hong Kong and completed all the relevant formalities in February 2004. The purpose of canceling paid up capital and reduction of the share premium account is to enable the Company to apply the credit arising therefrom to set off against the accumulated losses of the Company which will bring forward the time when the Company will be in a position to pay dividends. This also renders greater flexibility to the Company to raise funds through the issue of shares in the future.

Capital Reorganization

On 1 August 2003, the Company announced the a capital reorganization proposal (the "Capital Reorganization Proposal"); the entering into of a subscription agreement dated 30 June 2003 with Aimstar Holdings Limited ("Aimstar") and Mr. Chan Tat Chee as guarantor (the "Subscription Agreement") in relation to the subscription of an aggregate of 29,500,000 adjusted shares of HK\$0.10 each in the Company (the "Adjusted Shares") by the Aimstar for a total consideration of HK\$18,000,000 (the "Subscription") and the whitewash waiver (the "Whitewash Waiver").

The Capital Reorganization Proposal, the Subscription Agreement and the Whitewash Waiver were all approved by the shareholders of the Company on 3 October 2003. On 3 February 2004, the petition for the confirmation of capital reduction was heard and sanctioned by the High Court of Hong Kong and copies of the confirming order together with the minute were also filed and registered with the Registrar of Companies in Hong Kong on the same date. Completion of the Subscription was took place on 10 February 2004, the net proceeds of HK\$15,500,000 derived therefrom was applied to repay substantial portion of the Group's bank borrowing due to The Bank of China (Hong Kong) Limited ("BOC").

Financial Review

Liquidity and Financial Resources

The Group is financed by resources from its equity capital base; internal cash flow generated by operations and disposal of non-core assets and investments and bank borrowings.

As at 31 December 2003, the Group had net current liabilities of approximately HK\$13,510,000 (2002: net current assets of HK\$13,571,000) and shareholders' fund of approximately HK\$34,290,000 (2002: HK\$93,149,000). The decrease in the net current assets was mainly attributable to the loss for the year and disposal of non-core assets and investments during the year.

Owing to the decrease in asset base of the Group during the year, the current ratio, being the ratio of current assets to current liabilities, decreased to 0.50 (2002: 1.61). The gearing ratio, calculated as total borrowings to the Group's shareholders' fund was reported at 0.48% (2002: 0.20).

As at 31 December 2003, the Group had outstanding bank borrowings amounting to US\$2,143,993, equivalent to approximately HK\$16,723,000 (2002: HK\$18,672,000) due to BOC. Due to internal cash flow difficulties, the Group was unable to meet with its repayment obligation under the loan agreement in March 2003 and, accordingly, on 19 June 2003, the Company received a writ of summons together with the statement of claim from BOC, as plaintiff, claiming for the outstanding loan amount together with overdue interests. In February 2004, the Company had repaid HK\$15,500,000, being the subscription money derived from the placement of 29,500,000 Adjusted Shares to Aimstar pursuant to the Subscription Agreement, to BOC and is now negotiating with BOC in respect of the repayment of the remaining balance. After repayment of the substantial portion of the outstanding bank borrowings to BOC in February 2004, the debt position of the Group has been greatly improved.

Significant Investments and Acquisitions

During the year, the Group did not have new investments or material acquisitions. The Group continued to devote its resources to Sharpo, its core operations consisting of computer hardware and maintenance support services; software design and development services.

Lease Commitments

As at 31 December 2003, the Group has operating lease commitment of approximately HK\$3,558,000 (as at 31 December 2002: HK\$6,936,000). This commitment represents the total future minimum lease payments under the operating leases in respect of the rented office premises and staff quarters of the Group.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's borrowings are denominated in United States dollars while the turnover of the Group is mainly denominated in Hong Kong dollars and Reminbi. Since the exchanges rates of United States dollars and Reminbi were relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates was considered as minimal and no financial instruments were used for hedging purpose.

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities and capital commitments as at 31 December 2003.

Pledge of Assets

Save as disclosed in the 2002 annual report, the Group did not have material change in pledge of assets during the year under review.

Employees

As at 31 December 2003, the Group had 53 employees (2002: 79), 30 of whom were based in the PRC. For the year ended 31 December 2003, the total staff costs amounted to approximately HK\$18,335,000 (2002: HK\$24,351,000). The Group offers comprehensive remuneration and benefit packages to its employees in accordance with the prevailing market practices, individual performance and merit. The Group also has a mandatory provident fund scheme for all of its employees in Hong Kong.

In addition to the basic salaries, discretionary year-end bonus and retirement scheme, employees, including directors, are also eligible under the share option scheme, which was adopted by the Company in 2002.

AUDIT COMMITTEE

The Audit Committee which was established pursuant to the requirements of the Listing Rules, currently comprising Mr. Lee Yu Leung and Mr. Cham Yiu Keung, independent non-executive directors and Mr. Kwong Jimmy Cheung Tim, non-executive director of the Company. The Audit Committee has reviewed with the management the areas in respect of the Group's financial policies, auditing, internal control and financial reporting and met twice in the year.

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

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
Chan Tat Chee
Chairman

Hong Kong, 23 April 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Harbour Room, Mezzanine Level, Kowloon Shangri-La, 64 Mody Road, Tsimshatsui, Kowloon on Friday, 28 May 2004 at 2:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31 December 2003.
2. To re-elect directors and to authorize the board of directors to fix their remuneration.
3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.
4. As special business to consider and, if thought fit, pass with or without amendments the following resolutions numbered below as Ordinary Resolutions and Special Resolution of the Company respectively:

Ordinary Resolutions

(1) **“THAT:**

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the directors during the Relevant Period (as defined below) of all powers of the Company to allot, issue and deal with Securities (as defined below) in the capital of the Company and to make or grant any offer, agreement and option (including derivatives, bonds, warrants, debentures, notes, options or convertible securities of the Company) which might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Securities allotted or agreed to be allotted by the directors pursuant to the approval being granted pursuant to sub-paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) exercise of subscription rights attaching to warrants of the Company; (iii) exercise of conversion rights attaching to any convertible securities of the Company; (iv) exercise of subscription rights attaching to options granted by the Company including those granted under a share option scheme adopted the Company; or (v) issue of Securities pursuant to any scrip dividend scheme or any other issue of Securities in lieu of the whole or part

of the payment of dividend by the Company, shall not exceed 20 per cent. of the aggregate nominal amount of shares in the capital of the Company in issue as at the date of the passing of this Resolution; and

(c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until the earliest of the:

- (i) conclusion of the next annual general meeting of the Company following the passing of this Resolution (unless the authority given under this Resolution has been renewed by an ordinary resolution passed at the next annual general meeting); or
- (ii) expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or applicable laws of the Company to be held; or
- (iii) passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors under this Resolution;

“Securities” shall mean securities of any and all classes in the capital of the Company including shares, warrants and other securities carrying a right to subscribe or purchase securities of the Company; and

“Rights Issue” refers to the offer of securities by the directors with a fixed period of acceptance to all holders of the Company’s Securities, or class of Securities, as recorded in its register of members on a fixed record date in proportion to their then holdings of such Securities (subject to any exclusion or alternative arrangements as the Directors may deem necessary or expedient in relation to overseas holders or fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of relevant regulatory bodies and stock exchanges in any territory outside Hong Kong).”

(2) **“THAT:**

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the directors during the Relevant Period (as defined below) of all powers of the Company to repurchase Securities in the capital of the Company, subject to and in accordance with the Articles of Association and applicable laws of the Company, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Securities the Company to be repurchased pursuant to the approval in sub-paragraph (a) of this Resolution shall not exceed 10 per cent. of the issued share capital of the Company as at the date of the passing of this Resolution;
- (c) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until the earliest of the:

- (i) conclusion of the next annual general meeting of the Company following the passing of this Resolution (unless the authority given under this Resolution has been renewed by an ordinary resolution passed at the next annual general meeting); or
 - (ii) expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or applicable laws of the Company to be held; or
 - (iii) passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors under this Resolution.”
- (3) **“THAT** conditional upon Resolutions numbered 4(1) and 4(2) in this notice being passed, the aggregate nominal amount of Securities that may be allotted or agreed conditionally or unconditionally to be allotted by the directors in accordance with their powers to allot, issue and otherwise deal with Securities pursuant to the authority granted under Resolution numbered 4(1) shall be and is hereby extended by the nominal amount of Securities repurchased by the Company under the authority granted to the directors as mentioned in Resolution numbered 4(2).”

Special Resolution

(4) “**THAT** the Articles of Association of the Company be and are hereby amended as follows:

(a) Article 2 be amended by deleting the definition of “associate” and substituting with the following:

“associate “associate” shall have the same meaning ascribed to it under the Rules Governing the Listing of Securities on the Stock Exchange;”

(b) Article 78 be deleted in its entirety and replaced by the following:

“78. Passing of resolution

Subject to the rules as prescribed by the Stock Exchange from time to time, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

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

On a poll, votes may be given either personally or by proxy.

- (c) A new Article 79A be added as follows:

“79A. Voting Restriction

Where any member is, under the Rules Governing the Listing of Securities on the Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”

- (d) Article 105(A) (vii) be deleted in its entirety and replaced by the following:

“(vii) if he shall be removed from office by an ordinary resolution of the Company under Article 113.”

- (e) Articles 106(H) be deleted in its entirety and replaced by the following:

“(H) Save as otherwise provided by the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his associates has a material interest, but this prohibition shall not apply to any of the following matters namely:–

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent or obligations undertaken by him or his associate(s) for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of a security;

- (iii) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company or any of its subsidiaries to be issued pursuant to any offer of invitation to the members or debenture holders or to the public which does not provide the Director or his associate(s) any privilege not accorded to any other members or debenture holders or to the public;
- (iv) any contract or arrangement concerning an offer of the shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his or their interest in shares or debentures or other securities of the Company;
- (vi) any contract or arrangement concerning any other company (not being a company in which the Director together with any of his associates own 5 per cent. or more (as defined in paragraph (I) of this Article)) in which he or his associate(s) is/are interested directly or indirectly whether as a shareholder, an officer or executive;
- (vii) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s) as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; and
- (viii) any proposal concerning the adoption, modification or operation or any share scheme, share incentive or share option scheme involving the issue or grant of options over shares or other securities

of the Company to, or for the benefit of the employees of the Company or its subsidiaries under which the Director or his associates(s) may benefit.”

(f) Article 106(I) be deleted in its entirety and replaced by the following:

“(I) A company shall be deemed to be a company in which a Director together with any of his associates own 5 per cent. or more if and so long as (but only if and so long as) he together with any of his associates are (either directly or indirectly) the holders of or beneficially interested in 5 per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or any of his associate as bare or custodian trustee and in which he or his associate(s) has/have no beneficial interest, any share comprised in a trust in which the interest of a Director or his associate (s) is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.”

(g) Article 106(K) be deleted in its entirety and replaced by the following:

“(K) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) and any of his associates or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman, and any interested Director shall not be counted in the quorum and shall not vote thereon) and such resolution

shall be final and conclusive except in case where the nature or extent of the interest of the chairman or his associate(s) as known to such chairman has not been fairly disclosed to the Board.”

- (h) Article 111 be deleted in its entirety and replaced by the following:

“111. Notice to be given when person proposed for election

No person, other than a retiring Director, shall be eligible for election to the office of the Director at any general meeting, unless notice in writing by a member (not being the person to be proposed) entitled to attend and vote at the meeting, of his intention to propose such person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Office of the Company not earlier than the day after the dispatch of the notice of the general meeting appointed for such election and not later than seven days prior to the date of such meeting.”

- (i) Article 113 be deleted in its entirety and replaced by the following:

“113. Power to remove Director

The Company may by ordinary resolution remove any Director (including a managing or executive director) before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract of service between him and the Company) and may elect another person in his stead. Any person so elected shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.”

By Order of the Board
Chow Ho Tung, Anthony
Secretary

Hong Kong, 23 April 2004

As at the date of this announcement , the members of the Board of Directors of the Company are as follow:

Executive Directors:

Mr. Chan Tat Chee (*Chairman*)

Ms. Tang Yuk Chee, Josephine

Mr. Chow Ho Tung, Anthony

Non-executive Director:

Mr. Kwong Jimmy Cheung Tim

Independent Non-executive Directors:

Mr. Cham Yiu Keung

Mr. Lee Yu Leung

Notes:

- (1) A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company and any appointment of proxy shall not preclude the shareholder entitled to vote at the said meeting to attend and vote in person if he so desires.
- (2) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a materially certified copy thereof, must be deposited at the registered office of the Company at Unit 2017, 20th Floor, Two Pacific Place, 88 Queensway, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meetings thereof.
- (3) A circular containing information in relation to Resolutions numbered 4(1) to 4(4) will be dispatched to the shareholders of the Company together with the 2003 Annual Report.

- (4) In relation to item (3) in the notice regarding re-election of Directors, Mr. Chan Tat Chee, Ms. Tang Yuk Chee, Josephine, Mr. Chow Ho Tung, Anthony, Mr. Cham Yiu Keung and Mr. Lee Yu Leung will retire at the Annual General Meeting, and , being eligible, offer themselves for re-election in accordance with the Articles of Association of the Company. The biographical details of the said Directors who are seeking for re-election at the Annual General Meeting are set out in the 2003 Annual Report.

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