



SINO GOLF HOLDINGS LIMITED
順龍控股有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 361)

RESULT FOR THE YEAR ENDED 31 DECEMBER 2003

The Board of Directors (the “Board”) of Sino Golf Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2003 with the comparative figures for the nine months ended 31 December 2002 as follows:

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

		Year ended 31 December 2003 HK\$'000	Nine months ended 31 December 2002 HK\$'000
	<i>Notes</i>		
TURNOVER	3	400,708	230,497
Cost of sales		(272,580)	(162,426)
Gross profit		128,128	68,071
Other revenue, net		10,891	5,010
Selling and distribution costs		(18,776)	(10,051)
Administrative expenses		(48,231)	(23,182)
Other operating expenses, net		(12,781)	(6,601)
PROFIT FROM OPERATING ACTIVITIES	3,4	59,231	33,247
Finance costs	5	(10,142)	(5,069)
PROFIT BEFORE TAX		49,089	28,178
Tax	6	(5,281)	(2,003)
PROFIT BEFORE MINORITY INTERESTS		43,808	26,175
Minority interests		(484)	(650)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		43,324	25,525
Dividends	7	43,215	25,385
EARNINGS PER SHARE - Basic	8	14.34 cents	8.45 cents

NOTES

1. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

SSAP12 (revised) “income taxes” principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, 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 resulted in an increase in the Group’s deferred tax liability as at 31 December 2002 by HK\$2,713,000, a decrease in the Group’s fixed asset revaluation reserve as at 31 December 2002 by HK\$2,185,000 and a decrease in the Group’s retained profits as at 31 December 2002 by HK\$528,000. Such change had no material effect on the Group’s results for the year ended 31 December 2003.

2. BASIS OF PREPARATION AND CONSOLIDATION

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets.

Due to the change of the accounting year end date from 31 March to 31 December in last period, to standardise the reporting dates of all subsidiaries within the Group, the last period’s financial statements are prepared for the nine months ended 31 December 2002. The comparative amounts for the consolidated profit and loss account and the related notes, which are prepared for the nine months ended 31 December 2002, are not comparable with the amounts presented for the current year.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results of the Company’s subsidiaries.

3. TURNOVER AND SEGMENT INFORMATION

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments

	Golf equipment		Golf bag		Eliminations		Consolidated	
	Nine months		Nine months		Nine months		Nine months	
	Year ended	ended	Year ended	ended	Year ended	ended	Year ended	ended
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	322,193	191,350	78,515	39,147	—	—	400,708	230,497
Intersegment revenue	3,221	—	10,417	10,075	(13,638)	(10,075)	—	—
Other revenue	10,239	4,712	322	20	—	—	10,561	4,732
	<u>335,653</u>	<u>196,062</u>	<u>89,254</u>	<u>49,242</u>	<u>(13,638)</u>	<u>(10,075)</u>	<u>411,269</u>	<u>235,229</u>
Total								
Segment results	<u>62,678</u>	<u>32,732</u>	<u>(3,777)</u>	<u>385</u>			58,901	33,117
Interest income							330	278
Loss on partial disposal of a subsidiary							—	(148)
Profit from operating activities							59,231	33,247
Finance costs							(10,142)	(5,069)
Profit before tax							49,089	28,178
Tax							(5,281)	(2,003)
Profit before minority interests							43,808	26,175
Minority interests							(484)	(650)
Net profit from ordinary activities attributable to shareholders							<u>43,324</u>	<u>25,525</u>

(b) *Geographical segments*

The following table represents revenue for the Group's geographical segments.

	Year ended 31 December 2003 HK\$'000	Nine months ended 31 December 2002 HK\$'000
North America	268,934	165,778
Europe	14,967	22,633
Asia (excluding Japan)	20,572	15,776
Japan	85,135	13,279
Others	11,100	13,031
	<u>400,708</u>	<u>230,497</u>

4. **PROFIT FROM OPERATING ACTIVITIES**

The Group's profit from operating activities is arrived at after charging/(crediting):

	Year ended 31 December 2003 HK\$'000	Nine months ended 31 December 2002 HK\$'000
Cost of inventories sold	251,473	152,444
Depreciation	15,905	9,678
Amortisation of goodwill*	2,216	811
Impairment of goodwill*	23	—
Gain on disposal of fixed assets	(94)	(3)
Loss on partial disposal of a subsidiary	—	148
Exchange losses/(gains), net	1,197	(692)

* *The amortisation and impairment of goodwill are included in "Other operating expenses, net" on the face of the consolidated profit and loss account.*

5. FINANCE COSTS

	Year ended	Nine months ended
	31 December	31 December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	6,648	3,810
Interest on finance leases	33	62
	<hr/>	<hr/>
Total interest expenses	6,681	3,872
Bank charges	3,461	1,197
	<hr/>	<hr/>
Total finance costs	<u>10,142</u>	<u>5,069</u>

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (nine months ended 31 December 2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended	Nine months ended
	31 December	31 December
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Current - Hong Kong		
Charge for the year	4,670	2,241
Underprovision/(overprovision) in prior year	145	(438)
Current - Elsewhere	466	200
	<hr/>	<hr/>
Tax charge for the year/period	<u>5,281</u>	<u>2,003</u>

7. DIVIDENDS

	Year ended 31 December 2003 HK\$'000	Nine months ended 31 December 2002 HK\$'000
Interim - HK4.8 cents (nine months ended 31 December 2002: HK4.5 cents) per ordinary share	14,506	13,599
Proposed final - HK9.5 cents (nine months ended 31 December 2002: HK3.9 cents) per ordinary share	<u>28,709</u>	<u>11,786</u>
	<u>43,215</u>	<u>25,385</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$43,324,000 (nine months ended 31 December 2002: HK\$25,525,000) and the weighted average of 302,200,000 (2002: 302,200,000) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2003 is not shown as there was no dilutive effect on the basic earnings per share. The outstanding share options of the Company would not result in the issue of ordinary shares for less than the fair values as their exercise price was above the average market price of the Company's shares during the year.

Diluted earnings per share for the nine months ended 31 December 2002 has not been calculated as no diluting events existed during that period.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Thursday, 20 May 2004 to Tuesday, 25 May 2004 both days inclusive, during which period no transfer of shares will be effected. All share transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 pm on Wednesday, 19 May 2004 in order to qualify for the final dividend mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Consolidated turnover of the Group for the year ended 31 December 2003 amounted to HK\$400,708,000 (nine months ended 31 December 2002: HK\$230,497,000). Net profit from ordinary activities attributable to shareholders was HK\$43,324,000 (nine months ended 31 December 2002: HK\$25,525,000).

BUSINESS REVIEW AND PROSPECTS

With a steady recovery of the global economy, the Group has been able to achieve remarkable growth during the year of 2003. This has been accomplished with the benefit of continued outsourcing of golf club equipment manufacturing from the developed markets such as North America and Europe as well as the synergy brought about by the network of the golf club segment, which has led to a consistent surge in the golf bag sales. The enhanced recognition of the Group's products in the market place further reinforced and contributed to the significant increase in the Group's business volume. Overall, the Group's performance for the year has gained satisfactory improvement over that of the preceding financial period.

Sales of golf clubs and accessories amounted to HK\$322,193,000, accounting for 80.4% of total turnover for the year, while the remaining 19.6% or HK\$78,515,000 represents sales of golf bags.

Golf clubs and accessories business continued to represent the largest segment generating most of the Group's revenue and profitability and is expected to grow consistently for the ensuing year. Market recognition of the Group's products has been much enhanced following our Group's persistent investments in research and development and product testing programs in recent years. Our capability to produce and sell proportionately more high end products such as titanium wood heads has helped improving the overall margin made by the Group. The gross profit margin for the year has increased to 32.0% from 29.5% for the nine months ended 31 December 2002.

Since its acquisition by the Group in October 2001, the golf bag business has been growing steadily. With the benefit of synergy realised through the extensive business network of our Group, the golf bag segment has successfully secured additional orders in addition to the Group's own customer portfolio. It is anticipated that the golf bag sales will continue to grow persistently and increase in its proportion as part of the Group's total turnover. In order to facilitate and satisfy the anticipated increase in demand for the golf bags, a new factory has been under construction in the PRC which is planned to commence operation in May 2004. The new factory possesses a production capacity of about 1,000,000 bags per annum which represented more than doubles of the existing capacity. Upon commencement of the new factory operation, the golf bag margin will further be improved due to a better economy of scale and less subcontracting work granted to outsiders.

The negative contribution of the golf bag segment for the year has been attributed to (i) the set up costs incurred in relation to the fulfillment and assembly operation in the United States; and (ii) the impact sustained as a result of the cessation of quota requirement on golf bags imported into the United States. The quota relaxation has resulted in the assembly operation of flats (i.e. semi-finished bags) in the United States becoming non-competitive and costly as compared to directly importing complete golf bags into the United States. In response to the change in the quota system and to mitigate the impact on profitability, the management has taken action to terminate the assembly operation in the United States immediately after the existing flats have been processed and delivered to the customers. It is the Group's strategy to modify and maintain the role of the U.S. operation as a marketing and fulfillment unit for servicing customers and promoting sales. The management is confident that the golf bag segment will contribute to the Group's profitability under normal circumstances.

Geographically, North America continues to be the largest geographical segment from which 67.1% of the Group's turnover for the year was generated. Europe, Japan and other countries accounted for 3.7%, 21.3% and 7.9% of total turnover respectively. Percentage sales for the Japan market have increased substantially by approximately 15.5% to 21.3% during the year. Among the various geographical regions, Japan is the market possessing much potential for our Group's development as relatively little effort has been devoted in prior years to explore this largest market in Asia. The management has resolved and taken steps to further develop this market by actively exploring customers and promoting sales. During the year, a reputable golf bag design house in Japan has strengthened its association with our Group. It is believed that the closer tie with the new business partner will bring tremendous opportunities in golf bags to our Group through its extensive customers

network in Japan. As a result of the enormous growth of the Japan market, percentage sales for the North America and Europe declined by approximately 4.8% and 6.1% to 67.1% and 3.7% respectively. There is no significant change to the percentage sales for other countries.

Throughout the years, the Group has successfully strengthened and broadened its customer base by continuously taking on new customers with good potential and supporting the existing customers to increase their market share through product innovations. Our ability and commitment to provide high quality products and value added services has enhanced the Group's competitive advantage and allows us to compete favorably in the market. It is particularly encouraging when some major customers increased their ordering of golf clubs significantly for delivery during the first half of 2004.

Based on the current order book status and market conditions, the directors are reasonably optimistic and confident that our Group shall continue to achieve satisfactory growth for the ensuing year.

MATERIAL ACQUISITION OF SUBSIDIARIES

In January 2003, the Group acquired the entire equity interest in Xiamen Sino Talent Golf Manufacturing Co., Ltd., a company mainly engaged in the manufacturing of golf equipment, from an independent third party for a consideration of HK\$7.8 million. The acquisition has given rise to a goodwill of approximately HK\$7.4 million which is amortised in accordance with the Group's accounting policies. Such acquisition strengthen our Group's existing production capacity.

In March and June 2003, the Group further acquired from the minority shareholders the additional equity interests of 20% and 29% respectively, in Sino CTB Company L.L.C. ("Sino CTB"), a company of manufacturing of golf bags, for an aggregate cash consideration of US\$100,001. The acquisition has given rise to an aggregate goodwill of approximately US\$293,000 which is amortised in accordance with the Group's accounting policies. On completion of the acquisition, Sino CTB became a wholly-owned subsidiary of the Group.

In December 2003, the Group further acquired from a minority shareholder an additional equity interest of 11.5% in CTB Golf (HK) Limited ("CTB HK"), a company of manufacturing of golf bags, for a consideration of HK\$9.8 million subject to certain refund provisions from the minority shareholder if the profitability of the subsidiary does not meet the guaranteed targets for a period of five years commencing on 1 January 2004. The acquisition has given rise to a goodwill of approximately of HK\$8.4 million which is amortised in accordance with the Group's accounting policies. On completion of the acquisition, the Group's equity interest in CTB HK has been increased to 62.5%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to rely on internally generated funds as well as banking facilities granted by its principal bankers and other financial institutions to finance its operations. In March 2003, a three-year syndicated loan of HK\$105 million was concluded which help strengthen and rationalise the Group's liquidity and finance structure. Part of the proceeds from the syndicated loan has been utilised for repaying some short-term loans and trade finances. Besides, the Group has entered into interest rate swap contracts to hedge interest cost over the loan period. Subsequent to the balance sheet date, the syndicated loan has been successfully re-financed at lower interest rates.

As at 31 December 2003, cash and bank balance amounted to approximately HK\$93.8 million (2002: HK\$44.7 million). Guided by a prudent treasury practice, the Group usually maintains a high level of cash to ensure smooth and efficient operation and to enable timely seizure of investment opportunities. The significant increase in cash and bank balance has been attributed to (i) surplus funds made available from the syndicated loan completed in March 2003 ; and (ii) improved inventory management leading to a lower stock level.

The Group has in aggregate banking facilities approximating HK\$354.9 million comprising the syndicated loan; import and export facilities; overdrafts and term loans. As at 31 December 2003, total borrowings from banks and financial institutions amounted to HK\$140.3 million, of which HK\$35.1 million is repayable within one year. The Group's gearing ratio, defined as total bank borrowings and finance lease payable less cash and bank balances of approximately HK\$46.5 million divided by the shareholders' equity of approximately HK\$182.8 million, was 25.4% (2002: 34.5% as restated). As a result of improved treasury management, the gearing ratio of the Group has been consistently reduced.

The Group has been able to maintain a strong and healthy financial position through adoption of prudent and effective treasury policies. As at 31 December 2003, the net assets of the Group amounted to approximately HK\$182.8 million (2002: HK\$162.8 million as restated). Current ratio and quick ratio of the Group were 2.39 (2002: 1.38) and 1.72 (2002: 0.85) as at 31 December 2003 respectively. Both ratios have shown significant improvement after completion of the syndicated loan of HK\$105 million during the year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group has limited exposure to exchange rates fluctuations as most of the business transactions were conducted in the currency of United States dollars, Hong Kong dollars and Renminbi, all of which remained relatively stable during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year ended 31 December 2003 in compliance with Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

AUDIT COMMITTEE

The audit committee has met with the management to review the annual result and consider the accounting policies.

DETAILED RESULT ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of the Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong,
21 April 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Kowloon Shangri-La, Rose Room, Lower Level, 64 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 25 May 2004 at 2:30 pm for the following purposes:—

As Ordinary Business

1. to receive and adopt the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2003;
2. to declare a final dividend for the year ended 31 December 2003;
3. to re-elect the directors of the Company;
4. to authorise the board of directors to fix the directors' remuneration;
5. to re-appoint the auditors and to authorise the board of directors to fix their remuneration; and

As Special Business

6. to consider and if thought fit, pass with or without amendments, the following resolutions each as an Ordinary Resolution:—

“**THAT:**—

- (a) subject to sub-paragraph (c) of this Resolution, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers 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 pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company (“**Shares**”); or (iii) the exercise of any options granted under the share option scheme of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of the dividend on Shares in accordance with the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the date of 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, the Companies Act 1989 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares, or offer or issue of warrants, options or other securities of the Company giving rights to subscribe for Shares, open for a period fixed by the Directors 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 or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlement’s 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, any territory outside the Hong Kong Special Administrative Region of the People’s Republic of China).”

7. to consider and if thought fit, pass with or without amendment(s) the following resolution each as an Ordinary Resolution:

“**THAT:**—

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period of all the powers of the Company to repurchase Shares on Stock Exchange or any other exchange on which the Shares may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases (“Recognised Stock Exchange”) subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time (the “Listing Rules”) or that of any other Recognised Stock Exchange, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in sub-paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:—

“Relevant Period” means the period from the date of 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, the Companies Act 1989 of Bermuda or any other applicable law of Bermuda to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by the passing of an ordinary resolution of the shareholders of the Company in general meeting.

8. to consider and if thought fit, pass with or without amendment(s) the following resolution as Ordinary Resolution.

“**THAT** conditional upon Resolution 6 and Resolution 7 set out in the notice convening this meeting of which this resolution forms part being passed, the aggregate nominal amount of the share capital of the Company which are repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as stated in Resolution 7 set out in the notice convening this meeting of which this resolution forms part) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company under the authority granted pursuant to Resolution 7 set out in the notice convening this meeting of which this resolution forms part.”

9. to consider and if thought fit, pass the following resolutions as a Special Resolution of the Company:

“**THAT** the bye-laws of the Company (the “Bye-Laws”) be and are hereby amended by:

(a) adding the following definitions in Bye-Law 1:

““associate(s)” in relation to any Director, shall have the meaning ascribed to it in the rules of the Designated Stock Exchange;

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

(b) deleting the existing definition of “clearing house” in Bye-Law 1 and substituting therefor the following new definition of “clearing house”:

““clearing house” means a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorised shares depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;”;

(c) adding the following as a new Bye-Law 77(A) immediately after Bye-Law 77:

“77.(A) Where any member is, under the rules of the Designated 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) deleting the existing Bye-Law 88 and substituting therefor the following new Bye-Law 88:

“88. No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing by some member (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company. The period for lodgment of the notice required under this Bye-Law shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days.”

(e) deleting the existing Bye-Law 103(1) and substituting therefor the following new Bye-Law 103(1):

“(1) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Directors in respect of any contract or arrangement or proposal in which he or any of his associate(s) has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:

- (i) the giving of any security or indemnity either:
 - (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (b) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
 - (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or

- (b) 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 generally accorded to the class of persons to which such scheme or fund relates; and
 - (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 by virtue only of his/their interest in shares or debentures or other securities of the Company.”;
- (f) deleting the existing Bye-Law 103(2) and substituting therefor the following new Bye-Law 103(2):
 - “(2) A company shall be deemed to be a company in which a Director and/or any of his associates owns 5 per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he and/or his associates is/are (either directly or indirectly) the holder of or beneficially interested in 5 per cent. or more of any class of the equity share capital of such company (or of any third company through which his/their interest is derived) or of the voting rights of any class of shares available to shareholders of the company. For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.”;
- (g) deleting the existing Bye-Law 103(3) and substituting therefor the following new Bye-Law 103(3):
 - “(3) Where a company in which a Director and/or any of his associates holds 5 per cent. or more of any class of the equity share capital of such company or of the voting rights of any class of shares available to shareholders of the company is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.”; and
- (h) deleting the existing Bye-Law 103(4) and substituting therefor the following new Bye-Law 103(4):
 - “(4) If any question shall arise at any meeting of the Directors as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director or his associate(s) shall be final and conclusive except in a case where the nature or extent of the interest of the Director or his associate(s) concerned as known to such Director has not been fairly disclosed to the Directors. If any question as aforesaid shall arise in respect of the chairman of the meeting or his associate(s) such question shall be decided by a resolution of the Directors (for which purpose such chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman or his associate(s) as known to such chairman has not been fairly disclosed to the Directors.”

and THAT any director of the Company be and is hereby authorised to take such further action as he/she may, in his/her sole and absolute discretion, think fit for and on behalf of the Company to implement the aforesaid amendments to the existing Bye-Laws.”

By Order of the Board
Chu Chun Man, Augustine
Chairman

Hong Kong,
21 April 2004

Notes:

1. Any shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's share registrar, Tengis Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
3. Delivery of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.
4. In the case of joint registered holders of any Share, any one of such joint registered holders may vote at the meeting, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the meeting, the vote of the most senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
5. For the purpose of determining the list of shareholders entitled to attend and vote at the Annual General Meeting and to receive the final dividend to be declared at the meeting, the Company shall temporarily suspend changes to the register of members from Thursday, 20 May 2004 to Tuesday, 25 May 2004. Shareholders whose names appear on the register at the time of the suspension of registration shall be entitled to attend and vote at the meeting and shall be entitled to receive final dividend if declared at the meeting. Persons who purchase shares of the Company during the period of suspension of registration shall not be entitled to attend the meeting nor to the final dividend.
6. In relation to the proposed resolution 6 set out in the notice convening the meeting, approval is being sought from the members as a general mandate under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Directors wish to state that they have no immediate plans to issue any new shares of the Company.
7. In relation to the proposed resolution 7 set out in the notice convening the meeting the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares of the Company in the circumstances which they deem appropriate for the benefit of the Company and the shareholders.

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