



# 香港中旅國際投資有限公司

## CHINA TRAVEL INTERNATIONAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong with limited liability)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

#### RESULTS

The Board of Directors of China Travel International Investment Hong Kong Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2002 are as follows:

	Notes	2002 HK\$'000	2001 HK\$'000 (Restated)
<b>TURNOVER</b>	2	<b>2,869,964</b>	2,329,235
Cost of sales		<b>(1,720,159)</b>	(1,301,585)
<b>Gross profit</b>		<b>1,149,805</b>	1,027,650
Other revenue and gains	3	<b>133,383</b>	181,186
Distribution costs		<b>(62,221)</b>	(41,082)
Administrative expenses		<b>(602,101)</b>	(532,363)
Other operating expenses, net		<b>(179,816)</b>	(78,172)
<b>PROFIT FROM OPERATING ACTIVITIES</b>	5	<b>439,050</b>	557,219
Finance costs	4	<b>(43,114)</b>	(66,579)
Write-back of provisions for diminutions in values of interests in jointly controlled entities and associates		-	3,383
Gain on disposal of an associate		-	53,043
Share of profits and losses of:			
Jointly controlled entities		<b>261,243</b>	245,282
Associates		<b>46,950</b>	34,009
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE TAX</b>		<b>704,129</b>	826,357
Tax	6	<b>(96,264)</b>	(103,364)
<b>PROFIT BEFORE MINORITY INTERESTS</b>		<b>607,865</b>	722,993
Minority interests		<b>(67,545)</b>	(77,821)
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>540,320</b>	645,172
<b>EARNINGS PER SHARE (HK CENTS)</b>	7		
Basic		<b>12.80</b>	17.69
Diluted		<b>12.46</b>	16.42
<b>DIVIDEND PER SHARE (HK CENTS)</b>		<b>9</b>	9

Notes:

#### 1. Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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 hotel properties, investment properties and certain equity investments.

#### 2. Segment Information

The Company is an investment holding company and the Group principally operates in eight business segments as described below. The analysis of the Group's revenue and results by business segments and geographical segments are as follows:

##### (a) Business segments

The following tables present revenue, profit and expenditure information for the Group's business segments.

Group	Passenger transportation services	Tourist attraction operations	Freight forwarding and transportation services	Hotel operations	Travel and travel- related operations	Golf club operations	Power generation	Corporate and others	Eliminations	Consolidated
	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	116,028	401,064	264,730	310,017	1,743,250	34,645	-	230	-	2,869,964
Intersegment revenue	6,008	746	80	11,668	65,123	-	-	1,384	(85,009)	-
Other revenue and gains	3,135	8,919	2,268	55,170	13,615	-	-	28	-	83,135
<b>Total</b>	<b>125,171</b>	<b>410,729</b>	<b>267,078</b>	<b>376,855</b>	<b>1,821,988</b>	<b>34,645</b>	<b>-</b>	<b>1,642</b>	<b>(85,009)</b>	<b>2,953,099</b>
Segment results	<u>10,684</u>	<u>125,699</u>	<u>29,975</u>	<u>84,822</u>	<u>220,478</u>	<u>(28,319)</u>	<u>(1,011)</u>	<u>(53,153)</u>	<u>-</u>	<u>389,175</u>
Interest income and unallocated gains										50,248
Unallocated expenses										(373)
Profit from operating activities										439,050
Finance costs										(43,114)
Share of profits and losses of:										
Jointly controlled entities	-	-	(6,859)	-	-	-	268,102	-	-	261,243
Associates	46,850	221	(121)	-	-	-	-	-	-	46,950
Profit from ordinary activities before tax										704,129
Tax										(96,264)
Profit before minority interests										607,865
Minority interests										(67,545)
Net profit from ordinary activities attributable to shareholders										<u>540,320</u>

Group

	Passenger transportation services	Tourist attraction operations	Freight forwarding and transportation services	Hotel operations	Travel and travel- related operations	Golf club operations	Power generation	Corporate and others	Eliminations	Consolidated
	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	96,422	425,570	299,721	250,693	1,218,269	38,378	-	182	-	2,329,235
Intersegment revenue	1,706	-	182	17,574	8,579	-	-	2,868	(30,909)	-
Other revenue and gains	544	11,654	9,186	5,319	8,880	2,400	150	22	-	38,155
<b>Total</b>	<b>98,672</b>	<b>437,224</b>	<b>309,089</b>	<b>273,586</b>	<b>1,235,728</b>	<b>40,778</b>	<b>150</b>	<b>3,072</b>	<b>(30,909)</b>	<b>2,367,390</b>
Segment results	<u>11,717</u>	<u>158,019</u>	<u>22,493</u>	<u>14,132</u>	<u>239,441</u>	<u>1,720</u>	<u>150</u>	<u>(33,251)</u>	<u>-</u>	<u>414,421</u>
Interest income and unallocated gains										143,031
Unallocated expenses										(233)
Profit from operating activities										557,219
Finance costs										(66,579)
Write-back of provisions for diminutions in values of interests in jointly controlled entities and associates										3,383
Gain on disposal of an associate										53,043
Share of profits and losses of:										
Jointly controlled entities	-	-	(1,833)	-	-	-	247,115	-	-	245,282
Associates	33,700	-	309	-	-	-	-	-	-	34,009
Profit from ordinary activities before tax										826,357
Tax										(103,364)
Profit before minority interests										722,993
Minority interests										(77,821)
Net profit from ordinary activities attributable to shareholders										<u>645,172</u>

#### (b) Geographical segments

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

Group	Hong Kong		PRC		Overseas		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	1,610,045	1,489,937	797,006	593,666	462,913	245,632	-	-	2,869,964	2,329,235
Other revenue and gains	65,980	22,056	11,362	14,514	5,793	1,585	-	-	83,135	38,155
<b>Total</b>	<b>1,676,025</b>	<b>1,511,993</b>	<b>808,368</b>	<b>608,180</b>	<b>468,706</b>	<b>247,217</b>	<b>-</b>	<b>-</b>	<b>2,953,099</b>	<b>2,367,390</b>

#### 3. Other Revenue and Gains

	2002 HK\$'000	2001 HK\$'000
Reversal of hotel property revaluation deficits	50,470	652
Interest income	22,723	93,861
Gain on disposal of fixed assets, net	1,365	621
Exchange gains, net	5,134	5,378
Write-back of long outstanding payables	27,174	39,743
Gross rental income	16,069	21,436
Dividend income from unlisted investments	351	-
Others	10,097	10,068
Compensation income	-	7,070
Indemnity income on withholding tax	-	1,806
Gain on changes in fair values of short term investments	-	551
	<b>133,383</b>	<b>181,186</b>

#### 4. Finance Costs

	2002 HK\$'000	2001 HK\$'000
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable within five years	(31,729)	(86,070)
Finance lease and hire purchase contracts	(149)	(348)
Amortisation of deferred borrowing costs	(12,069)	(6,116)
<b>Total finance costs</b>	<b>(43,947)</b>	<b>(92,534)</b>
Less: Interest capitalised	833	25,955
	<b>(43,114)</b>	<b>(66,579)</b>

#### 5. Profit from Operating Activities

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

	2002 HK\$'000	2001 HK\$'000
Depreciation	135,095	117,463
Goodwill amortisation for the year *	38,316	27,015
Negative goodwill recognised as income during the year **	(4,138)	(3,231)

\* The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

\*\* The movements in negative goodwill recognised in the profit and loss account for the year are included in “Other operating expenses” on the face of the consolidated profit and loss account.

## 6. Tax

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Group:		
The People's Republic of China:		
Hong Kong	(46,514)	(56,143)
Elsewhere	(24,450)	(30,534)
Overseas	(2,474)	(1,645)
Overprovision in prior years	13,626	2,650
Deferred tax	(177)	(316)
	<u>(59,989)</u>	<u>(85,988)</u>
Share of tax attributable to:		
Jointly controlled entities	(33,371)	(12,339)
Associates	(2,904)	(5,037)
	<u>(36,275)</u>	<u>(17,376)</u>
Tax charge for the year	<u>(96,264)</u>	<u>(103,364)</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. 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.

## 7. Earnings Per Share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$540,320,000 (2001: as restated HK\$645,172,000), and weighted average of 4,221,683,129 (2001: 3,647,613,303) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$540,320,000, (2001: as restated HK\$665,344,000, after adjustment for the interest saved upon deemed conversion of all convertible notes at beginning of the year and all convertible bonds on the date of issue). The weighted average number of ordinary shares used in the calculation is 4,221,683,129 (2001: 3,647,613,303) ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 113,575,507 shares assumed to have been issued at no consideration on the deemed exercise of all bonus warrants outstanding during the year (2001: 403,904,523 shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options and bonus warrants, and the deemed conversion of all of the convertible bond and convertible notes, at the beginning of the year, or the date of issue, whichever is later).

## 8. Comparative Amounts

Certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

## FINAL DIVIDEND

The Board of Directors has resolved to recommend the payment of a final dividend of HK4 cents (2001: final dividend of HK4 cents) per ordinary share for the year ended 31 December 2002.

Subject to the approval of the shareholders with regard to the proposed payment of the dividends at the forthcoming Annual General Meeting to be held on Friday, 30 May 2003, the proposed dividends are expected to be paid on Thursday, 19 June 2003.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 May 2003 (Monday) to 30 May 2003 (Friday), both days inclusive, for the purposes of determining entitlement to the proposed final dividends. In order to qualify for the proposed dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 May 2003. Warrant holders who wish to convert their warrants into shares in order to qualify for the proposed final dividend must lodge the duly completed subscription form together with the relevant warrant certificates accompanied by the subscription monies with the current Company's Registrar not later than 4:30 p.m. on Friday, 23 May 2003.

## BUSINESS REVIEW AND PROSPECTS

The audited net profit attributable to shareholders of the Group for the year ended 31 December 2002 was HK\$540 million, which is a decrease of 16.3% as compared with last year. The decrease was principally attributed to the one-off gain of HK\$53.04 million from the disposal of China Travel Roads and Bridges JV Investment Limited recorded in 2001 and the Group's PRC joint venture, Shaanxi Weihe Power Plant Co.'s tax holiday has expired and paid tax at the standard rate since 2002.

In 2002, the Group has successfully completed the acquisition of a 70% interest in Cosco International Travel Inc. (中遠國際旅行社有限公司) and a 100% interest in Sunshine Express International Ltd., (北京商泰航空服務有限責任公司) which focuses on airline ticketing business. The Group has also obtained controlling stakes in joint ventures including China Travel International (Chengdu) Ltd. and China Travel International (Xinjiang) Ltd. All of these transactions have helped to establish the basic structure of the Group's travel network in the PRC. During the year, the Group also undertook a series of mergers and acquisitions and business restructuring exercises including the purchases of each of the remaining 20% interests in Shenzhen Tycoon Golf Club Co. Ltd. and China Travel Net Limited from the respective minority shareholders and the disposal of a 70% interest in CTII Worldwide Limited. These transactions will lay down solid foundation for the continuous development of the Group's core businesses. Meanwhile, in response to the increasing popularity of leisure travel in the travel industry, the Group has signed an agreement with the Zhuhai municipal government to develop an integrated hot spring resort in Pingsha, Zhuhai on 18 April 2002. Upon completion, the resort will become a leading integrated leisure holiday destination in the PRC and rank among the best in the world. All these significant measures will reinforce the Group's travel business concept and provide the Group with further growth opportunities.

## TOUR OPERATION AND LEISURE BUSINESS

During the year, China Travel Service (Hong Kong) Limited (“CTSHK”) received approximately 3.8 million of tourists, which is an increase of 7.7% as compared with last year, and net profit contribution to the Group has increased by 15.7% as compared with last year. CTSHK has strengthened its business cooperation and integration with its overseas branches and China Travel International Ltd., strengthened the management of the overseas branches and, as a result, the

turnover of the overseas branches increased satisfactorily as compared with last year. CTSHK has further developed the local branch network and has become the travel agency with most branches in Hong Kong. Its operation, management and quality of services have significantly improved during the year. In recognition of its outstanding achievements, CTSHK has received three international awards. China Travel International Ltd. has recorded profit in its first year of operations and made a significant contribution to the Group for the building up of travel network in Mainland. With respect to the on-line travel business, simplified Chinese character support of the network was added onto the travel website to develop the mainland business and on-line products have also been expanded. The number of the travel website visitors has reached 149,000, which was an increase of 50.5% as compared with last year, and the turnover from the on-line transactions has increased by 33.3% as compared with last year.

Hong Kong and Macau tour markets encountered the toughest competition in 2002. Since the rapid increase in the number of mainland and local tour travel agencies and aggressive package fare cutting to attract customers by these competitors, the visitors received by China Travel (HK & Macau Tour) Management Hong Kong Limited (“HK & Macau Tour”) and the average tour package fare per person has decreased by 15.41% and 48.15% respectively and, as a result, the profit has been adversely affected. Facing with the immense challenges, HK & Macau Tour has strengthened its relationship with the mainland tour travel agencies and introduced new marketing initiatives such as the business and conference traveling immerse with a view to expand its product range to enhance the competitiveness.

The three national “quadruple A” rated theme parks of the Group in Shenzhen attracted approximately 4.12 million visitors in 2002, which is a slight decrease of 7.14% as compared with last year. The reason for the decline can be attributed to the opening of new nearby theme parks, especially the Happy Valley Phase II opened during the first half of the year which had attracted some of the Group's potential customers. In response to the competition, the Window of the World adopted a series of measures such as the introduction of “One Ticket for All”, revamping the main road of the park, introduction of new attraction “Venezuela Flood”, opening of “Spring in Paris” Shopping Square, and sponsoring of a TV show in “The Amazing World”. These have helped to maintain the competitiveness of the Window of the World. The Splendid China had completed the new stage at the end of 2002, and introduced the new evening show “Dancing Dragon and Phoenix” and the joint production with CCTV-“The New Year Evening Party” which was also very popular and well received. In addition, the Splendid China has also invested to reconstruct its facilities in order to improve the appearance and the linkage to its overall complex.

Shenzhen Tycoon Golf Club has started to rebuild the “C” Course in the second half of the year in order to further upgrade its services. Meanwhile, it will build a club member center with 50 guest rooms and expect to be completed in 2004.

## HOTEL OPERATION

All four hotels of the Group in Hong Kong recorded satisfactory results for the year. The average occupancy rate was approximately 88.16%, representing an increase of 4.84% as compared with last year. The average room rate has also increased by 7.38%. In Macau, Hotel Grandeur Macau also recorded satisfactory results. During the year, although the average occupancy rate has dropped slightly by 1.4% as compared with last year, the average room rate has increased by 3.18%.

## TRANSPORTATION

By adopting the strategy to focus on cross-border transportation, bus rental and local business, the passenger transportation business of the Group has continued to grow amid fierce competition and managed to achieve several new operating records in 2002. These included the breakthrough of the annual passenger number to over one million for the first time, resulting in increase in turnover by 20.33%, the operating scale of cross-border passenger transportation which passes through Lok Ma Chau and Huangang is ranked first among the operators, and the safety mileage has reached 12 million kilometers. All these achievements have helped the passenger transportation business to rank amongst the leading operators in Hong Kong. During the year, the Group has won a three-year through bus franchise between Hong Kong International Airport and the Mainland through open tender by the Hong Kong Airport Authority. Through mergers and acquisitions and joint venture cooperation, the capacity of the passenger transportation business has increased by approximately 40%. Including the ferry transportation business of Shun Tak-China Travel Shipping Investments Limited, the profit contribution of the passenger transportation business increased by 37.91% as compared with last year.

After a long period of decline, the import and re-export freight volume through railway handled by Hong Kong has stabilized. Airfreight and road transportation services recorded a slight increase as compared with last year.

## INFRASTRUCTURE

During the year, the Group's 51%-held Weihe Power Plant operated satisfactorily and achieved safety operation of 300 days again. Benchmark measures of coal, fuel, water and electricity consumption of the power plant were lower than last year. Under the condition of safety operation, the management has continued to improve on management quality, strengthen procurement management and streamline excess workforce to control the production costs. The net profit contribution of Power Generating Business to the Group has decreased by 14.19% as compared with last year due to the expiry of its preferential tax holiday.

## FINANCIAL POSITION

The financial position of the Group is strong. As at 31 December 2002, the cash and bank balances of the Group amounted to HK\$1,175 million whereas the bank and interest bearing debts amounted to HK\$1,034 million, leaving the Group in a net cash position. The interest bearing debt to equity ratio was at a low 12.85%.

Coupled with its strong credit worthiness, the Group has successfully obtained an unsecured bank facility of HK\$1.5 billion arranged by a five bank consortium during 2002, of which HK\$500 million of revolving credit has remained undrawn. HK\$1 billion of the higher interest cost bank loans which were secured by three of the Group's hotels were repaid out of the proceeds from the above new facility. This 5-year maturing loan refinancing has not only reduced the finance costs of the Group, it has also enhanced the Group's investment capability.

## FUTURE PROSPECT

The tourism market in the PRC is high with excellent development prospects, which provides the Group with unlimited business opportunities. To enhance the competitiveness of the core travel business of the Group, measures such as the acceleration of the construction of the travel network in the PRC and overseas, the implementation of sophisticated management controls over the travel agencies acquired and the utilization of the website of chinatravelone.com as a platform to complement the development of the traditional travel business are important. The management of the Group will step up their efforts in implementing the above measures to further develop the tourism market in the PRC and increase its market share.

The Group will strive its best to reengineer the internal process of operation, enhance the overall quality of enterprises, improve the incentive scheme and control mechanism, and control its operating costs effectively. At the same time, the Group will attract talents and develop business, leisure, specialty and conference travel.

Upon the completion of the design of the master plan and the individual structures of the Zhuhai hot spring resort, the Group will accelerate the construction of the resort and turn it to become a new profit generating source of the Group.

After a period of adjustment, restructuring and development, the core travel business of the Group have a solid foundation and will develop rapidly. The recent outbreak of war between the United States and Iraq did not affect our business, but the outbreak of atypical pneumonia have overall immediate adverse impacts on the travel and travel-related businesses of the Group. It is now still not conclusive of the extent of the impact. It all depends on how long this situation will last. If this situation extends beyond 3 months, the Board believes this will significantly affect our Group's profit for the year 2003. But on the other hand, we also believe the business environment will rebound sharply as soon as the atypical pneumonia is under control as people try to catch up on their travel plans.

#### CAPITAL STRUCTURE

During the year, 2,498,097 bonus warrants were exercised for 2,498,097 shares of HK\$0.10 each at an exercise price of HK\$1.22 per share. Accordingly, the number of issued share capital of the Company has been increased from 4,220,233,742 shares to 4,222,731,839 shares as at 31 December 2002.

#### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

#### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period covered by the annual report, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

#### PUBLICATION OF FINANCIAL INFORMATION

The Company's annual results announcement containing all the information required by paragraphs 45(1) to 45(3) in Appendix 16 to the Listing Rules on the Stock Exchange will be published on the Stock Exchange's website at <http://www.hkex.com.hk> in due course.

By Order of the Board  
**Shen Zhuying**  
Managing Director

Hong Kong, 14 April 2003

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of China Travel International Investment Hong Kong Limited ("the Company") will be held at Cafe du Parc, 2/F, Metropark Hotel, 148 Tung Lo Wan Road, Causeway Bay, Hong Kong on Friday, 30 May 2003 at 2:30 p.m. for the following purposes:-

1. To receive and consider the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 December 2002.
2. To declare a final dividend.
3. To re-elect Directors and to fix the remuneration.
4. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.
5. As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as ordinary resolution:

**"THAT:**

- (a) subject to paragraph (b) of this ordinary resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase (i) shares of HK\$0.10 each ("Shares") in the share capital of the Company and (ii) warrants conferring rights to subscribe for Shares pursuant to the bonus issue of warrants by the Company the particulars of which was set out in the Company's circular dated 16 May 2001 ("Warrants"), on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities which may be repurchased pursuant to the approval in paragraph (a) of this ordinary resolution shall (i) in the case of Shares, not exceed 10% of the aggregate nominal amount of Shares in issue as at the date of the passing of this ordinary resolution and (ii) in the case of Warrants, not exceed 10% of the aggregate nominal amount of Warrants in issue and remain exercisable as at the date of the passing of this ordinary resolution, and the approval pursuant to paragraph (a) of this ordinary resolution shall be limited accordingly; and
- (c) for the purposes of this ordinary resolution:  
"Relevant Period" means the period from the passing of this ordinary resolution until whichever is the earlier 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 Companies Ordinance to be held; and
  - (iii) the date on which the authority given under this ordinary resolution is revoked or varied by ordinary resolution of the shareholders in general meeting."
6. As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as ordinary resolution:

**"THAT:**

- (a) subject to paragraph (c) below and pursuant to Section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this ordinary resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or 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) and issued by the Directors of the Company pursuant to the approval in paragraph (a) of this ordinary resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), (ii) the Warrants or the exercise of rights of subscription or conversion under any securities which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the capital of the Company, or (iv) 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 Memorandum and Articles of Association of the Company, shall not exceed the aggregate of (aa) 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this ordinary resolution and (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this ordinary resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of this ordinary resolution), and the said approval shall be limited accordingly; and

- (d) for the purposes of this ordinary resolution:

"Relevant Period" means the period from the passing of this ordinary resolution until whichever is the earlier 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 Companies Ordinance to be held; and

- (iii) the date on which the authority given under this ordinary resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares in the Company open for a period fixed by the Directors of the Company to the holders of shares in the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory outside Hong Kong)."

7. As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as ordinary resolution:

**"THAT** the Directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the ordinary resolution numbered 6 in the notice convening this meeting in respect of the share capital of the Company referred to in subparagraph (bb) of paragraph (c) of such resolution."

8. As special business to consider and, if thought fit, to pass with or without amendments, the following resolution as special resolution:

**"THAT** Article 89A of the Company's Articles of Association be and are hereby amended by deleting the words "Securities (Clearing House) Ordinance (Chapter 420 of the Laws of Hong Kong)" when it first appears and by substituting therefor the words "Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or any amendment thereto or re-enactment thereof for the time being in force"."

9. To transact any other ordinary business of the Company.

By Order of the Board  
**Woo Wai See, Alice**  
Company Secretary

Hong Kong, 14 April 2003

*Registered Office:*  
12th Floor, CTS House  
78-83 Connaught Road Central  
Hong Kong

*Notes:*

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. All proxies must be deposited at the Company's registered office at 12th Floor, CTS House, 78-83 Connaught Road Central, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting (or adjourned meeting or the taking of the poll, as the case may be).
- (2) A form of proxy for use at the meeting will be enclosed with the 2002 Annual Report to be despatched to the shareholders. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.
- (3) In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (4) The Register of Members of the Company will be closed from Monday, 26 May 2003 to Friday, 30 May 2003 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 May 2003. Warrant holders who wish to convert their warrants into shares in order to qualify for the final dividend must lodge the duly completed subscription form together with the relevant warrant certificates accompanied by the subscription monies with the Company's Registrar not later than 4:30 p.m. on Friday, 23 May 2003.
- (5) An Explanatory Statement regarding resolutions numbered 5, 6, 7 and 8 above containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolutions will be set out in a separate document and despatched to shareholders together with the 2002 Annual Report.
- (6) With respect to resolutions numbered 5, 6 and 7 above, the Directors of the Company wish to state that they have no immediate intention of exercising the repurchase mandate to repurchase shares and/or warrants and the general mandate to allot and issue shares in the capital of the Company.