



VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

2002 ANNUAL RESULTS ANNOUNCEMENT

The board of directors of Victory Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2002 as follows:

	<i>Note</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
Turnover	1	33,433	16,418
Cost of sales		(31,646)	(15,404)
Gross profit		1,787	1,014
Other revenue	2	3,353	633
Selling and distribution costs		(302)	(600)
Administrative expenses		(4,997)	(7,800)
Other operating expenses		(4,037)	(1,106)
Loss from operating activities	3	(4,196)	(7,859)
Finance costs	4	(2,060)	(2,994)
Loss before taxation		(6,256)	(10,853)
Taxation	5	3,741	(4)
Net loss from ordinary activities attributable to shareholders		(2,515)	(10,857)
Dividend	6	–	–
Capital reduction	7	–	27,944
Accumulated losses at beginning of year		(53,550)	(70,637)
Accumulated losses at end of year	8	(56,065)	(53,550)
Loss per share – Basic	9	(1.0 cents)	(7.4 cents)

Notes:

1. TURNOVER AND SEGMENT INFORMATION

Turnover represents the invoiced value of inventories sold, net of discounts and returns, and rental income. The analysis of the principal activities and geographical locations of the operations of the Group during the financial years are as follows:

(a) Business segments:

The group is comprised of the following main business segments:

- Trading of motor vehicles – Purchase and sales of motor vehicles
- Property investment – leasing of office premises

	Trading of motor vehicles HK\$'000	Property investment HK\$'000	2002 Unallocated HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
Segment revenue					
Revenue from external customer	33,193	240	–	–	33,433
Inter-segment revenue	–	720	–	(720)	–
Other revenue from external customers	3,100	8	215	–	3,323
Total	<u>36,293</u>	<u>968</u>	<u>215</u>	<u>(720)</u>	<u>36,756</u>
Segment result	404	(3,639)	(991)	–	(4,226)
Inter-segment transactions	720	(720)	–	–	–
Contribution from operations	1,124	(4,359)	(991)	–	(4,226)
Interest income					30
Finance costs					(2,060)
Loss before taxation					(6,256)
Taxation					3,741
Loss attributable to shareholders					<u>(2,515)</u>
Segment assets	12,430	19,695	120	(8,100)	24,145
Tax recoverable					13
Total assets					<u>24,158</u>
Segment liabilities	18,754	8,188	10,427	(8,100)	29,269
Bank loan					8,317
Tax liabilities					–
Total liabilities					<u>37,586</u>
Other information					
Bad debt recovered	184	8	–	–	192
Depreciation and amortization for the year	(21)	(213)	–	–	(234)
Impairment loss on land and buildings	–	(1,487)	–	–	(1,487)
Deficit arising on revaluation of investment properties	–	(2,500)	–	–	(2,500)
Capital expenditure	–	–	–	–	–

	Trading of motor vehicles HK\$'000	Property investment HK\$'000	2001 Unallocated HK\$'000	Inter-segment elimination HK\$'000	Group HK\$'000
Segment revenue					
Revenue from external customer	15,677	741	–	–	16,418
Inter-segment revenue	–	720	–	(720)	–
Other revenue from external customers	158	77	–	–	235
Total	15,835	1,538	–	(720)	16,653
Segment result	(5,963)	(343)	(1,861)	–	(8,167)
Inter-segment transactions	720	(720)	–	–	–
Contribution from operations	(5,243)	(1,063)	(1,861)	–	(8,167)
Interest income					308
Finance costs					(2,994)
Loss before taxation					(10,853)
Taxation					(4)
Loss attributable to shareholders					(10,857)
Segment assets	19,982	23,941	275	(9,800)	34,398
Tax recoverable					–
Total assets					34,398
Segment liabilities	25,653	10,953	16,336	(9,800)	43,142
Bank loan					8,827
Tax liabilities					3,739
Total liabilities					55,708
Other information					
Bad debt recovered	–	–	–	–	–
Depreciation and amortization for the year	(67)	(218)	–	–	(285)
Impairment loss on land and buildings	–	(232)	–	–	(232)
Deficit arising on revaluation of investment properties	–	(800)	–	–	(800)
Capital expenditure	2	–	–	–	2

Segment assets consist primarily of fixed assets, properties, inventories, receivables, operating cash, net of allowance and provisions while most such assets can be directly attributed to individual segments.

Segment liabilities comprise bank overdrafts and operating liabilities.

In previous year's disclosure, segment assets and segment liabilities were determined without including operating cash and bank overdrafts and determined before elimination of intra-group balances.

The comparative figures have been reclassified to conform with current year's presentation.

Inter-segment revenue eliminated on consolidation represents inter-company rental charges on a property owned by the Group.

Inter-segment transactions are conducted at arm's length.

(b) Geographical segments:

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's trading of motor vehicles is carried out in Hong Kong and the PRC. Property investment is located in Hong Kong.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		The PRC		Group	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	8,974	15,492	24,459	926	33,433	16,418
Segment assets	22,984	33,271	1,161	1,127	24,145	34,398
Capital expenditure	–	2	–	–	–	2
Operating loss	(1,135)	(7,707)	(3,091)	(460)	(4,226)	(8,167)

2. OTHER REVENUE

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest income	30	308
Foreign exchange gain	–	90
Others	397	235
Written back of accruals for expenses and compensation	2,703	–
Written back of PRC tax provision no longer required	223	–
	<u>3,353</u>	<u>633</u>

3. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities is arrived at after charging/(crediting) the following:

	2002 HK\$'000	Group 2001 HK\$'000
Auditors' remuneration		
– under/(over) provision in respect of previous year	5	(5)
– current year	272	268
Depreciation	234	285
Loss on disposal of fixed assets	–	29
Impairment loss on land and buildings	1,487	232
Deficit arising from revaluation of investment properties	2,500	800
Provision for bad and doubtful debts	–	45
Bad debt recovered	(192)	–
Cost of inventories	31,646	15,404
Foreign exchange losses/(gains), net	50	(90)
	<u>31,646</u>	<u>15,404</u>

4. FINANCE COSTS

	2002 HK\$'000	Group 2001 HK\$'000
Interest on:		
Bank loans, overdrafts and trust receipt loans		
wholly repayable within 5 years	2,060	2,041
Other loans	–	953
	<u>2,060</u>	<u>2,994</u>

5. TAXATION

Taxation in the consolidated profit and loss account represents:

	2002 HK\$'000	Group 2001 HK\$'000
Hong Kong:		
Provision for the year	–	(4)
Over provision in prior years	3,741	–
	<u>3,741</u>	<u>(4)</u>

The provision for Hong Kong Profits Tax is calculated at 16 per cent (2001: 16 per cent) of the estimated assessable profits for the year ended 31 December 2002. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

At the balance sheet date, the Group had an unprovided deferred tax asset in respect of accumulated tax losses claimed of approximately HK\$16,077,000 (2001: HK\$15,972,000).

The revaluation of the Group's land and buildings and investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

6. DIVIDEND

The board of directors of the Company (the "Board") did not recommend the payment of any dividend in respect of the year ended 31 December 2002 (2001: nil).

7. CAPITAL REDUCTION

The details of capital reorganisation in 2001 are disclosed in the section of "Business Review" in the Company's annual report for last year.

8. MOVEMENT OF RESERVE

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000
At 31 December 2001 and at 1 January 2002	29,630	–	(53,550)
Arising on issue of shares	11,238	–	–
Share issue expenses	(1,867)	–	–
Exchange realignments	–	(165)	–
Loss for the year	–	–	(2,515)
At 31 December 2002	<u>39,001</u>	<u>(165)</u>	<u>(56,065)</u>

9. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$2,515,000 (2001: HK\$10,857,000) and the weighted average of 239,481,000 (2001: 145,891,000) ordinary shares in issue during the year.

No diluted loss per share for the years ended 31 December 2002 and 2001 have been presented as the exercise of the potential ordinary shares would result in a reduction in loss per share.

OPINION OF THE AUDITORS

The auditors have issued a disclaimer of opinion on the financial statements in view of the fundamental uncertainty relating to the appropriateness of the going concern basis.

BUSINESS REVIEW

In terms of revenue, the Company had recorded an overturn in the financial year under review from the past difficult business periods. The Group's audited turnover for the year ended 31 December 2002 was HK\$33.4 million (2001: HK\$16.4 million), a double increase from that of last year. As a combined result of larger turnover and written back of previous over-provision for taxation, the Group's audited loss for 2002 was therefore largely reduced to HK\$2.5 million (2001: HK\$10.8 million), representing a significant improvement over the last four years. The drastic cost control measures taken by the Company during the year made further contribution to the improvement of the operating results, including a decrease of 35 per cent in staff cost. Again, there were no material provisions of any kind in the accounts of the year.

The improved performance in 2002 was primarily resulted from numerous favourable changes in the automotive market in China, the Group's principal market place. Of which, the most important improvement driver was the removal of trade war between China and Japan in early 2002. Other effective measures stimulating the growth of the automobile market included the reduction of import tariff and increase of import quotas right after the country became a member of the World Trade Organisation (the "WTO"). Moreover, the grant of a new banking facility from Guangdong Development Bank provides the Company greater flexibility in placing orders to suppliers in form of letters of credit. Collectively, the Company achieved an incredible increase of sales at the mainland market over the entire year of 2002, recording a 26-fold rise as compared to that of last year.

By late January 2002, the Company raised additional funds through a rights issue on the basis of one rights share for every two existing shares held. The directors of the Company (the "Directors") considered that it was in the interest of the Company and the shareholders to raise additional funds by way of rights issue instead of external borrowing so as to reduce the burden of the Group on financial costs and not to increase the gearing ratio of the Group. Eventually, 73,537,200 rights shares had been issued on 30 January 2002. Net proceeds of HK\$6,184,000 had been raised and of which, HK\$3,500,000 were used to reduce the bank loans and the remaining funds were used to purchase merchandise for meeting the demand of the Group's distribution sales in China.

Furthermore, pursuant to a resolution passed in the board meeting of the Company on 5 June 2002, the Company issued a total of 44,000,000 new ordinary shares of HK\$0.115 per share to six independent investors by means of placing on 10 June 2002. However, one of the investors was in fact placed with 15.12 per cent of the enlarged issued share capital of the Company immediately after completion of the placing. Therefore, the Company was required to issue a clarification announcement and a further clarification announcement on 30 January 2003 and 25 March 2003 respectively. The net proceeds of HK\$4,362,000 from the placing were used for reducing the bank mortgages and the procurement of updated inventories. Together with other administrative measures, the fund raising campaigns in the year helped the Company reduced the financial expenses by a significant decrease of 31.2 per cent from last year.

FINANCIAL SUMMARY

Given the positive achievements in the previous years, the Company continued to keep tight control of its working capital management on the credit policies, inventory, funding and treasury planning. As at 31 December 2002, the Group's trade receivable increased to HK\$190,000 (2001: HK\$27,000) as a reasonable reflection of larger turnover during the year. Within the first two quarters of 2002, the Group cleared up most slow-moving inventories so that more than 90 per cent of the inventories at 31 December 2002 were less than 4-month old. The Group had managed its inventories efficiently by focusing on precise forecasting of market changes. Even though the sales turnover was a tremendous breakthrough in the last three years, the Group held even lesser inventories than ever. At the year-end date, the Directors strongly believed that the Company carried the least inventory risk by holding least but updated inventories of HK\$0.8 million, which was about 72 per cent cut in inventories held at 31 December 2001.

At the balance sheet date, the Group's net current liabilities and net liabilities amounted to HK\$33,029,000 (2001: net current liabilities: HK\$36,824,000) and HK\$13,428,000 (2001: net liabilities: HK\$21,310,000) respectively. At the same day, the Group's cash and bank balances, excluding pledged time deposits, amounted to HK\$3,360,000 (2001: HK\$1,471,000). The total bank loans and overdrafts as at 31 December 2002 were HK\$23.4 million, representing a decrease of 19 per cent from the same balances at last year-end date.

In terms of liquidity, the current ratio at the year-end date was 0.12 (31 December 2001: 0.22). The Group's gearing ratio at the same date, resulting from a comparison of the total borrowings with issued capital, was 12.62 (31 December 2001: 31.11).

After the placing and the rights issue in 2002, the Board will keep on exploring any opportunities that could strengthen the capital base of the Company.

FUTURE OUTLOOK

Equally important as the availability of working fund, the prospect of the automotive industry in China determines the future of the Company. The good news is that the automotive imports to China have been largely increasing ever since the nation becomes a member of the WTO. The punitive duty on imported Japanese autos was finally removed in early January of 2002, resuming the normal trading of Japanese imported vehicles in China. Moreover, the demand of foreign vehicles has been furtherly stimulated by the required obligations imposed by the WTO. The impact of China's accession to the WTO has been enormous in the car industry because the nation is obliged to fulfil its WTO membership terms by slashing tariffs and increasing quotas on imported vehicles and parts until 2005.

Despite the world economic recession continues in the clouds of war over Iraq, maintaining fast growth has become China's dominant ambition. In his report to the 16th Communist Party Congress, President Jiang Zemin predicted that mainland gross domestic product ("GDP") would quadruple in the years to 2020, representing an average GDP growth of 7 to 8 percent a year. The nation's policy on car consumption has rapidly shifted to encouragement from restriction and protectionism. With the influx of foreign capital into China, the domestic spending in the country moves in astonishing pace ever. Other market driving forces come from the initiatives of the nation, including the introduction of market-stimulating measures and deregulating attempts. Among all, the car makers, both local and overseas, are benefited most by the constructive actions such as the massive strikes against vehicle smuggling, the free exchange of the country's currency at six provinces under a trial basis for preparation of nation-wide practices.

For surviving severe competition in the coming years, the Board has realised that teaming up competitive partners in China and enhancement of the working capital are inevitable. In this regard, the Company is determined to build up its strength as a strong auto distributor and to upgrade its funding management. The Company strongly believes that it has the momentum to overcome all operating obstacles of whatever kind. The Board, however, does not consider fund raising activities necessary at the present moment.

EMPLOYEES AND RETIREMENT SCHEME

As at 31 December 2002, the Group had a total of 10 employees (2001: 18 employees), of whom 9 were based in Hong Kong whereas 1 was local staff employed in PRC. The remuneration package for Hong Kong staff was strictly on monthly-salary basis and that for the PRC employee was mainly performance-oriented. Year-end bonus was linked to the financial results of the Group as well as the performance of individual staff. The remuneration policies of the Group's employees are subject to review regularly. Total staff costs for the year amounted to HK\$2.6 million (2001: HK\$4.0 million). On irregular but necessary basis, the Company organises product seminars, salesmanship and computer training courses and recreational activities.

The Group has implemented a provident fund scheme for its staff in compliance with requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") from 1 December 2000. The Company contributed according to the minimum requirements of the MPF Ordinance (that is, 5 per cent of staffs' relevant income with maximum limit of HK\$1,000) and the contributions are charged to the profit and loss account.

CONTINGENT LIABILITIES

(i) At the balance sheet date, contingent liabilities not provided for in the audited financial statements were as follows:

	2002 HK\$'000	2001 HK\$'000
Banking facilities guaranteed by the Company which were utilized by the subsidiaries	<u>23,409</u>	<u>28,947</u>

(ii) In 1999, the Group failed to honour a number of purchase contracts signed with two vendors for the purchase of motor vehicles due to an unanticipated contraction in demand. The aggregated contracted amount was approximately HK\$125 million.

The vendors took legal action to enforce the contracts and to seek compensation, the Group agreed to pay compensation totaling HK\$4,971,000. An amount of HK\$2,321,000 was paid in the year ended 31 December 1999 and a provision for the remaining balance of HK\$2,650,000 was included in as trade payables, other payables and accruals as at 31 December 2001. Moreover, one of the vendors was seeking additional compensation of approximately HK\$7.6 million.

However, the Group made a counter-claim against the vendor for not delivering motor vehicles to satisfy the purchase orders placed by the Group. The action was finally disposed of in September 2001 and the Group was not subject to any liability under or by virtue of this legal action. Nevertheless, the Group paid a sum of HK\$275,000 for full and final settlement of the legal costs award to the defendants. As a result, the provision of the expenses and compensation being included in other payables and accruals are written back this year.

SIGNIFICANT ISSUES

During the year, there were no significant investments and material acquisitions or disposals of subsidiaries or associated companies. Also, there is no plan for material investments or capital assets in the near future mainly because of the Group's limited funding position. Since all the purchases of our merchandise had been fixed at an agreed exchange rate prior to the confirmation of purchase orders by the Group to its vendors, the Group had no exposure to fluctuation in exchange rates and any related hedges. Furthermore, the Company and the Group had no significant commitments during the year (2001: Nil).

There was also no material change in capital structure and pledge of assets of the Group during the year.

RELATED PARTY TRANSACTIONS

At the balance sheet date, the outstanding balance due to Winsley Investment Limited amounted to HK\$7,776,000 (2001: HK\$14,649,000), a company controlled by Mr. Chan Chun Choi and Madam Lam Mo Kuen, Anna, both of whom are Directors. The amount is unsecured, interest-free and has no fixed terms of repayment.

POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group disposed of one of the investment properties at a consideration of HK\$2,800,000 for partial repayment of bank overdrafts and bank loans. In this regard, although the Group could not keep up with the repayment schedules during the year, the banker did not demand immediate repayment of the bank loans up to the date of approval of the financial statements.

PLEDGE OF ASSETS

The Group's land and buildings and investment properties with an aggregate net book value of HK\$19.6 million (2001: HK\$23.8 million) and fixed deposits of HK\$Nil (2001: HK\$5.7 million) were pledged to secure bank loans and overdrafts of the Group.

PROPERTY VALUATION

A property valuation had been carried out by Vigers Hong Kong Limited, an independent professional valuer, in respect of the Group's leasehold land and buildings and investment properties. The Group's leasehold land and buildings were valued at HK\$8.1 million, giving rise to a deficit on revaluation of HK\$1.7 million. The Group's investment properties were valued at HK\$11.5 million, giving rise to a deficit on revaluation of HK\$2.5 million.

CORPORATE GOVERNANCE

None of the Directors is aware of any information that would reasonably indicate that the Company had not complied with the Code of Best Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year. The audit committee of the Company had reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the Company’s audited financial statements for the financial year under review.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year, there were no material acquisitions and disposals of the Company’s subsidiaries or associated companies.

PURCHASE, SALE OR REDEMPTION OF SHARES IN THE COMPANY

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2003 to 28 May 2003, both days inclusive, during which period no share transfers will be effected. In order to qualify for the attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tengis Limited at 28th Floor, BEA Harbour View Center, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 21 May 2003.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE WEBSITE

A detailed announcement of annual results of the Group for the year ended 31 December 2002, containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules, will be published on the website of the Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 16 April 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Victory Group Limited (the “Company”) will be held at Garden Room, 2nd Floor, Hotel Nikko Hong Kong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 28 May 2003, at 3:00 p.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2002;
2. To re-elect directors, to fix the maximum number of directors, and to authorise the board to appoint additional directors and fix the directors’ remuneration;
3. To re-appoint auditors and to authorise the board to fix their remuneration;
4. To consider as Special Business and, if thought fit, pass with or without amendments the following resolution as an Ordinary Resolution:–

“THAT:

- (a) subject to paragraph 4(c) below, the exercise by the directors during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph 4(a) above shall be in addition to any other authorisation given to the directors and 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 and issued, or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the directors pursuant to the approval in paragraph 4(a) above, otherwise than pursuant to a Rights Issue (as hereafter defined) or the exercise of options under the share option scheme 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 authority granted pursuant to paragraph 4(a) shall be limited accordingly; and
- (d) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the 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 law or the Bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors to holders of shares on the register of members on a fixed record date in proportion to their holdings of such shares (subject to such exclusions or other arrangements as the directors 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).”;

5. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:–

“THAT:

- (a) subject to paragraph 5(c) below, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph 5(a) above shall be in addition to any other authorisation given to the directors;
- (c) the aggregate nominal amount of share capital purchased or agreed conditionally or unconditionally to be purchased by the directors pursuant to the approval in paragraph 5(a) above during the Relevant Period shall be no more than 10 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 authority granted pursuant to paragraph 5(a) shall be limited accordingly; and
- (d) for the purpose of this Resolution:–

“Relevant Period” means the period from the passing of this Resolution until whichever is the 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 law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

6. To consider as Special Business and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:–

“**THAT** conditional on the passing of the Ordinary Resolutions numbered 4 and 5 as set out in the notice of the Meeting of which this Resolution forms part, the aggregate nominal amount of the number of shares in the share capital of the Company that shall have been repurchased by the directors after the date of the passing of this Resolution pursuant to and in accordance with the said Ordinary Resolution numbered 5 shall be added to the aggregate nominal amount of share capital that may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the directors pursuant to the general mandate to allot and issue shares granted to the directors by the said Ordinary Resolution numbered 4.”

On behalf of the Board
Chan Chun Choi
Chairman

Hong Kong, 16 April 2003

Notes:

1. A member of the Company who is entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint 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.
3. In order to be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority, must be deposited with the Company's branch share registrar in Hong Kong, Tengis Limited, at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time for holding the Meeting, or any adjournment thereof.
4. The register of members of the Company will be closed from 22 May 2003 to 28 May 2003 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting convened by the above notice, all transfers accompanied by the relevant share certificate and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 21 May 2003.
5. An explanatory statement containing further details on Resolutions 4 to 6 above will be sent to members of the Company together with the annual report for the year ended 31 December 2002.

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