



# VICTORY GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 1139)

(the “Company”)

## SUMMARISED 2003 ANNUAL RESULTS ANNOUNCEMENT

The Board of directors of the Company (the “Board”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2003 as follows:

|   |             | 2003<br>HK\$'000   | 2002<br>HK\$'000 |
|---|-------------|--------------------|------------------|
|   | <i>Note</i> |                    |                  |
| <b>Turnover</b>   | 1           | <b>5,216</b>       | 33,433           |
| Cost of sales   |             | (4,929)            | (31,646)         |
| Write-down of inventories   |             | (369)              | —                |
| <b>Gross (loss)/profit</b>  |             | <b>(82)</b>        | 1,787            |
| Other revenue   | 2           | 401                | 3,353            |
| Selling and distribution costs  |             | (65)               | (302)            |
| Administrative expenses   |             | (3,479)            | (4,997)          |
| Other operating expenses  |             | (398)              | (4,037)          |
| <b>Loss from operating activities</b>                                 | 3           | <b>(3,623)</b>     | (4,196)          |
| Finance costs   | 4           | (1,422)            | (2,060)          |
| <b>Loss before taxation</b>   |             | <b>(5,045)</b>     | (6,256)          |
| Taxation  | 5           | (27)               | 3,741            |
| <b>Net loss from ordinary activities attributable to shareholders</b> |             | <b>(5,072)</b>     | (2,515)          |
| Dividends   | 6           | —                  | —                |
| <b>Loss per share – Basic</b>   | 7           | <b>(1.8 cents)</b> | (1.0 cents)      |

Notes:

### 1. TURNOVER

Turnover represents the invoiced value of inventories sold, net of discounts and returns, and rental income. There had been no change in the Group’s principal activities during the year, focusing mainly on the marketing and distribution of left-hand-drive motor vehicles and property holding for rental income purposes. The results of each significant category of revenue recognised in turnover during the year are as follows:

|                         | 2003<br>HK\$'000 | Group<br>2002<br>HK\$'000 |
|-------------------------|------------------|---------------------------|
| Sales of motor vehicles | 5,166            | 33,193                    |
| Gross rental income     | 50               | 240                       |
|                         | <b>5,216</b>     | <b>33,433</b>             |

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

|  | 2003                                     |                                    |                         |  |                   |
|--|--|------------------------------------|-------------------------|--|-------------------|
|  | Trading of<br>motor vehicles<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Unallocated<br>HK\$'000 | Inter-segment<br>elimination<br>HK\$'000 | Group<br>HK\$'000 |
| <b>Segment revenue</b>                                     |  |                                    |                         |  |                   |
| Revenue from external customers                            | 5,166                                    | 50                                 | –                       | –  | 5,216             |
| Inter-segment revenue                                      | –  | 720                                | –                       | (720)                                    | –                 |
| Other revenue from external customers                      | 382                                      | 11                                 | –                       | –  | 393               |
| Total  | <u>5,548</u>                             | <u>781</u>                         | <u>–</u>                | <u>(720)</u>                             | <u>5,609</u>      |
| <b>Segment result</b>                                      | (2,680)                                  | 433                                | (1,099)                 | –  | (3,346)           |
| Inter-segment transactions                                 | <u>720</u>                               | <u>(720)</u>                       | <u>–</u>                | <u>–</u>                                 | <u>–</u>          |
| Loss from operations                                       | (1,960)                                  | (287)                              | (1,099)                 | –  | (3,346)           |
| Interest income  |  |                                    |                         |  | 8                 |
| Loss on disposal of investment properties                  |  |                                    |                         |  | (285)             |
| Finance costs  |  |                                    |                         |  | <u>(1,422)</u>    |
| Loss before taxation                                       |  |                                    |                         |  | (5,045)           |
| Taxation   |  |                                    |                         |  | <u>(27)</u>       |
| Loss attributable to shareholders                          |  |                                    |                         |  | <u>(5,072)</u>    |
| <b>Segment assets</b>                                      | 632                                      | 7,973                              | 1,318                   | –  | 9,923             |
| Tax recoverable  |  |                                    |                         |  | <u>–</u>          |
| Total assets   |  |                                    |                         |  | <u>9,923</u>      |
| <b>Segment liabilities</b>                                 | 7,224                                    | 611                                | 10,396                  | –  | 18,231            |
| Bank loan  |  |                                    |                         |  | 8,317             |
| Tax liabilities  |  |                                    |                         |  | <u>25</u>         |
| Total liabilities  |  |                                    |                         |  | <u>26,573</u>     |
| <b>Other information</b>                                   |  |                                    |                         |  |                   |
| Bad debts recovered  | 288                                      | –                                  | –                       | –  | 288               |
| Bad debts written off                                      | (28)                                     | –                                  | –                       | –  | (28)              |
| Provision for doubtful debts                               | (81)                                     | –                                  | –                       | –  | (81)              |
| Depreciation and amortization for the year                 | (2)                                      | (180)                              | –                       | –  | (182)             |
| Impairment loss on land and buildings                      | –  | –                                  | –                       | –  | –                 |
| Deficit arising on revaluation of<br>investment properties | –  | –                                  | –                       | –  | –                 |
| Capital expenditure  | (3)                                      | –                                  | –                       | –  | (3)               |
| Write-down of inventories                                  | (369)                                    | –                                  | –                       | –  | (369)             |
| Disposal of investment properties                          | –  | 11,500                             | –                       | –  | 11,500            |

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

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

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 in 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 assets.

|                     | Hong Kong        |                  | The PRC          |                  | Group            |                  |
|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                     | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
| Turnover            | 932              | 8,974            | 4,284            | 24,459           | 5,216            | 33,433           |
| Segment assets      | 8,792            | 22,984           | 1,111            | 1,161            | 9,923            | 24,145           |
| Capital expenditure | 3                | –                | –                | –                | 3                | –                |

## 2. OTHER REVENUE

### Group

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| Interest income  | 8                | 30               |
| Commission income                                      | 94               | –                |
| Others   | 299              | 397              |
| Written back of accruals for expenses and compensation | –                | 2,703            |
| Written back of PRC tax provision no longer required   | –                | 223              |
|  | <u>401</u>       | <u>3,353</u>     |

## 3. LOSS FROM OPERATING ACTIVITIES

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

### Group

|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|------------------|------------------|
| Cost of inventories                                     | 5,298            | 31,646           |
| Auditors' remuneration                                  |                  |                  |
| – under provision in respect of previous year           | –                | 5                |
| – current year  | 216              | 272              |
| Depreciation  | 182              | 234              |
| Loss on disposal of investment properties               | 285              | –                |
| Impairment losses on land and buildings                 | –                | 1,487            |
| Deficit arising on revaluation of investment properties | –                | 2,500            |
| Bad debts provision/bad debts expense                   | 109              | –                |
| Foreign exchange losses/(gains), net                    | 4                | 50               |
| Staff costs (including directors' remuneration)         | 1,678            | 2,621            |
| Mandatory Provident Fund ("MPF") contribution           | 54               | 42               |
| Bad debts recovered                                     | (288)            | (192)            |
| Interest income   | (8)              | (30)             |
| Net rental income                                       | (50)             | (236)            |

## 4. FINANCE COSTS

### Group

|  | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|--|------------------|------------------|
| Interest on :  |                  |                  |
| Bank loans, overdrafts and trust receipt loans – wholly repayable within 5 years | 1,422            | 2,060            |
| Other loans  | –                | –                |
|  | <u>1,422</u>     | <u>2,060</u>     |

## 5. TAXATION

### Group

|   | 2003<br>HK\$'000 | 2002<br>HK\$'000 |
|---|------------------|------------------|
| Provision for Hong Kong Profits Tax for the year                    | 27               | –                |
| Over provision in prior years                                       | –                | (3,741)          |
|   | <u>27</u>        | <u>(3,741)</u>   |
| Deferred taxation   |                  |                  |
| Origination and reversal of temporary differences                   |                  |                  |
| Effect of increase in tax rate on deferred tax balance at 1 January | –                | –                |
|   | <u>27</u>        | <u>(3,741)</u>   |

Notes:

*Hong Kong Profits Tax has been provided for at 17.5 per cent (2002: 16 per cent) on the estimated assessable profit for the year. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.*

*Under the new SSAP 12, deferred tax assets and liabilities in 2002 are computed using a tax rate of 16 per cent and deferred tax assets and liabilities in 2003 using the higher tax rate of 17.5 per cent announced in the March 2003 Hong Kong Budget.*

## 6. DIVIDEND

The Board did not recommend the payment of any dividend in respect of the year (2002: nil).

## **7. LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$5,072,000 (2002: HK\$2,515,000) and the weighted average of 285,535,000 (2002: 239,481,000) ordinary shares in issue during the year.

No diluted loss per share for the years ended 31 December 2003 and 2002 have been presented as the exercise of the potential ordinary shares would result in a reduction in loss per share.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Annual Results**

Since the audited turnover slipped 84 per cent from that of last financial year, the audited net loss attributable to shareholders for the year, amounting to HK\$5.07 million, increased by two times that of last year. Despite the dissatisfaction of business performance, the directors of the Company (the “Directors”) are pleased to achieve another remarkable 57 per cent decrease in the overall running costs through the strict cost control measures adopted years ago. Number of employees had been maintained at minimal level to produce maximum productivity, resulting in a significant cut of almost 35 per cent and 57 per cent in staff costs as compared to those of last year and 2001 respectively. Other revenue in 2003 even experienced a bigger drop of 88 per cent from that of last year mainly because of the lack of huge write-back of taxes and accruals as last year.

### **Business Review**

Despite China has become the world’s third-biggest vehicle market since its accession to the World Trade Organisation in late 2001, the Board admits that the Group had experienced another bad performance year in 2003. A decade of economic growth at an average 8 percent per year has created a generation of wealthy businessmen. The country had 210,000 millionaires, according to Cap Gemini Ernst and Young’s 2003 World Wealth Report. Furthermore, easier financing is encouraging more people to buy cars. These favorable market conditions explain car sales in China rose one-third in 2003 though the gradual elimination of the nation’s tariff protection against imported vehicles has ushered in fiercer competition. Unfortunately, the Company did not have sufficient merchandise to satisfy the expansion of the market. The major reasons were similar to those disclosed in our 2003 interim report.

To further reduce the burden of financial expenses, the Group disposed of two of its investment properties at a total net consideration of HK\$11.18 million during the year under review. For increasing working capital fund and reducing indebtedness in 2003, the Company entered into 4 subscription agreements with 4 independent investors for the placing of 52,000,000 new shares of the Company at a price of HK\$0.02 per new share on 18 August 2003. The 52,000,000 new shares were issued on 15 September 2003, raising net proceeds of approximately HK\$0.95 million. Another placing for similar purposes took place on 5 December 2003 where 63,300,000 new shares of the Company were allotted to 6 independent investors at a price of HK\$0.016 per new share, raising net proceeds of approximately HK\$0.90 million.

Subsequent to the balance sheet date of the year under review, the Company entered into a conditional agreement with an independent investor for a placing of 265,100,000 new shares of the Company at a price of HK\$0.018 per new share on 4 February 2004, hoping to raise additional working fund of approximately HK\$4.31 million. On the same date, the Company also entered into a conditional loan capitalisation agreement with Winsley Investment Limited (“Winsley”), a company controlled by Mr. Chan Chun Choi and Madam Lam Mo Kuen, Anna, both of whom are Directors, involving a possible subscription for 430,000,000 new shares of the Company at a price of HK\$0.018 per new share. This event constitutes a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Company made announcement in relation to this event on 17 February 2004. A circular containing the details of this event had been despatched to the shareholders of the Company on 9 March 2004 and a special general meeting for approving the relevant resolutions of this event was held on 1 April 2004.

### **Financial Summary**

Throughout the year under review, the Group had no exposure to credit risk, inventory risk, fluctuation in exchange rates and any related hedges because our tight control of working capital management on the credit policies, inventory, funding and treasury planning was proven effective. At year-end date, the Group’s trade receivables decreased to HK\$87,000 (31 December 2002: HK\$190,000). Since most of the receivables were less than 3-month old, the Directors considered unnecessary to provide significant provision for doubtful debts for the year.

Although the Group maintained insignificant amount of slow-moving inventories in 2003, the Directors believed that writing down 50 per cent of the value of the inventories at 31 December 2003 to \$369,000 (31 December 2002: HK\$824,000) was justified to reflect their market realizable values. It was because these inventories became more than 9-month old.

As at 31 December 2003, the Group's net current liabilities and net liabilities amounted to HK\$24,515,000 and HK\$16,650,000 respectively (31 December 2002: HK\$33,029,000 and HK\$13,428,000 respectively). At the same day, the Group's cash and bank balances amounted to HK\$1,357,000 (31 December 2002: HK\$3,360,000). The total bank loans and overdrafts at 31 December 2003 were HK\$13,260,000, a 43 per cent decrease from such balances at 31 December 2002. No time deposits were pledged to back the banking facilities granted to the Group at 31 December 2003 (31 December 2002: HK\$ nil).

In terms of liquidity, the current ratio at year-end date was 0.08 (31 December 2002: 0.12). The Group's gearing ratio, resulting from a comparison of the total borrowings with issued capital, was 6.1 at 31 December 2003 (31 December 2002: 12.6).

For the year ended 31 December 2003, the Directors are not aware of any significant change from the position as at 31 December 2002 and the information published in the report and accounts for the year ended 31 December 2002. The capital structure of the Company only consists of share capital, no other capital instrument was issued by the Company.

### **Future Outlook**

It is undoubtedly that China is now the world's fastest growing auto market and it will continue to grow rapidly in the years to come. Total vehicle manufacturing capacity in the nation will exceed 14 million vehicles by 2007 as a result of huge investment of domestic and foreign carmakers. Exceeding four million units of vehicle output, including 1.8 million passenger cars were produced in 2003. From three million units in 2002, the car sales in China might grow two thirds to about five million units in 2006.

Also, market conditions in China have rapidly been changed to align with the growth of the nation's automotive market. Not just the fast-growing low-end, small-car segment, most global automakers have already begun to form joint ventures in China to produce and market luxury sedans, targeting on the premium-car segment where consumers are pursuing individuality and a high quality of life in mainland. The Germany-based BMW started making 5-series and 3-series sedans in northeastern China by October 2003. In this year, the Audi unit of Volkswagen, the first foreign carmaker to assemble passenger cars in China, makes A6 and A4 models and already achieves 40 percent of the mainland's luxury car market. Catching up with the footsteps of rivals, General Motors, the world's biggest auto manufacturer, begin making Cadillacs limousine in Shanghai while DaimlerChrysler's Mercedes Benz unit plans to make E-class and C-class in Beijing not later than 2005.

Beginning in 2003, the traditional importers have also made strategic move. Ford Motors, for example, sold imported Volvo and Land Rover models in China and would very likely shift to local assembly in this year unless the sales numbers are not high enough to support such a shift from import to local production. All these market moves send a strong message to overseas distributors including us that import of vehicles to China will soon be diminished to minimal. Should we decide to stay in the auto import business, the Board believes that direct sale and marketing in China is the only alternative left for the Group. We should figure out the opportunities to become a new entrant to the direct marketing channel of the automobile industry in China. Therefore, the Board is determined to seek for any possible opportunities to establish the agency relationship with mainland joint-venture automakers. The Directors believe that running franchised outlets in China is the most effective way of overturning the Group's future performance. Successful alliance of co-operation is a win-win strategy for the Group and its mainland associates.

Similar to the past few years, the key business issue for the Group remains unsolved. The Group needs working funds to sustain its business in the forthcoming years. Given the unsatisfactory performance in the past five years, the existing banking facilities have been greatly diminished. The Board admits that the grant of banking facilities from other banks is extremely difficult but the Directors would carry on the attempts with all necessary means to explore new sources of banking facilities. Negotiating with other bankers is the first priority job for the Board to restore the Group's purchasing powers.

### **Employees, retirement & share option schemes**

At 31 December 2003, the Group had a total of 6 employees (2002: 10 employees), of whom 5 were based in Hong Kong whereas 1 was local staff employed in the PRC. The remuneration package for Hong Kong staff was strictly on a monthly-salary basis and that for the PRC employees was 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\$1.7 million (2002: HK\$2.6 million). On irregular but necessary basis, the Company organised 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 MPF Schemes 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. The Group did not operate any pension or retirement schemes for its Directors or employees until the implementation of MPF in December 2000. The Group has a share option scheme, which was duly approved by the shareholders on 22 January 1998, available for any full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or of any subsidiaries. No options have been granted since the approval of the scheme.

### Contingent Liabilities

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

|  | <b>Group</b>    |                 | <b>Company</b>  |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>2003</b>     | <b>2002</b>     | <b>2003</b>     | <b>2002</b>     |
|  | <b>HK\$'000</b> | <b>HK\$'000</b> | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Banking facilities guaranteed by the Company which were utilised by the subsidiaries | <u>–</u>        | <u>–</u>        | <u>13,700</u>   | <u>23,409</u>   |

(b) Included in the bank borrowing was a mortgage loan with principal amount of HK\$8,317,000 as at 31 December 2003. There was no repayment from the Group since 14 November 2002. The accrued interest of HK\$440,000 was provided and included in the balance sheet as account payable. No further liabilities were provided for the late repayment as there is no information available to quantify the further liability arisen from the late repayment, any penalty charge and other liability if any thereof.

### 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 (2002: nil).

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

### Commitments

The Group's commitments outstanding at 31 December and not provided for in the financial statements were as follows:

|                                | <b>Group</b>    |                 | <b>Company</b>  |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                | <b>2003</b>     | <b>2002</b>     | <b>2003</b>     | <b>2002</b>     |
|                                | <b>HK\$'000</b> | <b>HK\$'000</b> | <b>HK\$'000</b> | <b>HK\$'000</b> |
| Contracted for:                |                 |                 |                 |                 |
| Legal and advisory expenditure | <u>170</u>      | <u>–</u>        | <u>170</u>      | <u>–</u>        |

### Related party transactions

At the balance sheet date, the outstanding balance due to Winsley amounted to HK\$7,647,000 (2002: HK\$7,776,000). The amount is unsecured, interest-free and has no fixed terms of repayment.

### Pledge of Assets

At year-end date, the Group's land and buildings and investment properties with an aggregate net book value of HK\$7.92 million (31 December 2002: HK\$19.6 million) were pledged to secure bank loans and overdraft of the Group.

### PURCHASE, SALE OR REDEMPTION OF SHARES IN THE COMPANY

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year (the year ended 31 December 2002: nil).

### ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year, there were no material acquisitions and disposals of the Company's subsidiaries. eSolutions Holding Limited, the Group's former associate was dissolved with effect from 2 January 2004 pursuant to the Order of the Court of First Instance of the High Court.



## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 22 May 2004 to 28 May 2004, both days inclusive, during which period no share transfers will be effected. In order to qualify for the attending the forthcoming annual general meeting on 28 May 2004 (the “Forthcoming AGM”), all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on 21 May 2004.

## **PROPOSED AMENDMENTS TO BYE-LAWS OF THE COMPANY**

The Listing Rules have recently been amended. Listed issuers are required to amend their constitutional documents to ensure compliance with the provisions of Appendix 3 to the Listing Rules, which become effective on 31 March 2004.

Accordingly, the Directors propose to the shareholders to approve a special resolution at the Forthcoming AGM to amend the relevant provisions of the bye-laws of the Company in order to bring the bye-laws of the Company in line with the amended provisions of Appendix 3 to the Listing Rules. Details of the proposed amendments to the bye-laws of the Company will be set out in the circular and the notice of Forthcoming AGM to be dispatched to shareholders of the Company together with the 2003 annual report.

## **CORPORATE GOVERNANCE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report.

## **OTHER INFORMATION**

The Company will submit a CD ROM to The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) containing all the information in relation to the 2003 annual report required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules for publication on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) at the earliest practicable opportunity.

On behalf of the Board  
**Chan Chun Choi**  
*Chairman*

Hong Kong, 16 April 2004

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