



THE KOWLOON MOTOR BUS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

2003 FINAL RESULTS ANNOUNCEMENT

CONDENSED CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2003

	<i>Note</i>	2003 <i>HK\$' 000</i>	2002 <i>HK\$' 000</i>
Turnover	1	6,540,198	6,843,394
Other net income		96,395	78,228
Staff costs		(3,176,105)	(3,319,752)
Depreciation and amortisation		(903,034)	(850,994)
Spare parts, stores and fuel oil consumed		(721,025)	(705,999)
Other operating expenses		<u>(953,325)</u>	<u>(856,978)</u>
Profit from operations	1	883,104	1,187,899
Deemed profit on partial disposal of a subsidiary		—	2,724
Finance costs		(34,803)	(49,858)
Share of profit of associates		7,548	1,081
Share of profit of jointly controlled entity		<u>1,304</u>	<u>342</u>
Profit from ordinary activities before taxation	2	857,153	1,142,188
Income tax	3	<u>(259,581)</u>	<u>(174,859)</u>
Profit from ordinary activities after taxation		597,572	967,329
Minority interests		<u>(619)</u>	<u>(27,726)</u>
Profit attributable to shareholders		<u><u>596,953</u></u>	<u><u>939,603</u></u>
Dividends:			
Interim dividend of HK\$0.45 per share declared and paid during the year (2002: HK\$0.45 per share)		181,638	181,638
Final dividend of HK\$1.58 per share proposed after the balance sheet date (2002: HK\$1.58 per share)		<u>637,750</u>	<u>637,750</u>
		<u><u>819,388</u></u>	<u><u>819,388</u></u>
Earnings per share	4	<u><u>\$ 1.48</u></u>	<u><u>\$ 2.33</u></u>

Notes:

1 Segmental information

Turnover and contribution to the Group's profit from the principal activities during the year, after elimination of all material inter-company transactions, are as follows:

	Turnover		Contribution to profit from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Operation of franchised public bus services and non-franchised transport services	6,332,333	6,639,933	827,263	1,056,314
Media sales business	<u>207,865</u>	<u>203,461</u>	<u>33,690</u>	<u>117,810</u>
	<u>6,540,198</u>	<u>6,843,394</u>	860,953	1,174,124
Unallocated net operating income and expenses			<u>22,151</u>	<u>13,775</u>
Profit from operations			<u>883,104</u>	<u>1,187,899</u>

The Group's turnover and operating profit derived from activities outside Hong Kong were insignificant. Accordingly, no analysis by geographical segment is provided.

2 Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2003 HK\$'000	2002 HK\$'000
Finance costs:		
Interest on bank loans, overdrafts and other loans	<u>34,803</u>	<u>49,858</u>
Interest income from bank deposits	(17,631)	(33,240)
Gain on disposal of fixed assets	<u>(5,883)</u>	<u>(2,519)</u>

3 Income tax

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Provision for Hong Kong Profits Tax	135,983	102,296
Provision for PRC income tax	<u>1,871</u>	<u>2,318</u>
	137,854	104,614
Deferred tax:		
Origination and reversal of temporary differences and benefit of tax losses recognised	59,928	70,245
Deferred tax resulting from increment in Hong Kong Profits Tax rate	61,406	—
Share of associate's taxation	<u>393</u>	<u>—</u>
Total income tax in income statement	<u>259,581</u>	<u>174,859</u>

- (i) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (ii) The Group has adopted Statement of Standard Accounting Practice 12 (revised) "Income taxes" in its preceding year's financial statements. Accordingly, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities for financial reporting purposes and their tax bases, using tax rate enacted or substantially enacted at the balance sheet date. In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate from 16% to 17.5% which has been applicable to the Group's operations in Hong Kong. The change in tax rate has resulted in an increase in deferred tax liabilities of HK\$61,406,000, which arose from recomputing outstanding deferred tax liabilities brought forward from 2002 using the new tax rate of 17.5%.

4 Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$596,953,000 (2002: HK\$939,603,000) and 403,639,413 (2002: 403,639,413) shares in issue during the year.

5. Basis of preparation of financial statements

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

RESULTS

The Group's profit attributable to shareholders for the year ended 31 December 2003 was HK\$597.0 million. This represents a decrease of 36.5% compared with HK\$939.6 million for the previous year. Earnings per share for the year were HK\$1.48 per share compared with HK\$2.33 per share for 2002.

PROPOSED FINAL DIVIDEND

On 25 March 2004, the Board of Directors recommended the payment to shareholders registered on 20 May 2004 a final dividend of HK\$1.58 per share (2002: HK\$1.58 per share), totalling HK\$637.8 million (2002: HK\$637.8 million), for the year ended 31 December 2003. Together with the interim dividend of HK\$0.45 per share (2002: HK\$0.45 per share) paid on 15 October 2003, the total dividend for the year ended 31 December 2003 will amount to HK\$2.03 per share (2002: HK\$2.03 per share), totalling HK\$819.4 million (2002: HK\$819.4 million). Subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on 20 May 2004, the final dividend will be payable on 21 May 2004.

The Transfer Books of the Company will be closed from 10 May 2004 to 20 May 2004, both dates inclusive. To qualify for the proposed final dividend, transfers must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 7 May 2004.

REVIEW OF OPERATIONS AND RESULTS

Franchised Public Bus Operations

The Kowloon Motor Bus Company (1933) Limited (“KMB”)

Profit from franchised public bus operations after tax of KMB for 2003 amounted to HK\$599.8 million (2002: HK\$872.3 million), representing a decrease of 31.2% compared with that of the previous year.

KMB’s fare revenue for the year decreased by 5.7% to HK\$5,880.1 million from HK\$6,234.0 million for 2002. The decrease was due mainly to the outbreak of SARS in March 2003, the full year adverse effect of losing passengers to the Mass Transit Railway (“MTR”) Tseung Kwan O Extension since its opening in August 2002 and the three fare concession schemes introduced since 1 October 2003.

A total of 1,060.5 million (a daily average of 2.91 million) passenger trips was made on KMB buses in 2003, a decrease of 6.5% compared with 1,134.4 million (a daily average of 3.11 million) passenger trips in 2002. KMB’s patronage for the first, second, third and fourth quarters of 2003 was respectively 3.9%, 15.5%, 4.6% and 2.0% less than the corresponding periods of 2002. The decline was attributable to the impact of SARS and the loss of passengers to the expanded railways but was mitigated by our continuous effort in providing quality service to retain our current customers and attract new riders.

KMB’s advertising revenue for the year amounted to HK\$75.9 million (2002: HK\$71.4 million), an increase of 6.3% compared with the previous year.

Total operating cost for 2003 decreased by 2.2% compared with that for 2002 due mainly to lower activity level during the SARS crisis, rationalisation of certain bus routes to cater for the opening of the MTR Tseung Kwan O Extension, and implementation of more stringent cost control measures. The actual distance travelled by KMB’s buses during the year totalled to 344.3 million kilometres (2002: 349.9 million kilometres), a decrease of 1.6% compared with 2002. Finance costs also decreased due to the decline in interest rates over the year. The above cost savings were, however, offset by increases in depreciation, fuel costs, insurance premiums and toll charges.

During the year, KMB introduced 201 air-conditioned super-low floor easy access buses and disposed of 347 old non air-conditioned and air-conditioned buses, bringing the total number of buses from 4,441 at the beginning of the year to 4,295 at the year-end. As at 31 December 2003, 3,510 buses (82%) of the entire fleet were air-conditioned compared to 3,327 (75%) at the end of 2002. Also, KMB had 127 new buses on order and 92 buses under construction.

At 31 December 2003, KMB operated a total of 411 bus routes. During the year, eight new KMB bus routes were launched. Five of these new routes serve the New Territories whilst two routes provide cross-harbour services to meet overnight and recreational demand respectively. The other one was a special service between Princess Margaret Hospital and Tin Yan that provided free transportation to hospital staff during the SARS period. The special service was discontinued when the SARS crisis was over. The bus service network in Tseung

Kwan O was reorganised to adapt to the changing market conditions due to the opening of the MTR Tseung Kwan O Extension in August 2002. The reorganisation, which involved the cancellation of certain bus routes and a reduction of frequencies on routes with diminished demand, was completed in mid 2003. Resources made available as a result of the reorganisation were either deployed to other areas with increasing demand or eliminated through natural attrition.

Long Win Bus Company Limited (“LWB”)

LWB recorded a loss of HK\$3.3 million during the year (2002: a profit of HK\$4.6 million).

LWB’s fare revenue for the year amounted to HK\$216.9 million, representing a decrease of 6.5% compared with HK\$232.1 million for 2002. The total ridership of LWB in 2003 was 19.3 million (a daily average of 52,766) passenger trips, a decrease of 5.1% compared with 20.3 million (a daily average of 55,616) passenger trips in the previous year. The decrease was due mainly to the outbreak of SARS which resulted in a substantial reduction in the number of local holiday travellers and overseas tourists.

Total mileage operated for the year was 22.7 million kilometres (2002: 23.1 million kilometres).

The advertising revenue of LWB decreased to HK\$1.2 million in 2003 from HK\$1.3 million in 2002. The decrease was attributable to the weak local economy during the year.

At 31 December 2003, LWB had 136 air-conditioned double-deck buses and nine air-conditioned single-deck buses serving on 15 routes plying between the New Territories and Hong Kong International Airport and North Lantau.

Non-Franchised Transport Operations

The Group’s Non-Franchised Transport Operations Division reported a profit after tax of HK\$19.0 million for 2003 (2002: HK\$11.5 million), representing an increase of 65.2% compared with that for the previous year. Turnover increased by 34.7% from HK\$173.6 million in 2002 to HK\$233.8 million in 2003. This was primarily due to the growth in patronage of the cross-boundary shuttle bus services and the full year operation of Park Island Transport Company Limited. The increase was, however, offset by the temporary decline in residential, commercial and contract hiring businesses due to the SARS outbreak in the year.

Sun Bus Holdings Limited and its subsidiaries (the “SBH Group”)

With Sun Bus Limited as the flagship, the SBH Group provides various types of non-franchised bus services mainly for residential estates, commercial clients, employees, tourists, students and contract-hire customers. Turnover of the SBH Group during the year decreased by 18.1% compared with 2002. This was due mainly to a reduction in patronage of student and local charter hire customers during the period of the SARS outbreak.

At 31 December 2003, the SBH Group had a fleet of 223 buses (2002: 207 buses). During the year, 23 buses (2002: 15 buses) were purchased for enhancement of service quality and replacement of older buses.

Park Island Transport Company Limited (“PITC”)

PITC, a 65% owned subsidiary of the Group, has been providing shuttle bus and ferry services for Ma Wan Island since 14 December 2002. It completed its first full year operation in 2003 satisfactorily.

At the year-end, PITC operated two ferry routes and two bus routes serving Ma Wan Island, with seven catamarans, 11 air-conditioned single-deck buses and three air-conditioned single-deck diesel-electric hybrid buses. Another catamaran was on order at 31 December 2003 and put into service in January 2004.

New Hong Kong Bus Company Limited (“NHKB”)

NHKB, together with its Shenzhen counterpart, jointly operates a direct, economical, 24-hour cross-boundary shuttle bus service between Lok Ma Chau in Hong Kong and Huanggang in Shenzhen. The overnight service was well received by night commuters. To cope with the increased demand, NHKB added three air-conditioned super-low floor single-deck buses to its fleet in 2003, bringing the total number of buses to 24 at the year-end.

Property Development

Lai Chi Kok Properties Investment Limited (“LCKPI”)

LCKPI, a wholly owned subsidiary of the Group, is the owner of the old Lai Chi Kok Depot site situated at Po Lun Street, Lai Chi Kok, Kowloon. The old depot building was demolished in 2002. According to the current plan, the depot will be developed into a residential and commercial complex comprising four residential blocks of about 1,300 flat units with a total residential gross floor area of about one million square feet and a retail podium area of about 50,000 square feet. LCKPI has engaged certain subsidiaries of Sun Hung Kai Properties Limited for the provision of services in relation to the development, construction, letting and sales, and management of the future residential and commercial complex.

At the year-end, the total construction cost incurred for the project amounted to HK\$112.0 million (2002: HK\$39.1 million). The amount was capitalised as property under development in the financial statements. At 31 December 2003, the commitment of the project was HK\$1,202.8 million (2002: HK\$127.7 million). The project will be partially financed by unsecured bank loans. It is expected that the whole project will be completed in mid-2006. LCKPI will closely monitor the local property market for marketing the property in due course.

Mainland Transport Operations

At 31 December 2003, the Group’s total interest in associate and jointly controlled entities amounted to HK\$79.9 million (2002: HK\$5.7 million). The investments were in respect of the operation of passenger bus services in Dalian and Tianjin, as well as taxi hire and car rental businesses in Beijing.

Dalian

This co-operative joint venture (“CJV”) in Dalian was established in 1997 by a 60% owned subsidiary of the Group and Dalian City No.1 Bus Company in Liaoning Province. At 31 December 2003, the Dalian CJV had 46 double-deck buses and 30 single-deck buses operating on three routes serving Dalian City. This CJV made satisfactory progress and recorded a profit in 2003.

Tianjin

The CJV in Tianjin, formed between a 50% owned associate of the Group and Tianjin City Public Transport Holding Company Limited in Tianjin, has begun operation since January 2002. During 2003, the Tianjin CJV operated seven bus routes with 110 single-deck buses in Tianjin City, and continued to make steady progress during 2003.

Beijing

Beijing Beiqi Kowloon Taxi Company Limited (“BBKT”), a Sino-foreign joint stock company, was established in Beijing in March 2003. BBKT’s shareholders comprise KMB (Beijing) Taxi Investment Limited, which is a wholly owned subsidiary of the Group, Beijing Beiqi Municipal Taxi Group Company Limited and three other Mainland investors. BBKT principally engages in the taxi hire and car rental businesses with a fleet of over 4,000 vehicles and about 4,200 employees. The Group’s investment in BBKT was HK\$75.5 million, representing 31.38% of BBKT’s equity interest. BBKT’s businesses were adversely affected by the SARS outbreak but have recovered since the fourth quarter of 2003.

Other Projects

During 2003, the Group entered into contracts to acquire a 45% interest in a Sino-foreign joint stock company in Wuxi City, Jiangsu Province, and a 35% interest in a Sino-foreign joint stock company in Shenzhen City, Guangdong Province, to principally operate local public bus services. The former, named Wuxi Kowloon Public Transport Company Limited and formed in February 2004, is currently operating some 1,600 buses on 106 routes in Wuxi City. The latter is still awaiting final approval from the relevant government authorities, and is expected to operate bus services in Shenzhen City with around 3,300 vehicles on 109 routes. As at 31 December 2003, the Group’s commitment in these projects amounted to Renminbi 522.5 million (HK\$489.9 million).

Media Sales Business

RoadShow Holdings Limited and its subsidiaries (the “RoadShow Group”)

The RoadShow Group reported a total operating revenue of HK\$173.4 million (2002: HK\$173.4 million) and a loss attributable to shareholders of HK\$37.0 million (2002: a profit of HK\$55.0 million) for the year ended 31 December 2003.

The RoadShow Group’s revenue was derived principally from its media sales and management services business operated in both Hong Kong and the Mainland of China.

The loss for the year was mainly attributable to the poor economic environment in Hong Kong and the outbreak of SARS both in Hong Kong and the major cities on the Mainland, and the additional provisions made in 2003. The RoadShow Group's performance improved towards the end of the year due to better market conditions and the resultant upturn in consumer confidence in Hong Kong and on the Mainland. Its joint ventures on the Mainland achieved their revenue goals and made contributions to profit, a trend that is expected to continue.

In 2003, the RoadShow Group expanded its media sales businesses in Beijing, Shanghai, Guangzhou and other major cities on the Mainland of China which made a profit contribution to the RoadShow Group in their first full year of operations. Further information relating to the RoadShow Group is available in its 2003 final results announcement and annual report.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's policy is to maintain a healthy financial position such that net cash inflow from operating activities together with undrawn committed and uncommitted banking facilities should meet the requirements for loan repayments, capital expenditure and investment. Furthermore, sufficient cash balances are maintained to meet operational requirements, potential business expansion and development from time to time.

The Group's operations were mainly financed by shareholders' funds, bank loans and overdrafts in 2003. The major operating companies of the Group arrange their own financing to meet specific requirements. The main sources of financing for these companies are proceeds from operations and unsecured long-term bank loans. Uncommitted stand-by banking facilities and overdrafts are also maintained to facilitate routine treasury operations. Financing for the other subsidiaries of the Group is mainly provided by the holding company from its capital base. The Group reviews its strategy from time to time with a view to selecting the financing methods that provide the lowest finance costs with the required maturity and flexibility to fit the unique operating environment of each subsidiary.

The gearing ratio and the liquidity ratio of the Group are shown below:

	2003	2002
Gearing ratio at year-end (the ratio of net borrowings to the total share capital and reserves)	0.22	0.15
Liquidity ratio at year-end (the ratio of current assets to current liabilities)	1.32	1.27

The Group's current assets mainly comprised of liquid funds, accounts receivable and property under development whilst current liabilities include current portion of bank loans, bank overdraft and accounts and other payables.

Net borrowings

At 31 December 2003, the Group's net borrowings (i.e. total borrowings less cash and deposits at banks) amounted to HK\$973.3 million (2002: HK\$689.5 million), representing an increase of HK\$283.8 million as compared with 2002. An analysis of the Group's net borrowings by currency at 31 December 2003 is shown below:

Currency	2003		2002	
	Net borrowings/ (cash) in foreign currency Million	Net borrowings/ (cash) in HK\$'million	Net borrowings/ (cash) in foreign currency Million	Net borrowings/ (cash) in HK\$'million
Hong Kong Dollar		1,140.1		993.9
United States Dollar	(11.3)	(87.9)	(28.3)	(221.2)
British Pound Sterling	(6.5)	(90.1)	(6.7)	(83.2)
Renminbi	11.8	11.2	—	—
Total		<u>973.3</u>		<u>689.5</u>

Bank loans, overdrafts and other loans

Bank loans, overdrafts and other loans at 31 December 2003 amounted to HK\$2,654.1 million (2002: HK\$2,284.7 million).

Except for a bank loan of HK\$100 million (2002: HK\$100 million) which was secured by a pledged bank deposit of the same amount (2002: HK\$100 million), all bank loans, overdrafts and other loans were unsecured as at 31 December 2003 and 2002.

The maturity profile of the bank loans, overdrafts and other loans of the Group at 31 December 2003 and 2002 is as follows:

	2003 HK\$' million	2002 HK\$' million
Bank loans and overdrafts		
Within 1 year or on demand	415.4	438.3
After 1 year but within 2 years	374.9	277.1
After 2 years but within 5 years	1,492.7	1,140.1
After 5 years	350.0	412.5
	<u>2,217.6</u>	<u>1,829.7</u>
	2,633.0	2,268.0
Other loans not repayable within 1 year	21.1	16.7
Total	<u>2,654.1</u>	<u>2,284.7</u>

Cash and deposits at bank

At 31 December 2003, the Group's cash and deposits at banks amounted to HK\$1,680.8 million (2002: HK\$1,595.2 million), and they were mainly denominated in Hong Kong Dollar, United States Dollar, British Pound Sterling ("GBP") and Renminbi.

Banking facilities

At 31 December 2003, the Group had stand-by banking facilities totalling HK\$2,236.7 million (2002: HK\$549.5 million).

Finance costs and interest cover

Due mainly to the market interest rates consistently staying at a relatively low level in 2003, the total finance costs incurred by the Group decreased to HK\$34.8 million in 2003 from HK\$49.9 million in 2002.

Interest cover, representing the ratio of profit from ordinary activities before taxation to net finance charges (i.e. total finance costs less interest income), decreased from 87.2 times in 2002 to 62.8 times in 2003.

TREASURY POLICIES

Currency risk management

The Group's major revenue sources are fare receipts from the franchised public bus services and revenue from non-franchised transport operations and the media sales business, all denominated in Hong Kong dollars. Further, major expenses such as staff costs are also paid in Hong Kong dollars. Therefore, financing in Hong Kong dollars provides a natural currency hedge for the Group.

However, certain expenditures such as purchase of new buses and motor vehicle components require payments in foreign currencies. During 2003, the relatively weak United States Dollar led to a significant appreciation of GBP and other currencies. In view of this, the Group hedged certain amount of GBP by placing forward foreign exchange contracts during the second half of the year. This effectively locked all GBP payments during that period to a preferred exchange rate. At 31 December 2003, there were no outstanding forward foreign exchange contracts, and the Group's foreign currency exposure did not pose significant risk to the Group as the levels of foreign currency assets and liabilities were relatively low compared to its total asset base. The Group will continue to closely monitor the prevailing market conditions and devise suitable strategies against foreign currency risk.

Interest rate risk management

As at 31 December 2003, the Group's borrowings were mainly denominated in Hong Kong dollars and on a floating interest rate basis. This provided flexibility to the Group to take full

advantage of the relatively low interest rates in 2003. The average interest rate in respect of the Group's borrowings for 2003 was 1.4%, a decrease of 120 basis points compared with 2.6% for 2002. The Group will continue to review its strategy on interest rate risk management in the light of the prevailing market conditions from time to time.

EMPLOYEES

Provision of both franchised public bus and non-franchised transport services is a labour intensive business. In terms of the Group's cost structure, staff costs represent a substantial portion of approximately 52% in 2003. Due largely to the operation of KMB was scaled down in certain service areas during the year to adapt to the changing operating environment with the opening of the MTR Tseung Kwan O Extension in August 2002 and the Kowloon-Canton Railway West Rail in December 2003, the number of staff of the Group decreased by 4.3%, mainly through natural attrition. The Group will continue to closely monitor the number and remuneration of its employees against productivity and market trends. The number and remuneration of employees of the Group (including the employees of the Group's subsidiary companies on the Mainland) over the past two years are tabulated below:

	Number of employees at year-end	Total remuneration <i>HK\$' million</i>	Remuneration as % of total costs
2003	13,689	3,176	52
2002	14,308	3,320	56

CONTINGENT LIABILITIES

At 31 December 2003, the Company had undertaken to guarantee certain bank loans granted to certain wholly owned subsidiaries to the extent of HK\$574.2 million (2002: HK\$275.0 million). Additionally, together with an external party, the Company had undertaken to guarantee jointly and severally bank loans granted to a subsidiary of the Group to the extent of HK\$110.0 million (2002: HK\$75.0 million).

PUBLICATION OF DETAILED ANNOUNCEMENT OF THE RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003 ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on the Exchange will be published on the Exchange's website in due course.

By Order of the Board
S.Y. CHUNG
Chairman

Hong Kong, 25 March 2004

This announcement is also available on websites:

<http://www.kmb.com.hk>

<http://www.irasia/listco/hk/kmb>

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Kowloon Motor Bus Holdings Limited (“the Company”) will be held at the Royal Plaza Hotel, Grand Ballroom, 193 Prince Edward Road West, Kowloon, Hong Kong on Thursday, 20 May 2004 at 3:00 p.m. to transact the following business:-

1. to receive and consider the Audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003;
2. to declare a final dividend;
3. to re-elect Directors and fix their remuneration;
4. to appoint Auditors and to authorise the Directors to fix their remuneration; and
5. as special business, to consider and, if thought fit, pass with or without modifications the following resolutions as an Ordinary Resolution or a Special Resolution respectively:

Ordinary Resolution

6. “THAT:-
 - (A) (i) subject to paragraph A(iii) of this Resolution, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the Directors of the Company 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 which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (ii) the approval in paragraph A(i) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the expiry of the Relevant Period;
 - (iii) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph A(i) of this Resolution, otherwise than pursuant to:-
 - (a) a Rights Issue (as hereinafter defined); or
 - (b) an issue of shares of the Company upon the exercise of the subscription rights under any option scheme or similar arrangement for the time being adopted for the grant or issue to Directors and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or

- (c) an issue of shares of the Company in lieu of the whole or part of the dividend on shares of the Company in accordance with the Bye-laws of the Company;

shall not exceed 20 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

- (iv) for the purposes of this paragraph (A):-

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

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any applicable laws to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution by shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company open for a period fixed by the Directors of the Company to holders of shares of 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 exclusion 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 applicable to the Company);

- (B) (i) subject to paragraph B(ii) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of the Company on the Stock Exchange or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or 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;
- (ii) the aggregate nominal value of shares of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph B(i) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of this Resolution and the authority pursuant to paragraph B(i) of this Resolution shall be limited accordingly; and

(iii) for the purposes of this paragraph (B):-

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

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda or any applicable laws to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution by shareholders of the Company in general meeting;

(C) the general unconditional mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to paragraph (A) of this Resolution be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the general unconditional mandate to repurchase shares referred in paragraph (B) of this Resolution provided that such extended amount shall not exceed 10 per cent of the aggregate nominal value of the share capital of the Company in issue as at the date of the passing of this Resolution.”

Special Resolution

7. “THAT the existing Bye-laws of the Company be and are hereby amended in the following manner, namely:

(A) **New definition**

THAT the following new definition be added to Bye-law 1 of the Company:

WORD	MEANING
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“associate”	has the same meaning as defined by the rules, where applicable, of any Designated Stock Exchange.
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(B) **Bye-law 77**

THAT the word “If” at the beginning of Bye-law 77 of the Company be deleted and substituted by the words “Subject to Bye-law 77A, if,”

(C) **New Bye-law 77A**

THAT a new Bye-law 77A be added immediately after of the existing Bye-law 77 of the Company:

“77A. Where any Member is, under the rules of any Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

(D) **Bye-law 88**

THAT the existing Bye-law 88 of the Company be deleted in its entirety and be substituted by the following:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless there shall have been lodged at the Registration Office or at the head office a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected. The length of period, during which the aforesaid Notice(s) may be given, will be at least seven (7) days commencing no earlier than the day after the despatch of the Notice of the general meeting appointed for such election and ending no later than seven (7) days prior to the date of such general meeting.”

(E) **Bye-law 103**

THAT the existing Bye-law 103 of the Company be deleted in its entirety and be substituted by the following:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving of any contract or arrangement or any other proposal in which he or his associate(s) is materially interested, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum of such resolution of the Board but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to the Director or his associate(s) in respect of money lent by him or his associate(s) or obligations incurred or undertaken by him or his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to a third party in

respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company or any of its subsidiaries to be issued pursuant to any offer or invitation to the members or debenture holders or to the public which does not provide the Director or his associate(s) any privilege not accorded to any other members or debenture holders or to the public;
- (iv) any contract, arrangement or proposal concerning an offer of the shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company or any of its subsidiaries;
- (vi) any contract, arrangement or proposal concerning any company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company provided that the Director and his associate(s) are not in aggregate beneficially interested in 5% or more of the issued shares or of the voting rights of any class of shares of such company or any third company through which his interest or that of his associate(s) is derived;
- (vii) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries or its associated companies including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to directors, their associates and employees of the Company or of any of its subsidiaries or its associated companies and does not give the Director or his associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

(viii) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of the employees of the Company or its subsidiaries or its associated companies under which the Director or his associate(s) may benefit.

- (2) A company shall be deemed to be a company in which a Director together with his associate(s) has an interest of 5% or more if and so long as (but only if and so long as) he and his associate(s), (either directly or indirectly) are the holders of or beneficially interested in 5% or more of the issued shares of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of his associate(s) is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director together with his associate(s) has an interest of 5% or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

- (5) The Company may by ordinary resolution ratify any transaction not duly authorised by reason of a contravention of this Bye-law provided that no Director who is materially interested in such transaction, together with his associate(s), shall vote upon such ordinary resolution in respect of any shares in the Company in which they are interested.””

By Order of the Board
Lana Woo
Company Secretary

Hong Kong, 25 March 2004

- Notes: (1) Any member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (2) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of authority must be lodged with the Company's principal office at No. 1, Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting.
- (3) The Register of Members will be closed from Monday, 10 May 2004 to Thursday, 20 May 2004 both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 7 May 2004.
- (4) The Bye-laws of the Company is written in English. There is no Chinese version in respect thereof. Therefore, the Chinese version of the Special Resolution as set out in item 7 above on amendments to the Bye-laws is purely a translation only. Should there be any discrepancies, the English version will prevail. The purpose of the amendments is included in a separate circular to members of the Company which is despatched to members with the Company's 2003 Annual Report.