嘉禾
Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2002

RESULTS

The Board of Directors (the "Board") of Golden Harvest Entertainment (Holdings) Limited (the "Company") herein announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2002 together with the comparative figures for the previous year as follows:

	Notes	**2002** *HK$'000*	2001 *HK$'000* (Restated)
TURNOVER	*5*	**264,030**	269,694
Cost of sales		**(133,144)**	(121,978)
Gross profit		**130,886**	147,716
Interest income		**969**	9,073
Other revenue		**15,435**	12,177
Selling and distribution costs		**(119,434)**	(122,072)
General and administrative expenses		**(58,192)**	(65,173)
Other operating expenses		**(6,279)**	(14,660)
Impairment of film rights		**(15,536)**	—
LOSS FROM OPERATING ACTIVITIES	*6*	**(52,151)**	(32,939)
Write-off of interests in associates		**(15,157)**	—
Impairment of long term investment		**(5,800)**	(8,205)
Impairment of interests in associates		**—**	(569)
Impairment of goodwill		**—**	(11,000)
Finance costs	*7*	**(242)**	(26)
Share of profits less losses of associates		**(8,919)**	(16,418)
LOSS BEFORE TAX		**(82,269)**	(69,157)
Tax	*8*	**(4,134)**	(4,622)
LOSS BEFORE MINORITY INTERESTS		**(86,403)**	(73,779)
Minority interests		**5**	5
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(86,398)**	(73,774)
LOSS PER SHARE	*9*		
Basic		**(10.8 cents)**	(9.2 cents)
Diluted		**N/A**	(9.2 cents)

Notes:

1. Significant accounting policies

Impact of new and revised Hong Kong Statements of Standard Accounting Practice

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") and related Interpretations are effective for the first time in the preparation of the current year's financial statements:

SSAP 9 (Revised):	"Events after the balance sheet date"
SSAP 18 (Revised):	"Revenue"
SSAP 26:	"Segment reporting"
SSAP 28:	"Provisions, contingent liabilities and contingent assets"
SSAP 29:	"Intangible assets"
SSAP 30:	"Business combinations"
SSAP 31:	"Impairment of assets"
SSAP 32:	"Consolidated financial statements and accounting for investments in subsidiaries"
Interpretation 12:	"Business combinations — subsequent adjustment of fair values and goodwill initially reported"
Interpretation 13:	"Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. Except for SSAP 26, SSAP 28, SSAP 29, SSAP 30, SSAP 31 and Interpretation 13, these SSAPs and Interpretations have no major impact on these financial statements.

Basis of preparation

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

2. Trademarks

In accordance with the requirements of SSAP 29, the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP 29 also states that there is a rebuttable presumption that the useful life of an intangible asset will not exceed 20 years from the date when the asset is available for use. In the opinion of the directors, to follow the requirements of SSAP 29 would give a misleading view of the results of the Group and its loss per share for the following reasons:

(i) The trademarks, which were acquired by the Group in 2000, have been in use for a long time and will continue to be used for the long term. The valuation of the Group's trademarks performed by Adonis Appraisal Limited, an independent professional appraiser, has confirmed that the market value of the trademarks exceeded the carrying value as at 30 June 2002. In the opinion of the directors, there has been no material change in the valuation since 30 June 2002; and

(ii) The Group has incurred and intends to continue to incur significant advertising and promotion expenses, which are charged to profit and loss account when incurred, to maintain and increase the market value of its trademarks.

As a result, the Group has decided not to follow the requirements of SSAP 29 and to continue to adopt the accounting policy to state trademarks at cost less any impairment losses. The Group intends to confirm the value of its trademarks by independent professional valuation periodically.

3. Prior year adjustments

In accordance with the requirements of SSAP 31 and the transitional provisions of SSAP 30, adjustments have been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against capital reserve. These adjustments, which represent a change in accounting policy, have been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Accordingly, goodwill which was eliminated against capital reserve in the amount of HK$104,224,000 was determined to have been impaired in prior years. The effect of this change in accounting policy in respect of the year ended 30 June 2001 is an increase in loss from operating activities of HK$11,000,000. The retained profits brought forward as at 1 July 2000 have been decreased by HK$93,224,000, which is the adjustment of impairment of goodwill relating to the years prior to 1 July 2000.

4. Comparative amounts

Due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

5. Turnover and segment information

(a) *Business segments*

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

	Film & video distribution		Film exhibition		Film & television drama series production		Others		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**91,316**	75,494	**148,996**	161,211	**2,505**	10,602	**21,213**	22,387	**—**	—	**264,030**	269,694
Inter-segment sales	**2,066**	—	**—**	968	**3,377**	2,397	**3,202**	1,577	**(8,645)**	(4,942)	**—**	—
Other revenue	**6,342**	6,681	**4,305**	2,381	**2,780**	2,711	**618**	469	**(1,979)**	(973)	**12,066**	11,269
Total	**99,724**	82,175	**153,301**	164,560	**8,662**	15,710	**25,033**	24,433	**(10,624)**	(5,915)	**276,096**	280,963
Segment results	**3,115**	8,355	**(21,777)**	(19,563)	**(17,020)**	(15,316)	**(7,152)**	(7,035)	**1,881**	(2,609)	**(40,953)**	(36,168)
Interest income and unallocated gains											**4,338**	9,981
Unallocated expenses											**—**	(6,752)
Impairment of film rights	**(15,536)**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(15,536)**	—
Loss from operating activities											**(52,151)**	(32,939)
Write-off of interests in associates	**(13,930)**	—	**(1,227)**	—	**—**	—	**—**	—	**—**	—	**(15,157)**	—
Impairment of long term investment											**(5,800)**	(8,205)
Impairment of interests in associates	**—**	(569)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(569)
Impairment of goodwill											**—**	(11,000)
Finance costs											**(242)**	(26)
Share of profits less losses of associates	**(5,174)**	(6,165)	**(3,745)**	(10,253)	**—**	—	**—**	—	**—**	—	**(8,919)**	(16,418)
Loss before tax											**(82,269)**	(69,157)
Tax											**(4,134)**	(4,622)
Loss before minority interests											**(86,403)**	(73,779)
Minority interests											**5**	5
Net loss from ordinary activities attributable to shareholders											**(86,398)**	(73,774)

(b) Geographical segments

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

	Hong Kong		Elsewhere in the PRC		Asia		Others		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:												
Sales to external customers	**224,272**	224,279	**20,299**	6,442	**14,782**	20,235	**4,677**	18,738	**—**	—	**264,030**	269,694
Segment results	**(43,216)**	(45,419)	**(4,781)**	(6,110)	**6,515**	4,884	**529**	10,477	**—**	—	**(40,953)**	(36,168)

6. Loss from operating activities

The Group's loss from operating activities is arrived at after charging:

	2002	2001
	HK$'000	*HK$'000*
Amortisation of film rights	**27,321**	18,048
Depreciation	**18,454**	17,140
Cost of inventories sold	**5,917**	8,245
Cost of services provided	**99,906**	95,685
Loss on disposal of fixed assets	**544**	986

7. Finance costs

	2002	2001
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts, wholly repayable within five years	**—**	26
Interest on accounts payable	**201**	—
Interest on finance leases	**41**	—
	242	26

8. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on country legislation, interpretations and practices in respect thereof.

	2002	2001
	HK$'000	*HK$'000*
Group:		
Hong Kong	**395**	53
Elsewhere	**498**	675
Under/(over)provision in prior years	**92**	(471)
	985	257
Associates:		
Hong Kong	**—**	120
Elsewhere	**—**	198
Overprovision in the prior year	**(120)**	—
Deferred	**3,269**	4,047
	3,149	4,365
Tax charge for the year	**4,134**	4,622

At the date of approval of the financial statements, a subsidiary of the Group has disputes with the Hong Kong Inland Revenue Department on the non-taxable claim of certain non-Hong Kong sourced income from the year of assessment 1995/1996. The subsidiary is pursuing objection against the disputes and the directors consider that sufficient tax provision has been made in this regard.

9. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$86,398,000 (2001: HK$73,774,000) and the weighted average of 800,887,500 shares (2001: 800,887,500 shares) in issue during the year.

No disclosure for diluted loss per share for the year ended 30 June 2002 is shown as the exercise price of the Company's outstanding share options is higher than the average market price of the Company's ordinary shares during the year and thus the share options have no diluting effect.

In the prior year, the calculation of diluted loss per share was based on the net loss from ordinary activities attributable to shareholders for that year and the weighted average of 801,046,668 shares in issue, which represented the weighted average number of 800,887,500 shares in issue during that year, plus the weighted average number of 159,168 shares assumed to be issued at no consideration on the deemed exercise of all exercisable options during that year.

10. Summary of auditors' report

The auditor's report on the Group's financial statements for the year ended 30 June 2002 contained a modified opinion because of the possible effects of the accounting treatment of the Group's trademarks. The following is an extract of the auditors' report:

"Included in the consolidated balance sheet are trademarks of HK$79,073,000 which are stated at cost and are not amortised. In accordance with Statement of Standard Accounting Practice No. 29 "Intangible assets" ("SSAP 29") issued by the Hong Kong Society of Accountants, which became effective during the year, these trademarks should be amortised over the best estimate of their useful lives. However, as further explained in note 16 to the financial statements, in the opinion of the directors, no amortisation is considered necessary for the reasons stated therein. Because we have not been able to quantify the estimated useful lives of the trademarks, we are unable to determine the effect of this departure from SSAP 29 on the Group's net assets as at 30 June 2002 and the loss for the year then ended, including the prior year adjustment that is required in respect thereof in order to implement SSAP 29 retrospectively in accordance with the requirements of the SSAP.

Except for any adjustments that might have been found necessary had the trademarks been amortised, in our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance."

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 30 June 2002 (2001: Nil).

REVIEW OF OPERATIONS

Overview

Poor economic conditions have impacted strongly on the film industry and the entertainment business as a whole. We expect these conditions to prevail for some time and have acted accordingly to protect the Group's diversified interests in the industry. The Group has consolidated by going back to its core business of distribution, supported by the exhibition and production businesses. In refocusing on our core businesses, we have slowed down - and in some cases, closed down - activities of under-performing sectors.

Box office receipts in Hong Kong jumped 9.6% to HK$1,040 million for the year 2001 but these figures do not fully represent the bearish situation of the market. Much of the box office increase has been due to the overwhelming success of a few individual movies. The outlook for 2002 remains bearish, with both production and box office levels continuing to fall dramatically. Despite that, the Group's financial standing still remains strong and we continue to operate debt-free. We continue to critically review our expenses and business strategies consistently and are looking to new business models where we can leverage on our position as a leading brand in entertainment across the region.

Finance

For the financial year ended 30 June 2002, the Group incurred a loss of HK$86.4 million as compared to a loss of HK$73.8 million last year. The figures include normal operating losses of HK$45.2 million and non-recurring loss items of HK$41.2 million, due to the divesting of unprofitable or under-performing non-core businesses such as our Taiwan video rental operations and our music and public relations divisions. Consequential losses of trimming down business activities came up to HK$18.3 million and the Group has conservatively made a provision of HK$15.5 million for impairment loss in film and television rights, in light of the poor performance of Chinese language films in the past few years.

Despite the higher non-recurring loss items, the move will lower our operation expenditure by 15% in the coming years and significantly reduce risk for the Group. Despite the conservative income from Chinese language films, our distribution income has been considerably boosted by strong non-Chinese language products released by the Group in the financial year. This has brought the Group a modest but noteworthy profit of HK$1.9 million despite the shrinking markets. In the exhibition sector, the Group has benefited from rising contributions from the Singapore and Malaysian businesses as well as the appreciation of the Singapore currency. Results from the exhibition sector showed a marked increase of HK$14.4 million from last year.

Film Distribution

The total box office of Hong Kong grew from HK$962 million to HK$1,037 million, a 7.8% increase for the financial year under review. This was largely attributed to the release of Hollywood blockbusters such as “Harry Potter”, “Jurassic Park 3” and “Tomb Raider” as well as the successes of two local films “Shaolin Soccer” and “Love On A Diet”. However, box office takings dipped by 16% in the first half of 2002.

The Group distributed 23 Chinese language and 43 non-Chinese language films in the 2001/2002 financial year, compared with 25 Chinese language films and 27 non-Chinese language films in the previous year. Despite that, our lunar new year release “Marry A Rich Man” scored a resounding success at the box office, being the top grosser of the first half of 2002 with gross receipts of HK$21.7 million. The increase in our share for non-Chinese language films from 17% to 19% helped offset the decrease in our market share for Chinese language films which fell from 28% to 21%. The reason for the decrease in the number of films distributed by the Group is the Group’s turn from direct productions to film financing of fewer but better-quality movies in return for regional distribution rights.

This has lowered production risks for the Group significantly as we do not have to bear the full cost of production. It also allows the Group to capitalise on our distribution synergies across the region and to gain market share through service fees and distribution fees. The result of the new initiatives will be more fully felt in the coming financial year.

Exhibition

In accordance with streamlining and consolidations plans, the Group has seen fit to close several underperforming cinemas across the region. The Group now operates 215 screens in 38 cinemas in Hong Kong, Mainland China, Singapore and Malaysia.

Both Singapore and Malaysia turned important corners in the 2001/2002 financial year. Despite overall admissions level in Singapore remaining flat, exhibition for the Group recorded its first profits with a net share of HK$5.7 million. This has been attributed to a highly successful marketing campaign and price increase strategy.

An increase of blockbusters and the reduction of entertainment tax by Malaysian authorities have also increased box office and admissions in the country significantly despite a net of tax ticket price increase. The bottom line has also been aided by the trimming of operating costs and closure of under-performing cinemas.

In Hong Kong, the exhibition business has generally been hard hit especially in the latter part of the financial year with total admissions in the market registering a drop of approximately 21.5%. Lower film hire percentage and higher average ticket prices helped counter further shortfalls, resulting in a loss of HK$5.1 million compared to HK$2.7 million the previous year.

In China, our plans for Golden Peace Cinema IMAX Theatre has received a boost with the negotiation of our contract to now include a further 4 adjoining multiplex screens. With the 7 existing screens at Hai Xing and Friendship, this will bring our total number of screens in Shanghai to 11 besides the additional IMAX theatre, which is expected to be ready in the first Quarter of 2003.

Film & TV Production

While the Group maintains our interest in the kind of quality products we have always been known for, we have decided to scale back on in-house productions in 2002 in light of the current economic downturn and the shrinking of the traditional markets for Chinese language films. Instead, the Group has switched focus to financing films from other producers in return for distribution rights across the region. This allows for more optimum usage of capital while providing less risk.

Despite that, the Group's films from 2001 performed well both artistically and commercially. At the 21st Hong Kong Film Awards, "The Accidental Spy" won Best Film Editing and Best Action Choreography and was nominated for Best Sound Design and Best Visual Effects; "Para Para Sakura" was nominated for Best Original Film Song; "2002" was nominated for Best Visual Effects; and "You Shoot I Shoot" was nominated for Best Screenplay. At The 7th Golden Bauhina Awards, "You Shoot I Shoot" won Best Screenplay and was nominated for Best Supporting Actor.

In television production, the Group went on ahead to produce several drama series including the 20-episode "The Fan Scholar" and the 30-episode "The Legend of the Tang Dynasty aka Love Affairs in the Tang Dynasty" which has proven to be very successful in Mainland China. We have been less active with filming in 2002 because of stricter production rules in the Mainland and have been spending more time developing new projects.

Video

In video sales, the Group is seeing encouraging performance since the setting-up of the video distribution business in September 2001. Despite still being in its incubation period, the division has already contributed a net profit of HK$1.1 million to the Group.

On the other hand, the Group has decided to discontinue the operations of its Taiwan video rental business. This is due to a drastic drop in the overall video rental market in Taiwan as well as the Group's decision to focus on its core businesses.

Music/Public Relations

The Group established a Music division and a Public Relations division in 2000 but decided to temporarily halt operations for the divisions during this financial year. This is in response to a rapidly shrinking music market and a drop in advertising budgets for respective clients. This is also part of the Group's strategy to return to its core businesses where we can leverage off our strengths and our brand name in the face of an uncertain future for the industry.

PROSPECTS

The Group's tougher cost control measures and our return to core businesses and strengths will help us maintain and increase our competitive edge in the industry. The market will still be tough and we expect that it will be some time for the industry to rebound. Piracy will remain a big problem in the region for producers, distributors and exhibitors. Our consolidation will hold us in good stead in unsteady times.

Hong Kong will continue to be the base for the Group and Singapore and Malaysia will retain their strong supporting roles for us. Nevertheless, we will be focusing on developing our China market. We intend to work closely with the Hong Kong as well as the Mainland Chinese Government to facilitate the gradual opening of the market. One of our main focuses will be on looking at the possibility of getting more Chinese language films into the Pearl River Delta region. This would, in effect, significantly increase our potential domestic market ten-fold.

We still firmly believe in the potential of the Chinese language entertainment market. We also believe that the Group is in the best place to exploit this potential and position ourselves as a bridge between the rest of the world and the gradually opening Chinese market. The Group is confident that we can fully realise this potential.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group was principally financed by cash flow generated internally. There are no bank borrowings and the net current assets amounted to HK$70.2 million as at 30 June 2002, including cash and deposits totalling HK$38.9 million. The gearing ratio, which was computed by dividing the total liabilities by the total assets, increased from 15% to 21%.

As at 30 June 2002, the Group had a contingent liability of HK$48.5 million (2001: HK$47.0 million) in respect of a guarantee of banking facilities granted to its associates.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2002, the Group had 244 (2001: 255) employees. The Group remunerates its employees largely based on industry practice. Apart from salaries, commission, provident fund and discretional bonuses, share options are granted to certain employees based on individual merit.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 26 November 2002 to Friday, 29 November 2002 both days inclusive, during which period no transfer of shares will be registered.

In order to determine who are entitled to attend the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tengis Limited, 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Monday, 25 November 2002.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year except that the independent non-executive directors of the Company were not appointed for a specific-term because they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules on the Stock Exchange will be published on the website of the Stock Exchange in due course.

On behalf of the Board
Chow Ting Hsing, Raymond
Chairman

Hong Kong, 22 October 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Sung Room, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 29 November 2002 at 11:00 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and of the Auditors for the year ended 30 June 2002.

2. To elect Directors, to authorise the Board to fix Directors' remuneration and to set a maximum number of Directors.

3. To appoint Messrs Ernst & Young as auditors and to authorise the Directors to fix their remuneration.

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

   "THAT

   (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase its shares, subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;

   (b) the total nominal amount of the shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution, and the said approval shall be limited accordingly; and

   (c) 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 revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

      (iii) 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 any applicable laws to be held.".

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

   "THAT

   (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to issue, allot and dispose of additional shares of the Company and to make or grant offers, agreements and options which would or might require shares to be allotted, issued or disposed of during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved, provided that, otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of 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) or any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, the total nominal amount of additional shares issued, allotted, disposed of or agreed conditionally or unconditionally to be issued, allotted or disposed of (whether pursuant to an option or otherwise) shall not in total exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval shall be limited accordingly; and

(b) 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 revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

(iii) 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 any applicable laws to be held.".

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

"**THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to issue, allot and otherwise dispose of additional shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by total nominal amount of shares in the capital of the Company which has been repurchased by the Company since the granting of such general mandate referred to in the above Resolution 4 pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.".

By Order of the Board
Ang Puay Koon, Susan
Company Secretary

Hong Kong, 22 October 2002

Notes:

(a) The Register of Members will be closed from Tuesday, 26 November 2002 to Friday, 29 November 2002 (both days inclusive) during which period no transfer of shares will be registered. In order to attend the

Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Tengis Limited, 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Monday, 25 November 2002.

(b) A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a Member of the Company.

(c) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's Share Registrars in Hong Kong, Tengis Limited, 4/F Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.

(d) The determination of maximum number of Directors under resolution (2) above will permit the Directors of the Company to appoint additional Directors up to the maximum number so determined.

(e) The annual report of the Company for the year ended 30 June 2002 also containing this notice together with a circular setting out further information regarding Resolutions 4 to 6 above will be despatched to shareholders.