嘉禾 Golden Harvest

GOLDEN HARVEST ENTERTAINMENT (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2003

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 2003 together with the comparative figures for the previous year as follows:

	Notes	**2003** **HK$'000**	2002 HK$'000 (Restated)
TURNOVER	4	**210,270**	264,030
Cost of sales		**(109,271)**	(133,144)
Gross profit		**100,999**	130,886
Interest income		**403**	969
Other revenue		**7,102**	15,435
Selling and distribution costs		**(112,685)**	(119,434)
General and administrative expenses		**(54,262)**	(58,412)
Other operating expenses		**(36,227)**	(6,279)
Impairment of film rights		**(11,215)**	(15,536)
LOSS FROM OPERATING ACTIVITIES	5	**(105,885)**	(52,371)
Write-off of interests in associates		**(75)**	(15,157)
Impairment of a long term investment		**(2,297)**	(5,800)
Impairment of interests in associates		**(2,000)**	–
Impairment of goodwill		**(37,606)**	–
Finance costs	6	**(628)**	(242)
Share of profits and losses of associates		**12,713**	(8,919)
LOSS BEFORE TAX		**(135,778)**	(82,489)
Tax	7	**(5,611)**	(4,134)
LOSS BEFORE MINORITY INTERESTS		**(141,389)**	(86,623)
Minority interests		**6**	5
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(141,383)**	(86,618)
LOSS PER SHARE	8		
Basic		**(17.7 cents)**	(10.8 cents)
Diluted		**N/A**	N/A

Notes:

1. **Significant accounting policies**

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

   The Group has adopted for the first time the following new Statements of Standard Accounting Practice ("SSAPs") issued and revised by the Hong Kong Society of Accountants, which include SSAP No. 1 (revised), No. 11 (revised), No. 15 (revised), and No. 34, in the 2003 financial statements. Comparative figures previously presented have been restated after the adoption of the new and revised SSAPs above. Effects of the change of the Group's accounting policies and the adoption of these new policies will be set out in the 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 No. 29, the cost of the Group's trademarks should be amortised over the best estimate of their useful lives. SSAP No. 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 No. 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 2003. In the opinion of the directors, there has been no material change in the valuation since 30 June 2003; 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 No. 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 the current year, the Group adopted SSAP 34 "Employee benefits" as detailed in note 1. The resulting change in accounting policy relating to the accrual for unused holiday leave carried forward by employees has been made retrospectively and accordingly, the comparative balances for the year ended 30 June 2002, including the loss per share and the accumulated losses brought forward as at 1 July 2001 have been restated.

The effect of this change is an increase in general and administrative expenses and an increase in net losses attributable to shareholders of HK$220,000 for the year ended 30 June 2002, which is the net movement in the accrued employees' unused annual leave during that year. The accumulated losses brought forward as at 1 July 2001 and 1 July 2002 have been increased by HK$1,980,000 and HK$2,200,000, respectively, which are the amounts of the adjustments in respect of the Group's required accrual for employees' unused annual leave as at those dates.

4. Turnover and segment information

(a) Business segments

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

	Film & video distribution		Film exhibition		Film & television drama series production		Others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**77,993**	91,316	**116,602**	148,996	**910**	2,505	**14,765**	21,213	**–**	–	**210,270**	264,030
Inter-segment sales	**2,024**	2,066	**–**	–	**–**	3,377	**268**	3,202	**(2,292)**	(8,645)	**–**	–
Other revenue	**3,806**	6,342	**2,308**	4,305	**1,505**	2,780	**319**	618	**(1,395)**	(1,979)	**6,543**	12,066
Total	**83,823**	99,724	**118,910**	153,301	**2,415**	8,662	**15,352**	25,033	**(3,687)**	(10,624)	**216,813**	276,096
Segment results	**(8,406)**	3,146	**(64,025)**	(21,758)	**(24,497)**	(17,397)	**574**	(7,045)	**722**	1,881	**(95,632)**	(41,173)
Interest income and unallocated gains											**962**	4,338
Impairment of film rights	**(11,215)**	(15,536)	**–**	–	**–**	–	**–**	–	**–**	–	**(11,215)**	(15,536)
Loss from operating activities											**(105,885)**	(52,371)
Write-off of interests in associates	**(75)**	(13,930)	**–**	(1,227)	**–**	–	**–**	–	**–**	–	**(75)**	(15,157)
Impairment of a long term investment											**(2,297)**	(5,800)
Impairment of interests in associates	**–**	–	**(2,000)**	–	**–**	–	**–**	–	**–**	–	**(2,000)**	–
Impairment of goodwill	**–**	–	**–**	–	**(37,606)**	–	**–**	–	**–**	–	**(37,606)**	–
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(628)**	(242)
Share of profits and losses of associates	**(833)**	(5,174)	**13,546**	(3,745)	**–**	–	**–**	–	**–**	–	**12,713**	(8,919)
Loss before tax											**(135,778)**	(82,489)
Tax											**(5,611)**	(4,134)
Loss before minority interests											**(141,389)**	(86,623)
Minority interests											**6**	5
Net loss from ordinary activities attributable to shareholders											**(141,383)**	(86,618)

(b) Geographical segments

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

	Hong Kong		Mainland China		Elsewhere in Asia		Others		Eliminations		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	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	**174,917**	224,272	**17,555**	20,299	**15,052**	14,782	**5,038**	4,677	**(2,292)**	–	**210,270**	264,030

5. Loss from operating activities

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

	2003	2002
	HK$'000	*HK$'000*
Amortisation of film rights	**30,919**	27,321
Depreciation	**18,293**	18,454
Cost of inventories sold	**6,345**	5,917
Cost of services provided	**72,007**	99,906
Loss on disposal of fixed assets	**108**	544

6. Finance costs

	2003 *HK$'000*	2002 *HK$'000*
Interest on accounts payable	**548**	201
Interest on finance leases	**80**	41
	628	242

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

	2003 *HK$'000*	2002 *HK$'000*
Group:		
Hong Kong	**355**	395
Elsewhere	**189**	498
Under provision in prior years	**–**	92
Deferred	**(110)**	–
	434	985
Associates:		
Overprovision in the prior year	**–**	(120)
Deferred	**5,177**	3,269
	5,177	3,149
Tax charge for the year	**5,611**	4,134

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 years of assessment 1995/1996 and 1996/1997. The subsidiary is pursuing objection against the disputes and the directors consider that sufficient tax provision has been made in this regard.

8. 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$141,383,000 (2002: HK$86,618,000 (restated)) and the weighted average of 800,887,500 shares (2002: 800,887,500 shares) in issue during the year.

No disclosure of diluted loss per share for both the current year and prior year is shown as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's ordinary shares during both years and thus the share options had no diluting effect on the basic loss per shares for these years.

9. Summary of auditors' report

The auditor's report on the Group's financial statements for the year ended 30 June 2003 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 which are stated at cost of HK$79,203,000 at 30 June 2003 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 in 2001, 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 2003 and the loss for the year then ended, including the prior year adjustment that is required in respect thereof in order to both recognise the amortisation which should have been recognised in the prior years since the date of adoption of SSAP 29 and to implement SSAP 29 retrospectively at the date of its adoption in 2001 in accordance with the requirements of SSAP 29.

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 2003 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 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations

Overview

The film and entertainment industry have been hard hit by poor economic conditions and piracy across the region in previous years. Added to the unchanged economic situation, the outbreak of Severe Acute Respiratory Syndrome (SARS) has severely impacted the exhibition and distribution businesses in Hong Kong.

As predicted last year, box office receipts in Hong Kong was on a downward spiral, falling from HK$1,037 million in 2001/2002 to HK$841 million in 2002/2003. Besides the economic downturn and SARS, the Group also attributes this downward trend to a lack of good cinemas, the high cost of land and rental and an insufficient supply of movies. This outlook is unlikely to change in the short term.

Despite that, however, the Group's financial standing has stood firm and we continue to operate debt-free with the promise of new revenue avenues opening up in the coming year. The Group will continue to explore new investment opportunities in and out of Hong Kong to further develop its core businesses of distribution and exhibition.

Subsequent to this report, the Group started the first stage of its plans to attract new investment to the Group in August 2003. Several new investors including actor and producer Jackie Chan invested HK$23.4 million by subscribing to 83,400,000 new shares issued by the Company. This will be an ongoing strategy for the Company.

Finance

For the financial year ended 30 June 2003, the Group incurred a loss of HK$141.4 million as compared to a loss of HK$86.6 million last year. The figures include normal operating losses of HK$57.3 million and exceptional items of HK$84.1 million. The normal operating losses included approximately HK$14.5 million that was attributable to the impact of SARS. Barring the SARS impact, it meant that our normal operating losses showed an improvement over the loss of HK$45.4 million incurred the previous year.

A major portion of the exceptional items incurred were attributed to production-related appraisals, in particular goodwill accounts, and provisions for the IMAX project and cinema operations in Shanghai. While these strongly affected our profit and loss for the current year, they will not affect the balance sheet for the coming years. The increase in losses did not adversely affect the Group's cash flow from operating activities, which was in fact improved as compared to the previous year. Our expenditure is under good control and head count is down slightly, thus bringing down operating costs. The Group also continues to operate with no outstanding bank loans.

The Group's strategy to move from production to film financing and distribution has also brought in further income. The Group produced only one film, "My Lucky Star", this year, and has financed films such as the highly successful "Twins Effect", "Golden Chicken" and "The Touch".

While the Hong Kong exhibition has suffered from SARS and the economic downturn, the Group's exhibition businesses in Singapore and Malaysia have seen a strong rebound this year, with market box office growing by 7% and 16% respectively.

Film Distribution

The total box office of Hong Kong fell from HK$1,037 million to HK$841 million, a 19% slump for the financial year under review. This was largely attributable to a lack of strong Chinese language films and fewer summer blockbusters.

The Group distributed 17 Chinese language and 26 non-Chinese language films in the 2002/2003 financial year, compared with 23 Chinese language films and 43 non-Chinese language films in the previous year. Chinese language films distributed by the Group outperformed competitors at the box office, giving the Group a 46% market share for the year under review.

Through film financing, the Group managed to secure distribution rights to a number of external films for its Gala Circuit. Of the top 10 box office hits of the year, the Group distributed "My Lucky Star", "Infernal Affairs", "Twins Effect" and "Golden Chicken". "Infernal Affairs", in particular, was the box office champion for 2002/2003.

Due to a lack of strong non-Chinese language products, the Group saw its market share fall from 19% to 13%, with total box office receipts of HK$62 million approximately half of that from the previous year's.

Despite that, the Group's distribution fee income from Hong Kong was up HK$7.1 million. A drop in income from auxiliary rights and overseas traditional markets brought total distribution fee income down by approximately HK$2 million.

Exhibition

In accordance with the Group's strategy to strengthen its core business in exhibition, the Group has consolidated its exhibition business across the region and is looking at further avenues to grow its business. The Group now operates 211 screens in 37 cinemas in Hong Kong, Mainland China, Singapore and Malaysia, and is exploring other opportunities for investment.

Despite the SARS outbreak, our exhibition businesses in Singapore and Malaysia have maintained a healthy outlook achieving their best results since the 1997 financial crisis. In Singapore, box office receipts for the financial year jumped 7% to S$109 million and the Group's market share pushed to 43.5%. This has been attributed to our successful marketing campaign as well as the strong performances of non-peak season releases such as "Lilo & Stitch" and "The Tuxedo". In November 2002, the Group also converted one of its existing screens to the Republic's first commercial IMAX screen.

In Malaysia where the Group controls 45% plus 37% of the market through Golden Screen Cinemas Sdn Bhd ("GSC") and Tanjong Golden Village Sdn Bhd ("TGV") respectively, overall box office receipts increased by 16% to RM112 million in the financial year under review. At TGV, box office receipts were up 18% to RM41.4 million, and operating results doubled to RM6.6 million after including a RM2.5 million insurance compensation from a fire accident two years ago. GSC reported box office up 41.3% and a profit of RM1.3 million compared to a loss of RM6.9 million the previous year.

The strong performances have been attributed to the full effects of the reduction in entertainment tax introduced the year before. The Group increased its stake in TGV from 25% to 33.3% in October 2002.

In Hong Kong, however, the exhibition business bore the full brunt of the outbreak of SARS as well as a lack of summer blockbusters, bringing losses of HK$24.5 million – an increase of HK$19.4 million over last year. The Group's market share fell slightly from 15% to 14%.

In Mainland China, the Group's cinemas faced growing competition from newly-opened cinemas, particularly near Hai Xing. Box office receipts dropped by 13% to HK$5.3 million, but the impact was offset by lower film hire percentage and rental reductions.

In reviewing our exhibition strategy in Mainland China, we foresee a period of over-competition in the market. We have thus decided to concentrate our resources in other areas where we can build an ongoing competitive advantage. As such, the Group has divested its interests in the Peace IMAX project and is now considering disposing of our interests in our other two cinemas in Shanghai.

Film & TV Production/Finance

The Group 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. In the 2002/2003 financial year, the Group produced only one film "My Lucky Star", switching its focus instead to financing films from other producers in return for distribution rights across the region. Among the top films financed by the Group are "Twins Effect", "Golden Chicken" and "The Touch".

In television production, the Group invested in three Mainland Chinese television drama series which brought in royalty income of HK$9.4 million this year. Results were below expectation and a provision of impairment for HK$2 million was made for prudence.

Video

Our scaled back production numbers have had an effect on our video sales, with royalty income mainly being attributed to the Group's lunar new year hit "My Lucky Star".

Prospects

Despite the underperformance of some sectors of the Group's businesses, the Group's strict financial control measures and the growing returns from its other Asian businesses will help us retain our competitive edge in the business. Although the effects from SARS and the economic downturn will still likely be felt for some time, the Group is confident that our focus on our core businesses will give us an edge in these tough times.

Hong Kong will continue to be the base for the Group and Singapore and Malaysia will retain their strong supporting roles for us.

The Group will continue growing its core businesses with an eye on the Asian markets as a whole and will be looking at further expansion and investment opportunities in new territories and markets.

With the signing of the Mainland China-Hong Kong Closer Economic Partnership Arrangement (CEPA), the Group will be also actively looking for new investment opportunities in Mainland China.

The Chinese language entertainment industry remains one with great potential. We believe the Group's strength and vision across the Asian markets will help us realise this potential to develop and exploit those growing markets.

Liquidity and financial resources

During the year, the Group was principally financed by cash flow generated internally. As at 30 June 2003, the Group's cash balances stood at HK$28.4 million and the net current liabilities at HK$17.3 million. The gearing ratio, which was computed by dividing the total liabilities by the total assets, increased from 21% to 29%. Subsequent to the balance sheet date, on 1 August 2003, the Group successfully placed new shares to third party individuals and institutional investors at HK$0.28 per share and the net proceeds of approximately HK$23.4 million were used to provide additional working capital of the Group. The Group continues to operate debt-free and there are no bank borrowings and charges on the Group's assets.

As at 30 June 2003, the Group had a contingent liability of HK$48.2 million (2002: HK$48.5 million) in respect of a guarantee of banking facilities granted to its associates.

The Group's assets and liabilities are principally denominated in Hong Kong dollars except investments in associates located in Singapore and Malaysia. In view that the Malaysian Ringgit is pegged to the United States dollars and the exchange rate between Singapore dollars and Hong Kong dollars has been relatively stable for the past two years, the directors were of the view that the Group's exposure to currency exchange risk was minimal. There was no hedging of foreign currencies carried out by the Group accordingly.

Employee and remuneration policies

As at 30 June 2003, the Group had 232 (2002: 244) employees. The Group remunerates its employees largely based on industry practice. Apart from salaries, commission, mandatory 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 Friday, 21 November 2003 to Wednesday, 26 November 2003 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, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 20 November 2003.

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 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, 17 October 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Ball Room B, 2/F, Langham Hotel, Hong Kong, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 26 November 2003 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 2003.

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.".

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

   "THAT the authorised share capital of the Company be and is hereby increased from HK$130,000,000 to HK$200,000,000 by the creation of 700,000,000 shares of HK$0.10 each and that such new shares, upon issue, shall rank pari passu in all respects with the existing shares of the Company."

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

Hong Kong, 17 October 2003

Notes:

(a) The Register of Members will be closed from Friday, 21 November 2003 to Wednesday, 26 November 2003 (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, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 20 November 2003.

(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, G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting.

(d) The proposed maximum number of directors under Resolution 2 is not more than 20, which is to reconfirm the existing maximum number. 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 2003 also containing this notice together with a circular setting out further information regarding Resolutions 4 to 7 above will be despatched to shareholders.