

# UNITED

## UNITED METALS HOLDINGS LIMITED

### 科鑄技術集團有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2302)

#### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER, 2003

The Board of Directors (the "Board") of United Metals Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2003, together with the audited comparative figures for the previous year as follows:

#### CONSOLIDATED INCOME STATEMENT

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	3	150,545	134,163
Cost of sales		(103,798)	(90,218)
Gross profit		46,747	43,945
Other operating income		2,191	872
Selling and distribution expenses		(3,288)	(2,658)
Administrative expenses		(17,005)	(10,889)
Other operating expenses		(667)	(879)
Profit from operations	4	27,978	30,391
Interest on bank loan repayable within five years		(265)	(24)
Profit before taxation		27,713	30,367
Taxation	5	(1,959)	(1,828)
Profit for the year		25,754	28,539
Dividends	6	8,800	14,979
Earnings per share – basic	7	11.7 cents	17.3 cents

#### Notes:

1. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**  
The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 25 June, 2002 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 January, 2003.

2. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS**  
In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP(s)") and Interpretations approved by the HKSA. SSAP 12 (Revised) Income Taxes

The adoption of this SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. **TURNOVER AND SEGMENTAL INFORMATION**  
Turnover represents the gross amount received and receivable for goods sold, net of returns, to outsiders during the year.

**Business Segments**  
The Group's turnover and contribution to profit from operations, analysed by business segments (primary segments) are as follows:

	Turnover		Segment Contribution	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Aluminium parts	129,393	111,209	23,444	27,825
Manufactured zinc parts	16,293	11,231	3,154	1,938
Processed zinc parts	–	5,042	–	273
Screw machined brass parts	1,616	6,232	216	1,111
Others	3,243	449	564	19
	150,545	134,163	27,378	31,166
Income (Expenses) from investment in securities			322	(765)
Interest income			416	127
Unallocated corporate expenses			(138)	(137)
Profit from operations			27,978	30,391

**Geographical Segments**  
The Group's turnover and contribution to profit from operations, analysed by geographical markets are as follows:

	Turnover		Segment Contribution	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
The People's Republic of China (the "PRC"), including Hong Kong	78,097	68,051	14,284	15,544
North America	38,924	34,595	7,014	7,819
Europe	27,528	27,156	5,007	6,718
Others	5,996	4,361	1,073	1,085
	150,545	134,163	27,378	31,166

4. **PROFIT FROM OPERATIONS**

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included in other operating expenses)	335	114
Depreciation	8,306	5,420
Unrealised holding losses on listed trading securities	–	765

5. **TAXATION**

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong Profits Tax		
Current year	593	694
Overprovision in previous years	(128)	(43)
Taxation in other jurisdictions	465	651
	1,098	1,177
	1,563	1,828
Deferred tax:		
Current year	396	–
Taxation attributable to the Company and its subsidiaries	1,959	1,828

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Profits Tax rate has been increased with effect from the 2003/04 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 December, 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Pursuant to the relevant laws and regulations in the PRC, Dongguan United Metal Products Co., Ltd. 东莞鏗利五金制品有限公司 ("Dongguan United") is entitled to an exemption from the PRC enterprise income tax for two years commencing from its first profit-making year of operation and thereafter, Dongguan United is entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 12%. Dongguan United's first profit-making year is the year of 1999. Accordingly, provision for the PRC enterprise income tax has been provided for after taking account of these tax incentives during the year.

6. **DIVIDENDS**

	2003 HK\$'000	2002 HK\$'000
Ordinary shares		
Interim, paid – HK2 cents (2002: Nil) per share	4,400	–
Final, proposed – HK2 cents (2002: Nil) per share	4,400	–
Special dividends, paid – Nil (2002: HK\$850 per share)	–	14,979
	8,800	14,979

For the year ended 31 December, 2002, the special dividends amounted to HK\$14,979,000 were declared and paid by the Company's wholly-owned subsidiary, United Non-Ferrous (Overseas) Limited, to its then shareholders prior to a group reorganisation on 13 December, 2002 (the "Group Reorganisation").

The final dividend of HK2 cents per share (2002: Nil) has been proposed by the Board and is subject to approval by the shareholders of the Company in annual general meeting.

#### 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the following data:

	2003 HK\$'000	2002 HK\$'000
Earnings for the purpose of basic earnings per share	25,754	28,539
Weighted average number of shares for the purpose of basic earnings per share (note)	219,246,575	165,000,000

#### Note:

The weighted average number of shares for the purpose of basic earnings per share for the year ended 31 December, 2002 was calculated as if the Group Reorganisation and the capitalisation issue as set out in Appendix V to the prospectus dated 19 December, 2002 had been effective at the beginning of year.

No diluted earnings per share has been presented as there were no potential ordinary shares outstanding during the year.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Industry Outlook

The year of 2003 was well regarded as a challenging and dynamic year for the global economy. Despite the outbreak of Severe Acute Respiratory Syndrome ("SARS"), which inevitably affected manufacturers in the worldwide, the market sentiment gradually improved in the second half of the year. According to the State of the Industry Report, *DIE CASTING ENGINEER*, which was published in January 2004, the global die-casting market continued to experience rapid surge in demand driven by evolving models for automobiles, information technology, telecommunications and audio & video devices etc. It is believed that such growth momentum will further accelerate in the coming years.

The PRC, being the economic pulse of the new era, demonstrated its unrivaled competitiveness and global economic leadership by the instant and strong rebound right after SARS subsided. As a global manufacturing base with vast domestic consumption, the PRC continued to enjoy a booming demand for quality and efficient die-casting services, especially under the growing popularity of outsourcing of die-casting production. This phenomenon will keep on benefiting quality die-casting service providers especially in the Guangdong region.

The automotive sector, which constitutes about two-third of the total market for die-casting manufacturers in most industrialized countries, is by far the most important market for the world die-casting industry. While the global automotive industry has been expanding at a fairly modest rate in recent years, the adoption of aluminium and magnesium parts in cars and trucks, on the contrary, increased tremendously. The average aluminium and magnesium content in vehicles is now about 270 pounds per vehicle and 9 pounds per vehicle respectively. This is expected to grow to 350 pounds for aluminium and 40 pounds for magnesium within the next five years. This, coupled with the rapid expansion of the PRC automotive market, which is most likely to continue for many years, implies that the global die-casting market will expand dramatically in the foreseeable future.

Capturing the enormous potentials in both local and global die-casting markets, the Group, the fully vertically-integrated die-caster for both domestic and overseas customers, is well prepared to speed up its development and fortify its business growth.

##### Business Review

For the year ended 31 December, 2003, the Group once again recorded increase in turnover by 12.2% to approximately HK\$150.5 million. The growth is mainly attributable to increase in sale of aluminium die casting parts, which accounted for approximately 86% of turnover. Magnesium parts, since its commencement of production in 2002, has also started its profits contribution and is expected to become another source of income in future.

Thanks to its sound and flexible business model, persistence in enhancing production capacity and dedication to product quality, the Group managed to minimize the adverse impact brought by the outbreak of SARS during the first half of year and achieved a resilient growth over the year. The Group expanded healthily in terms of client base and sales order, which was in parallel with the overall growing global die-casting market. With its dedication for operational efficiency and efficacy, the Group also succeeded in combating the volatile raw material prices in 2003 and maintained the profit margin.

Profit for the year declined slightly by 9.8% to approximately HK\$25.8 million primarily due to the increase in labor cost and those administrative expenses for organizational re-structuring and listing compliance following its listing in the Stock Exchange. With the commencement of new production facilities, further scale of economies will be realized and growth in revenue is expected to resume in future.

##### Operational Review

2003 marked a year of consolidation for the Group, the fully vertically-integrated die-caster for domestic and international clients. Despite the challenging environment, the Group maintained a steady organic growth during the year. Tapping the growing global die-casting market, the Group has also made several significant business progresses, with the aim not only to further expand its scope of business, but most important of all, to pave its way capture the enormous market potentials ahead.

##### 1. Enhanced Production Capacity

The Group continued to enhance its production capacity so as to fulfill the rise in the global and domestic demands for die-casting services. In line with its expansion plan, the third die-casting workshop in Dongguan was completed and commenced operation during 2003. Together with the two existing plants, current total GFA amounted to approximately 17,720 sq.m.. In light of the growing need for one-stop die-casting services, the scale of internal tooling center was enlarged by 100% to improve quality and productivity of the tooling process and over 18 units of new CNC machineries were installed to increase the capacity for perfecting machining of die-casting products. To enhance its surface finishing capability, the Group has also added a new paint spraying line, equipped with state-of-the-art ABB robotic operation.

By increasing advanced production machineries to 135 sets, at the utilization rate of approximately 80%, the Group enjoyed a surge of production capacity from approximately 250 tons per month in 2002 to 350 tons per month in 2003. Further benefits from the scale of economies will be expected in coming future.

##### 2. Product Diversification

The Group strived to provide a comprehensive range of product offerings with the aim to offer choices and diversity for leading manufacturers. Aluminium remained the most widely applicable metal alloy and the core income contribution for the Group, increased from approximately 83% in 2002 to 86% of the total sales volume in the year under review.

Magnesium parts, since its commencement of production 2002, started profit contribution for the Group. With the growing needs for lightweight, the demand for magnesium die-casting product will surge continuously.

##### 3. Diversified Clientele with New Orders Received

During the year under review, the Group significantly enlarged its client base. Turnover generated from the first five customers reduced from 67.1% to 55.8%, which marked a positive sign of risk diversification. With over 70 clients spanning across the PRC, Japan, Singapore, North America and Europe, the PRC remained the largest shipment delivery country, amounting to 51.9% of total turnover. Several new contracts have also been secured. In addition to the three-year contract with a compressor manufacturer, the Group have entered into agreement with several automotive manufacturers and commenced product development in particular items.

4. *Captured Potentials in the Automotive Market in the PRC*

In view of the booming PRC economy and its entry into WTO, more foreign automotive manufacturers are expected to invest and commence production in the PRC, especially in Shanghai and Guangdong regions, while renowned local automotive manufacturers are also prepared to expand intensively to meet with booming domestic market demand. In view of the rising demand for automotive die-casting products in the PRC, the Group has entered into agreement with respective local authorities to build and operate new production facilities in the PRC.

To further expand its capability in automotive manufacturing, the Group has started to explore into the technology of gravity casting in the second half of 2003. It has also committed to implement the stringent quality system TS16949 to meet specific requirements of automotive supplier, with the aim to provide satisfactory services to this expanding group of clients.

**Future Strategies**

Looking forward, the PRC is expected to be one of the key die-casting markets with promising outlook. Capitalizing on its geographical advantage, together with the series of strategic moves made in 2003, the Group has fully prepared itself for future business growth. The Group will continue to solidify its business foundation as well as to speed up its pace of development in two particular market segments: automotive industry and international industrial companies with manufacturing bases in the PRC.

To capture the market potentials, the Group will continue to extend its production capacity for quality die-casting products and services. The new production facilities, divided into two phases, will be completed in mid 2005. Situated in Shanghai, the production facilities will cater particularly for the needs of those new entrances of foreign automotive manufacturers and international industrial companies in Shanghai and the surrounding regions. Upon completion of the project, production capacity will be significantly increased by four times as compared with its current facilities. In addition, the establishment of a new enterprise in Guangdong will also enjoy the official right of sales directly to the PRC market. The successful application of license will serve as a breakthrough for the Group, facilitating its strategic entrance into the PRC die-casting market in the future.

**EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December, 2003, the Group had about 2,100 employees (at 31 December, 2002: 1,500) of whom 20 were based in Hong Kong (at 31 December, 2002: 15), 2,080 was based in the Group factories in Dongguan PRC (at 31 December, 2002: 1,485).

Remuneration policies and packages for the Group's employees are based on their performance, working experiences and condition prevailing in the industry. In addition to basic salaries, retirement schemes and medical scheme, discretionary share options and performance bonuses to eligible staff are according to the financial results of the Group and the performance of individual employees. To raise work quality and management abilities of its employees, the Group provides job rotation, in-house training and external training courses to employees.

**FINANCIAL REVIEW****Liquidity and financial resources**

In view of the net proceeds of approximately HK\$41,600,000 from the issue of 55,000,000 new shares during the year, together with the Group's profit generating cash from its operation, the Group's cash on hand increased from HK\$21,734,000 as at 31 December, 2002 to HK\$62,124,000 as at 31 December, 2003. As at 31 December, 2003, total bank borrowings was HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000), of which HK\$2,667,000 (at 31 December, 2002: HK\$2,667,000) would be due within one year and HK\$2,444,000 (at 31 December, 2002: HK\$5,111,000) would be due after one year. The bank borrowings is denominated in Hong Kong dollars and charged at fixed interest rate. Therefore, the Group is not exposed to any exchange rate and interest rate risks.

The Group had net current assets of HK\$98,423,000 as at 31 December, 2003 (at 31 December, 2002: HK\$51,674,000). Stock turnover days increased from 36 days at 31 December, 2002 to 48 days at 31 December, 2003 due to the pile-up of inventories for subsequent shipments in January 2004. Debtors' turnover days decreased to 72 days (at 31 December, 2002: 74 days). Current ratio, being the ratio of current assets to current liabilities, was maintained at a strong level of 5.6 (at 31 December, 2002: 2.9). Shareholders' funds further increased from HK\$98,251,000 as at 31 December, 2002 to HK\$161,191,000 as at 31 December, 2003.

As at 31 December, 2003, the Group's total debt was approximately HK\$24,843,000 (at 31 December, 2002: HK\$31,939,000); whereas the Group's total assets was HK\$186,034,000 (at 31 December, 2002: HK\$130,190,000). The gearing ratio, in terms of total debt to total assets, stood at 0.13 (at 31 December, 2002: 0.25).

As at 31 December, 2003, total banking facilities amounting to HK\$40,000,000 was available (at 31 December, 2002: HK\$40,000,000), of which merely HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000) was utilized in term of bank term loan. As the Group's strong liquidity and financial

resources position continued to be strong, the Board considers that the Group will have sufficient financial resources to finance future investment and capital expenditure plans.

**Foreign exchange exposure, hedging and off balance sheet financial instruments**

The Group's purchases of raw materials were principally made in HKD, RMB and the Group's sales were made in USD and HKD.

As both HKD and RMB are pegged to the USD under the current exchange rate system in Hong Kong and the PRC, the Group is not exposed to significant foreign exchange risk in HKD, RMB and USD.

**Acquisition and disposal**

The Group did not have any material acquisition or disposal of subsidiary and associated company during the year.

**Charges on assets**

As at 31 December, 2003, the Group pledged its investments in securities amounted to approximately HK\$1,225,000 (at 31 December, 2002: HK\$1,191,000) to bank to secure banking facilities of HK\$5,111,000 (at 31 December, 2002: HK\$7,778,000).

**Contingent liabilities**

As at 31 December, 2003, the Group did not have any significant contingent liabilities.

**USE OF THE PROCEEDS FROM THE INITIAL PUBLIC OFFERING**

The net proceeds of approximately HK\$41,600,000 from the issue of Company's new shares of 55,000,000 on the Stock Exchange on 6 January, 2003 were applied as follows:-

- as to approximately HK\$17,500,000 was incurred for the purchase of production facilities, inspection equipments and expansion of sales and marketing activities in order to increase production capacity, strengthen quality checking, expand sales term and participate in trade shows;
- as to approximately HK\$22,500,000 worth of contracts were under construction in progress for additional production facilities and tooling making facilities.

The Group intends to pay the remaining proceeds in the year of 2004 to increase production capacity.

**FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK2 cents per share for the year ended 31 December, 2003 (2002: Nil), payable to shareholders whose names appear on the Register of Members of the Company on Thursday, 27 May, 2004. This final dividend distribution, together with the interim dividend distribution of HK2 cents per share, will make a total dividend distribution of HK4 cents per share for the year ended 31 December, 2003. The proposed final dividend distribution, if approved, will be paid on Tuesday, 8 June, 2004.

**CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from Thursday, 20 May, 2004 to Thursday, 27 May, 2004, both days inclusive. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 19 May, 2004.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There were no purchase, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the period from 6 January, 2003 (the "Listing Date") to 31 December, 2003.

**COMPLIANCE WITH THE CODE OF BEST PRACTICE**

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since its shares were listed on the Main Board of the Stock Exchange.

**PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

The Company's annual report containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board  
**Thomas Lau, Luen-hung**  
Chairman

Hong Kong, 8 April, 2004

\* For identification only

Website: <http://www.unitedmetals.com.hk>  
[http://www.iprasia.com/listco/united\\_metals](http://www.iprasia.com/listco/united_metals)

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the "Meeting") of United Metals Holdings Limited (the "Company") will be held at the Concord Room 2-3, 8/F, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 27 May, 2004 at 11:00 a.m. for the following purposes:-

1. To receive and consider the audited consolidated financial statements together with the Reports of the Directors and the Auditors of the Company for the year ended 31 December, 2003.
2. To re-elect Directors and authorize the board of directors (the "Board") to fix the Directors' remuneration.
3. To re-appoint the Auditors and to authorize the Board to fix the Auditors' remuneration.
4. To declare final dividend for the year ended 31 December, 2003
5. As special business, to consider and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

5A. **"THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to repurchase shares of the Company on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time (the "Listing Rules") be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to procure the Company to repurchase its shares at a price determined by the Directors;
- (c) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution: "Relevant Period" means the period from the date of passing of this resolution until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company; or
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association of the Company to be held; or
  - (iii) the date upon which the authority set out in this resolution is revoked or varied by way of an ordinary resolution of the shareholders of the Company in general meeting."

5B. **"THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and otherwise deal with additional ordinary shares of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above, shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) below), or (ii) the exercise of any options granted under the share option scheme or

similar arrangement for the time being adopted or to be adopted for the grant or issue to officers and/or employees of the Company and/or its subsidiaries, of options to subscribe for, or rights to acquire shares of the Company approved by the Stock Exchange, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, or (iv) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

- (d) for the purpose of this resolution:

"Relevant Period" shall have the same meaning as ascribed to it under the resolution set out in paragraph 5A(d) of this Notice; and

"Rights Issue" means the allotment, issue or grant of shares or other securities open for a period fixed by the Directors to holders of the shares or any class of shares thereof on the register of members on a fixed record date in proportion to their then holdings of such shares or class thereof (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 any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company)."

5C. **"THAT:**

conditional upon the passing of Resolutions Nos. 5A and 5B, the aggregate nominal amount of the share capital of the Company which shall have been repurchased by the Company under the authority granted to the Directors as mentioned in Resolution No. 5A above (up to a maximum of 10 per cent of the aggregate nominal amount of the share capital of the Company as stated in Resolution No. 5A above) shall be added to the aggregate nominal amount of the share capital that may be allotted, issued or otherwise dealt with, or agreed conditionally and unconditionally to be allotted, issued or otherwise dealt with by the Directors pursuant to Resolution No. 5B above."

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

**"THAT** the Articles of Association of the Company be amended in the following manner:

## (a) Article 2

- (i) by adding the definition of "associate" immediately after the definition of "these Articles" as follows:

"associates" shall have the meaning ascribed to such term in the Companies Ordinance and the Listing Rules;

- (ii) by deleting the words "section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong" in the definition of "recognized clearing house" and replacing them with the words "Part 1 of Schedule 1 of the Securities and Futures Ordinance and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor."
- (iii) by deleting the definition of "subsidiary and holding company" in its entirety and replacing by "shall have the meanings ascribed to such terms in the Companies Ordinance and the Listing Rules."

## (b) Article 76

- by adding "or unless a poll is required under the Listing Rules as amended from time to time" after "a poll is duly demanded."

## (c) Article 85(c)

by adding the following paragraph under the heading of "Restriction to voting".

"That, where any shareholder is, under the Listing Rules, 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 shareholder in contravention of such requirement or restriction shall not be counted."

- (d) Article 103(c)  
by deleting in its entirety and replacing by the following:  
“A director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:
- (i) the giving of any security or indemnity either:
    - (aa) to the director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
    - (bb) 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 and whether alone or jointly under a guarantee or indemnity or by the giving of securities;
  - (ii) any proposal concerning an offer of 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 to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (iii) any proposal concerning any other company in which the director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the director or his associate(s) is/are beneficially interested in shares of that company, provided that the director and any of his associates are not in aggregate beneficially interested in 5 per cent or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
  - (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
    - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the director or his associate(s) may benefit; or
    - (bb) the adoption, modification or operation of pension fund or retirement, death or disability benefits scheme which relates both to directors, his associate(s) and employees of the Company or any of its subsidiaries and does not provide in respect of any director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
  - (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 of debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”
- (e) Article 103(f)  
by deleting in its entirety.
- (f) Article 116  
by deleting in its entirety and replacing by the following:  
“No person other than a Director retiring at the meeting shall, unless recommended by the Board, be eligible for election as Director at any general meeting unless a notice signed by a member of the Company (not being the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given the person to be proposed of his intention to propose such person for election and also a notice signed by of his willingness to be elected shall be lodged at the head office or at the registered office, provided that the minimum length of period, during which such notice(s) are given, shall be at least 7 days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting.”
- (g) Article 119  
by deleting in its entirety and replacing by the following:  
“The Board may meet together for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world and may determine the quorum necessary for the transaction of business. Unless otherwise determined two Directors shall be a quorum. For the purposes of this Article an alternate Director shall be counted in a quorum in place of the Director who appointed him and an alternate Director who is an alternate for more than one Director shall for quorum purposes be counted separately in respect of himself (if he is a Director) and in respect of each Director for whom he is an alternate (but nothing in this provision shall be construed as authorizing a meeting to be constituted when only one person is physically present). A meeting of the Board or any committee of the Board may be held by means of a telephone or tele-conferencing, or any other electronic means provided that all participants are thereby able to communicate each other simultaneously and instantaneously and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.”
- (h) Article 120  
by deleting “or telegram” and replacing by adding “telegram or other electronic means” after “telex”.
- (i) Article 129  
by adding “by facsimile or other electronic means” after “Directors”.
- (j) Article 163(a)  
by deleting in its entirety and replacing by the following:  
“Any notice or document (including a share certificate) may be served by the Company or by the Board on any member either personally or by sending it through the post in a prepaid letter addressed to such member at his registered address as appearing in the register or, in the case of notice by advertisement published in the newspapers or by sending it using electronic means, including but not limited to electronic mail or by making it available for the examination by the member using electronic means, including the posting of such notice or document on websites or web pages provided that if any such notice or document is to be sent or made available to any member by using electronic means, the Company and the Board must first have received from the relevant member a written confirmation that the member wants to receive or to have made available to him such notice or document using the electronic means that the Company and the Board have suggested. In the case of joint holders of the share, all notices shall be given to that holder for the time being one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.”
- (k) Article 165(d)  
by deleting in its entirety and replacing by the following:  
“Any notice or document sent or made available by using electronic means to members who have in writing confirmed their agreement to receive such notice or document through such means shall be deemed to have been served on such members when the notice or document has been sent or made available to them in accordance with the arrangement specified in their written confirmation to the Company. A certificate in writing signed by the Secretary or other person appointed by the Board that the notice or document has been sent or made available in accordance with such arrangement shall be conclusive evidence thereof.”

7. To transact any other business.

By Order of the Board  
**Thomas Lau, Luen-hung**  
Chairman

Hong Kong, 8 April, 2004

*Notes:*

1. Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies (who must be an individual or individuals) to attend and vote instead of him. A proxy need not be a Shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy so appointed.
2. The register of members of the Company will be closed from Thursday, 20 May, 2004 to Thursday 27 May, 2004, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend which is going to be approved at the Meeting, attending and voting at the Meeting, all properly completed and signed transfer forms accompanied with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 19 May, 2004.
3. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's principal office in Hong Kong at Units 901-903, 9th Floor, Laford Centre, 838 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or at any adjournment thereof.
4. With respect to the resolution set out in paragraph 5A of the notice, approval is being sought from Shareholders for a general mandate to be given to the Directors to purchase shares of the Company.
5. With respect to the resolutions set out in paragraphs 5B and 5C of the notice, approval is being sought from Shareholders for general mandates to be given to the Directors to allot, issue and deal with shares of the Company in accordance with the Listing Rules of the Stock Exchange.
6. With respect to the resolution set out in paragraph 6, approval is being sought from Shareholders for a general mandate to the Directors to amend the Articles of Association of the Company to comply with the Listing Rules of the Stock Exchange.
7. An explanatory statement containing the information with respect to the resolutions set out in paragraphs 5A to 5C of the notice of the Meeting will be sent to the Shareholders together with the 2003 Annual Report.