

e-KONG
e-Kong Group Limited
(Incorporated in Bermuda with limited liability)
www.e-kong.com
(Stock Code: 524)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2003

RESULTS

The board of directors (the “Board”) of e-Kong Group Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2003, together with comparative figures in 2002, as follows:

Condensed Consolidated Income Statement

	<i>Note</i>	Year ended 31 December	
		2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover		402,543	316,746
Cost of sales	2	(235,128)	(226,986)
Gross profit		167,415	89,760
Interest income		107	313
Other income		3,142	3,039
Distribution costs		(23,149)	(25,428)
Business promotion and marketing expenses		(5,106)	(6,853)
Operating and administrative expenses		(112,689)	(139,661)
Other operating expenses		(50,851)	(77,176)
Loss from operations	7	(21,131)	(156,006)
Finance costs		(157)	(1,080)
Gain on disposal of discontinued operation	3	532	—
Provision for diminution in value of investment securities		—	(27,982)
Unrealised holding loss on other investments		—	(3,117)
Share of results of associates		—	1,911
Loss from ordinary activities before taxation		(20,756)	(186,274)
Taxation credit	4	1,000	—
Loss from ordinary activities after taxation		(19,756)	(186,274)
Minority interests		—	—
Net loss attributable to shareholders		(19,756)	(186,274)
		<i>HK\$</i>	<i>HK\$</i>
Loss per share	5		
Basic		(0.04)	(0.74)
Diluted		N/A	N/A
		<i>HK\$'000</i>	<i>HK\$'000</i>
EBITDA	6	23,804	(109,084)

Notes:

1. Basis of preparation and accounting policies

The condensed consolidated financial statements are prepared in accordance with the Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the Hong Kong Companies Ordinance and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

In the current year, the Group adopted, for the first time, the revised Statement of Standard Accounting Practice 12 “Income Taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

2. Turnover and segmental information

The analysis of the Group’s turnover and results by business and geographical segments during the year are as follows:

(a) by business segment:

	Year ended 31 December			2002		
	2003			2002		
	Telecom- munication services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	Telecom- munication services <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	398,128	4,415	402,543	298,543	18,203	316,746
Result						
Loss from operations	(4,790)	(1,776)	(6,566)	(103,493)	(21,359)	(124,852)
Finance costs				(157)		(1,080)
Other operating income and expenses						(31,154)
Gain on disposal of discontinued operation			532			—
Provision for diminution in value of investment securities			—			(27,982)
Unrealised holding loss on other investments			—			(3,117)
Share of results of associates			—			1,911
Loss from ordinary activities before taxation			(20,756)			(186,274)
Taxation credit			1,000			—
Net loss attributable to shareholders			(19,756)			(186,274)

(b) by geographical segment:

	Year ended 31 December			2002		
	2003			2002		
	North America <i>HK\$'000</i>	Asia Pacific <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	North America <i>HK\$'000</i>	Asia Pacific <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External sales	264,997	137,546	402,543	177,464	139,282	316,746
Result						
Profit / (Loss) from operations	(6,992)	426	(6,566)	(81,747)	(43,105)	(124,852)
Finance costs			(157)			(1,080)
Other operating income and expenses			(14,565)			(31,154)
Gain on disposal of discontinued operation			532			—
Provision for diminution in value of investment securities			—			(27,982)
Unrealised holding loss on other investments			—			(3,117)
Share of results of associates			—			1,911
Loss from ordinary activities before taxation			(20,756)			(186,274)
Taxation credit			1,000			—
Net loss attributable to shareholders			(19,756)			(186,274)

3. Discontinued operation

In January 2003, the Group entered into a sale and purchase agreement with an independent third party to dispose of two wholly-owned subsidiaries at a consideration of HK\$1.5 million. Upon disposal of the two subsidiaries, which were engaged in the business of provision of event management services, the corporate management services business of the Group has been discontinued since January 2003.

4. Taxation credit

Hong Kong Profits Tax and overseas taxation have not been provided for as the Group has no assessable profit for the year (2002: Nil).

The amount of taxation credited to the consolidated income statement represents:

	Year ended 31 December	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Deferred taxation relating to the origination of temporary difference	1,000	—
5. Loss per share		
The calculation of basic loss per share for the year ended 31 December 2003 was based upon the consolidated loss attributable to shareholders of HK\$19,756,000 (2002: loss of HK\$186,274,000) and on the weighted average number of 470,894,200 (2002: 252,549,887) shares in issue during the year.		
The fully diluted loss per share for the year ended 31 December 2003 and 2002 was not shown because the potential shares would decrease the loss per share and would be regarded as anti-dilutive.		
6. EBITDA		
EBITDA represents earnings before interest expenses, taxation, depreciation, amortisation, provision for diminution in value of investment securities, unrealised holding loss on other investments and the Group’s share of results of associates.		
7. Loss from operations		
This was arrived at after charging / (crediting):		
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Depreciation of property, plant and equipment (Gain) / Loss on disposal of other investments	44,403	46,922
	(13)	13,865

8. Comparative figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year 31 December 2003. (2002: Nil).

BUSINESS REVIEW

The Group’s primary business goals for 2003 were to achieve sustainable increase in turnover, to improve operational efficiency and to attain positive EBITDA for the Group. Despite the challenging market conditions during the year under review, the Group delivered on all its promises. In 2003, turnover increased by 27.1%, operating cost reduced by 23.0% as compared to 2002 and positive EBITDA of HK\$23.8 million for the year was achieved.

In 2003, the Group remained focused on increasing the revenue and improving the operating results of the ZONE telecommunication operations (“ZONE”) in the United States, Hong Kong and Singapore.

ZONE US operation continues to increase its revenue from its voice telecommunication-related services, particularly from growth in the corporate segment. ZONE US has also expanded its range of services targeting mainly at the corporate segment, including the addition of local dedicated services, managed IP-VPN, frame relay and other data solutions; enhanced toll-free services, and other IP-centric offerings. The addition of these added services coupled with ZONE’s carrier neutral value proposition has enabled ZONE US to provide enhanced value to its customers via a consultative sales process, cost savings, best-in-breed telecommunications solutions, and a higher level of customer service.

ZONE Hong Kong remains competitive despite difficult market environment. ZONE has managed to establish itself as one of the key providers of IDD services to corporate customers. ZONE Hong Kong has also implemented a number of initiatives to capitalise on opportunities made available via new IP-based technologies. These technologies will enable ZONE Hong Kong to introduce new and innovative services at reduced network costs. Growth for the coming year is likely to come from serving Hong Kong corporate customers with presences in the Mainland China. ZONE is confident that it can provide such customers with attractive IP-centric alternatives built around value-added and cost-saving incentives.

ZONE Singapore recorded another year of consistent revenue growth. It enjoys a growing reputation for providing reliable quality, unique web-enabled features and dependable customer service. ZONE Singapore has been successful in signing up sizable corporate customers including those from the logistics, hospitality, IT and service-related industries. In 2004, ZONE Singapore will be increasing its sales efforts and also upgrading its technology platform to provide for projected growth.

In line with its strategic decision to focus on the ZONE telecommunications business, the Group disposed of its interest in two subsidiaries engaging in the event management business in January 2003.

In 2003, the ZONE operations have all achieved positive EBITDA and positive net cash inflow while continuing to steadily increase their respective market shares. **Looking ahead** to 2004, the Group will continue to grow its existing businesses while maintaining financial and operational vigilance. The Group will explore opportunities where it can utilise new technologies and capitalise on present technology platforms and existing customer bases to expand within and beyond its current geographical locations into other complementary telecommunication services including IP-centric, wireless and data-related services.

FINANCIAL REVIEW

Results

During the year under review, the Group continued to record increasing revenue growth and improvements in operating results. The consolidated turnover increased by 27.1% to HK\$402.5 million compared to HK\$316.7 million for the prior year. EBITDA improved by HK\$132.9 million from negative HK\$109.1 million for the previous year to positive HK\$23.8 million for 2003. Operating cost reduced from HK\$249.1 million in 2002 to HK\$191.8 million reflecting the improvements in operating efficiencies within the Group. The increase in turnover and improved operating results were due mainly to the strong full-year contribution from the core telecommunications business. Revenue from the ZONE telecommunications business increased by 33.4% to HK\$398.1 million in 2003, compared to HK\$298.5 million in 2002.

Turnover from ZONE US increased by 49.3% from HK\$177.5 million in 2002 to HK\$265.0 million in 2003. ZONE US achieved positive EBITDA for the year despite increasing competition, particularly in the residential segment of the market. Healthy growth in the corporate segment and continuing enhancements in operating efficiencies were key factors contributing to the positive EBITDA for ZONE US. ZONE US accounted for 65.8% of the total Group turnover in 2003 compared to 56.0% for the previous year.

ZONE Hong Kong and ZONE Singapore achieved net profit for the year and collectively recorded a 9.9% increase in the turnover from HK\$121.1 million for the previous year to HK\$133.1 million for 2003.

The Group’s gross profit increased by 86.5% from HK\$89.8 million in 2002 to HK\$167.4 million. The gross profit as percentage of turnover increased from 28.3% for 2002 to 41.6% for 2003.

Operating loss for the year was HK\$21.1 million compared to HK\$156.0 million for the previous year. Consolidated net loss attributable to shareholders declined to HK\$19.8 million from HK\$186.3 million in the year of 2002.

Assets

As at 31 December 2003, the net assets of the Group amounted to HK\$176.6 million compared to HK\$196.4 million as at 31 December 2002.

Liquidity and Financing

The Group relied on its internal resources to fund its operations during the year.

Cash and bank balances (excluding pledged deposits) were HK\$30.9 million as at 31 December 2003 compared to HK\$31.1 million in 2002. The Group’s pledged deposits reduced from HK\$7.7 million as at 31 December 2002 to HK\$3.3 million as at 31 December 2003. The Group had no bank borrowings during the year.

As at 31 December 2003, the Group’s liabilities under equipment lease financing reduced to HK\$0.6 million compared to HK\$7.4 million in 2002.

The Group’s gearing ratio, measured on the basis of total borrowings as a percentage of net assets improved from 3.8% as at 31 December 2002 to 0.3% as at 31 December 2003.

Foreign Exchange Exposure

Since most of the Group’s assets and liabilities, revenue and payments are denominated in Hong Kong dollars or United States dollars, the Group considers that there is no significant exposure to foreign exchange fluctuations so long as the Hong Kong-United States dollar exchange rate remains pegged.

Contingent Liabilities and Commitments

As at 31 December 2003, there are no material contingent liabilities and commitments.

EMPLOYEE REMUNERATION POLICIES

As at 31 December 2003, the Group had approximately 186 employees (2002: 214 employees) in Hong Kong and overseas. The Group’s total staff costs amounted to HK\$90.5 million (2002: HK\$107.6 million). Pursuant to the share option schemes adopted by the Company, share options might be granted to eligible employees of the Group to subscribe for shares in the Company under the terms and conditions stipulated therein.

The Group’s remuneration policies are formulated on the basis of the performance and experience of individual employee and are in line with local market practices where the Group operates. The Group has established incentive bonus schemes to motivate and reward employees at all levels to achieve the Group’s objectives. In addition to salary and bonus payment, the Group also offers to its employees other fringe benefits including provident fund and medical benefits.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, throughout the year ended 31 December 2003, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules, save that non-executive directors of the Company are not appointed for a fixed term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company’s Bye-laws.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditors of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including a review of the draft audited financial consolidated results of the Group for the year ended 31 December 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

PUBLICATION OF FURTHER INFORMATION

The 2003 annual report of the Company containing all information required by Appendix 16 to the Listing Rules will be published on both the websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

APPRECIATION

On behalf of the Board, I would like to express my sincerest thanks and appreciation to my fellow directors and all colleagues for their loyalty and full support to the Group during the year.

By Order of the Board
Richard John Siemens
Chairman

Hong Kong, 2 April 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of e-Kong Group Limited (the “Company”) will be held at 3805 Tower II, Lippo Centre, 89 Queensway, Hong Kong on Tuesday, 18 May 2004 at 10:00 a.m. for the following purposes:

- To receive and consider the audited financial statements for the year ended 31 December 2003 and the reports of directors and of the auditors thereon.
- To re-elect retiring directors and to fix their remuneration.
- To re-appoint auditors and to authorise the board of directors to fix their remuneration.

- To consider and, if thought fit, pass the following resolutions, with or without amendments, as ordinary resolutions:

- A. “THAT:**
- subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or otherwise deal with additional shares of HK\$0.01 each in the capital 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 or options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
 - the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such powers after the end of the Relevant Period;
 - the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to issue of shares as a result of:
 - a Rights Issue (as hereinafter defined); or
 - 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, pursuant to the Bye-laws of the Company from time to time; or
 - the exercise of any option granted under any share option scheme or similar arrangement for the time being adopted and approved by the shareholders of the Company for the grant or issue to directors or employees or eligible participants of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company; or
 - the exercise of redemption or conversion rights attaching to the non-cumulative convertible redeemable preference shares of HK\$1.00 each in the capital of the Company which may be issued by the Company; or
 - the exercise of subscription rights or conversion rights attaching to any warrants or any other securities convertible into shares which may be issued by the Company.

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

- for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until the earlier of:

 - the conclusion of the next annual general meeting of the Company;
 - 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 law to be held; and
 - the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or any class thereof (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws, or the requirements of any recognised regulatory body or any stock exchange, in any territory applicable to the Company).”

- B. “THAT:**
- subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the 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 which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose (“Recognised Stock Exchange”), subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange, if applicable, any other Recognised Stock Exchange, as amended from time to time, be and is hereby generally and unconditionally approved;
 - the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
 - for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until the earlier of:

 - the conclusion of the next annual general meeting of the Company;
 - 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 law to be held; and
 - the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

- C. “THAT** conditional upon Resolutions 4A and 4B above being passed, the general mandate granted to directors of the Company for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Resolution 4A be and is hereby extended by the addition to the aggregate nominal amount of share capital of the Company which may be allotted, issued, and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the shares repurchased by the Company under the authority granted pursuant to Resolution 4B, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

- To consider and, if thought fit, pass the following resolution, with or without amendments, as an ordinary resolution:

“**THAT** all of the authorised but unissued convertible preference share capital of the Company, being HK\$288,292,402 divided into 288,292,402 convertible preference shares of HK\$1.00 each, be and is hereby cancelled (the “Diminution”) and the directors be and are hereby authorised generally to do all such acts, deeds and things as they may, in their absolute discretion, consider necessary or appropriate to effect and implement the Diminution.”

- To consider and, if thought fit, pass the following resolution, with or without amendments, as a special resolution:

“**THAT** the existing Bye-laws of the Company be and are hereby amended in the following manner:

- by inserting the following new definition after the definition of “Act” in Bye-law 1:

“ ‘associate’ the meaning attributed to it in the rules of the Designated Stock Exchange.”;
- by substituting the existing definitions of “clearing house” and “Company” in Bye-law 1 with the following new definitions:

“ ‘clearing house’ a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.”

“ ‘Company’ e-Kong Group Limited.”;
- by deleting the words “and preference shares of HK\$1.00 each” and the words “on 22 November 2002” in Bye-law 3(1);
- by substituting the existing Bye-law 6 with the following new Bye-law 6:

“6. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Act, any share premium account or other undistributable reserve.”;
- by inserting after the words “Subject to Sections 42 and 43 of the Act,” appearing at the beginning of Bye-law 9, the words “these Bye-laws, and any special rights conferred on the holders of any shares or attaching to any class of shares.”; and
 - by inserting the following new sentences at the end of Bye-law 9:

“Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.”;
- by deleting Bye-law 9A in its entirety;
- by inserting after the words “two persons” appearing in the second line of Bye-law 10(a) and the words “two holders present in person” appearing in the fourth line of Bye-law 10(a), the words “(or in the case of a Member being a corporation, its duly authorised representative)”;
- by substituting in Bye-law 12(1), the words “Subject to the Act and these Bye-laws” with the following words:

“Subject to the Act, these Bye-laws and any direction that may be given by the Company in general meeting”;

- by substituting the existing Bye-law 19 with the following new Bye-law 19:

“19. Share certificates shall be issued within the relevant time limit as prescribed in the Act or as the Designated Stock Exchange may from time to time determine, whichever is the shorter, after allotment or, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgement of a transfer with the Company.”;
- by substituting, in Bye-law 20(2), the words “\$2 or such other” with the words “the relevant”;
- by deleting the second sentence “The Directors may make arrangements on the issue of shares for a difference between the shareholders in the amount of calls to be paid and in the times of payment.” appearing at the end of Bye-law 26;
- by inserting, in Bye-law 43(1)(a), after the words “the name and address of each Member, the number and class of shares held by him and” the words “, in respect of any shares that are not fully paid.”;
- by inserting, in Bye-law 44, after the words “any other newspapers in accordance with the requirements of any Designated Stock Exchange”, the following words:

“or by any means and in such manner as may be accepted by the Designated Stock Exchange”;
- by deleting the existing Bye-law 46 in its entirety and replacing therewith the following new Bye-law 46:

“46. Subject to these Bye-laws, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.”;
- by substituting the word “The” appearing at the beginning of the second sentence in Bye-law 47 with the words “Without prejudice to Bye-law 46, the”;
- by inserting, in Bye-law 51, after the words “and, where applicable, any other newspapers in accordance with the requirements of the Designated Stock Exchange”, the following words:

“or by any means and in such manner as may be accepted by the Designated Stock Exchange”;
- by substituting the words “of incorporation” appearing in the second line of Bye-law 56 with the words “in which its statutory meeting is convened”;
- by substituting the second sentence in Bye-law 61(2) with the following new sentence:

“Two (2) Members entitled to vote and present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy shall form a quorum for all purposes.”;

- (s) by substituting the existing Bye-law 66 with the following new Bye-law 66:
- “66. Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in these Bye-laws, where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:
- (a) by the chairman of such meeting; or
- (b) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.
- A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.”;
- (t) by re-numbering the existing Bye-law 76 as Bye-law 76(1) and by inserting the following new Bye-law 76(2):
- “(2) Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”;
- (u) by substituting the existing Bye-law 78 with the following new Bye-law 78:
- “78. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.”;
- (v) by substituting the existing Bye-law 84(2) with the following new Bye-law 84(2):
- “(2) Where a Member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised without the provisions of this Bye-law shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.”;
- (w) by substituting the existing Bye-law 86(1) with the following new Bye-law 86(1):
- “(1) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2). There shall be no maximum number of Directors unless otherwise determined from time to time by the Members in general meeting. The Directors shall be elected at the meeting for which such notice is given of his intention to propose such person at the annual general meeting in accordance with Bye-law 87 or at any special general meeting and shall hold office until the next appointment of Directors or until their successors are elected or appointed. Any general meeting may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.”;
- (x) by substituting the existing Bye-law 88 with the following new Bye-law 88:
- “88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgement 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 seven (7) days prior to the date of such general meeting.”;
- (y) by deleting the words “whereupon the Board resolves to accept such resignation” appearing at the end of Bye-law 89(1);
- (z) by substituting the word “Directors” appearing in the fifteenth line of Bye-law 100(c) with the word “directors”;
- (aa) by substituting the existing Bye-law 103 with the following new Bye-law 103:
- “103. (1) 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) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement 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 or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement 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 a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or
- (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”;
- (ab) by deleting the sentence “Any Director may waive notice of any meeting either prospectively or retrospectively.” appearing at the end of Bye-law 115;
- (ac) by inserting the word “, electronic” after the words “conference telephone” appearing in the second line of Bye-law 116(2);
- (ad) by substituting the existing Bye-law 122 with the following new Bye-law 122:
- “122. A resolution in writing signed by all the Directors except such as are temporarily unable to act through ill-health or disability, and all the alternate Directors, if appropriate, whose appointors are temporarily unable to act as aforesaid shall be as valid and effectual as if a resolution had been passed at a meeting of the Board duly convened and held provided that such number is sufficient to constitute a quorum and that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Bye-laws and further provided that no Director is aware of or has received any objection to the resolution from any Director. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors or alternate Directors and for this purpose a facsimile signature of a Director or an alternate Director shall be treated as valid.”;
- (ae) by substituting the word “or” appearing in the fourth line of Bye-law 123 after the words “any member” with the word “of”;
- (af) by substituting the existing Bye-law 127(4) with the following new Bye-law 127(4):
- “(4) Where the Company appoints and maintains a resident representative ordinarily resident in Bermuda in accordance with the Act, the resident representative shall comply with the provisions of the Act.
- The Company shall provide the resident representative with such documents and information as the resident representative may require in order to be able to comply with the provisions of the Act.
- The resident representative shall be entitled to have notice of, attend and be heard at all meetings of the Directors or of any committee of such Directors or general meetings of the Company.”;
- (ag) by substituting the existing Bye-laws 132(1)(a) and 132(1)(b) with the following new Bye-laws 132(1)(a) and 132(1)(b):
- “132. (1) The Board shall cause to be kept in one or more books at the Office a Register of Directors and Officers and shall enter therein the following particulars with respect to each Director and Officer, that is to say:
- (a) in the case of an individual, his or her present first name, surname and address; and
- (b) in the case of a company, its name and registered office.”;
- (ah) by renumbering the existing Bye-law 133 as Bye-law 133(1) and by inserting the following new Bye-law 133(2):
- “(2) Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the Office.”;
- (ai) by renumbering the existing Bye-law 136 as Bye-law 136(1) and by inserting the following new Bye-law 136(2):
- “(2) Notwithstanding any provision contained in these Bye-laws, the Directors may, if permitted by applicable law, authorise the destruction of documents set out in sub-paragraphs (a) to (c) of paragraph (1) of this Bye-law and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Bye-law shall apply only to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.”;
- (aj) by substituting the existing Bye-laws 153(A) and 153(B) with the following new Bye-laws 153, 153A and 153B:
- “153. Subject to Section 88 of the Act and Bye-law 153A, a printed copy of the Directors’ report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors’ report, shall be sent to each person entitled thereto at least twenty one (21) days before the date of the general meeting and laid before the Company in general meeting in accordance with the requirements of the Act provided that this Bye-law shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.
- 153A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any medium permitted by the Statutes, a summary financial statement derived from the Company’s annual financial statement and the directors’ report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors’ report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company’s annual financial statement and the directors’ report thereon.
- 153B. The requirement to send to a person referred to in Bye-law 153 the documents referred to in that provision or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company’s computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of such documents.”;
- (ak) by substituting the words “fourteen (14) days” appearing in the fifth line of Bye-law 154(2) with the words “twenty-one (21) days”;
- (al) by substituting the existing Bye-law 160 with the following new Bye-law 160:
- “160. Any Notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served or delivered by advertising in newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company’s website or the website of the Designated Stock Exchange, and giving to the Member a notice stating that the notice or other document is available there (a “notice of availability”). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.”;
- (am) by substituting the existing Bye-law 161 with the following new Bye-law 161:
- “161. Any Notice or other document:
- (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the notice or other document was so addressed and put into the post shall be conclusive evidence thereof;
- (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company’s website or the website of the Designated Stock Exchange, is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;
- (c) if served or delivered in any other manner contemplated by these Bye laws, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch, transmission or publication; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the fact and time of such service, delivery, despatch, transmission or publication shall be conclusive evidence thereof; and
- (d) may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.”;
- (an) by inserting, in Bye-law 164, after the words “a cable or telex or facsimile”, the following words:
- “or electronic”;
- and
- (ao) by substituting the word “respecting” with the words “in respect of” in Bye-law 169;
- and
- THAT** the directors of the Company be and are hereby authorised to do all such acts, deeds and things as they shall, in their absolute discretion deem fit, in order to effect and complete the foregoing.”

By Order of the Board
Lau Wai Ming, Raymond
Company Secretary

Hong Kong, 2 April 2004

Notes:

- A member entitled to attend and vote at the meeting convened by the above notice (or at any adjournment thereof) is entitled to appoint a proxy to attend and vote on his/her behalf at the meeting. A proxy need not be a member of the Company.
- To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s Branch Share Registrar in Hong Kong, Secretaries Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment meeting thereof.
- Completion and delivery of the form of proxy shall not preclude any member from attending and voting in person at the meeting convened, if the member so desires and in such event, the form of proxy shall be deemed to be revoked.
- In case of joint registered holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of such holders so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
- Pursuant to the Bye-laws of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of such meeting; or (ii) at least three Shareholders present in person or (being a corporation) by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or (iii) Shareholder(s) present in person or (being a corporation) by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or (iv) Shareholder(s) present in person or (being a corporation) by its duly authorised representative or by proxy and holding Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares.
- An explanatory statement containing further details regarding Resolution 4B above will be sent to members and other persons who are entitled thereto together with the Company’s 2003 Annual Report.