

*(Incorporated in Bermuda with limited liability)*

## THE CHAIRMAN'S LETTER FOR 2003

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### Highlights

- In 2003,
  - Profit before tax was HK\$4,185 million, an increase of 8%
  - Profit after tax attributable to shareholders was HK\$3,349 million, an increase of 1%
  - Annual dividend growth of 5%
- Seven consecutive years of sustained growth
- Hongkong Electric generated a substantial profit contribution: HK\$2,281 million
- Infrastructure investments achieved YoY profit contribution growth of 21%
  - 28% profit contribution growth in Australian infrastructure projects
  - 13% profit contribution growth in China investments
- Strong financial platform, poised for future growth
  - Cash-on-hand of HK\$7.2 billion
  - Net debt to equity ratio of 18%

### The Growth Roadmap

We are pleased to report that Cheung Kong Infrastructure Holdings Limited (“CKI” or the “Group”) achieved another year of growth in 2003. Profit before tax was HK\$4,185 million, an increase of 8 per cent. over last year; and profit after tax attributable to shareholders was HK\$3,349 million, an increase of 1 per cent. from the previous year. In 2003, the results of Hongkong Electric Holdings Limited (“Hongkong Electric”), an associate of CKI, was adversely affected by tax related issues including an increase in tax rate, and the substantial one-off provision for deferred tax due to a change in accounting standards. The Group’s profit after tax was therefore affected. Earnings per share were HK\$1.49.

# Cheung Kong Infrastructure Holdings Limited

The Board of Directors is recommending a final dividend of HK\$0.50 per share. Together with the interim dividend of HK\$0.215 per share, this will bring the total dividend for the year to HK\$0.715 per share, a 5 per cent. increase from the HK\$0.68 per share paid for 2002. The proposed dividend will be paid on 18th May, 2004 following approval at the Annual General Meeting, to shareholders whose names appear on the Register of Members on 13th May, 2004.

In a year of worldwide turmoil characterised by war, the threat of terrorism and Severe Acute Respiratory Syndrome (“SARS”), a year-on-year profit growth has been maintained for the seventh consecutive year. Hongkong Electric continued to provide a substantial profit contribution to the Group, and strong performance in the Australian and Chinese operations provided steady overall growth.

## **Driving Our Core Businesses**

CKI continues to be the largest diversified infrastructure investment company listed on the Stock Exchange of Hong Kong, and has established a strong position as a significant player in the global infrastructure arena. This is attributable to the steady performance and effective management of our core businesses of energy, transportation and infrastructure related business.

### **1. Energy – Powering Our Strong Foundations**

Hongkong Electric continues to be a major profit contributor to the Group. In 2003, contribution was HK\$2,281 million, accounting for 58 per cent. of the Group’s total profit contribution. Compared to last year, this represents a drop of 11 per cent. This was largely caused by a change in accounting standards relating to deferred tax which led to a substantial one-off provision, an increase in the corporate tax rate and a soft domestic economy caused by the SARS epidemic. The fundamentals of Hongkong Electric remain sound, and its overseas investments continue to perform very well.

Profit contribution from our energy businesses in 2003 was HK\$1,461 million, representing 37 per cent. of the Group’s total profit contribution. The portfolio of Australian energy investments showed improved performance in 2003 with an increase of 28 per cent. in profit contribution as compared to 2002. Gas distributor, Envestra Limited, as well as power distributors, ETSA Utilities, Powercor Australia Limited and CitiPower I Pty Ltd. (“CitiPower”), have provided solid revenue streams during the year. The strong performance was attributable to organic growth, a first full-year contribution from CitiPower, and the strength of the Australian dollar.

Energy investments in the Mainland delivered another year of growth, contributing HK\$476 million to the Group, an increase of 14 per cent. from the previous year. This represents 12 per cent. of the Group's total profit contribution. Zhuhai Power Plant, our largest power investment in the Mainland, surpassed power targets and has recorded its best performance to date. The other three coal-fire plants, namely Fushun Cogen Power Plants in Liaoning, Qinyang Power Plants in Henan and Siping Cogen Power Plants in Jilin, operated smoothly and made steady contributions during the year.

## **2. Transportation – Steering Towards Future Growth**

Against the backdrop of China's growing economy and soaring GDP, our transportation business in the Mainland continued to report organic growth in 2003. More than half of our transportation projects in the Mainland generated double-digit growth in toll revenue. In particular, toll revenue from the Guangzhou East-South-West Ring Road, and the National Highway 107 at Zhumadian increased 20 per cent. and 34 per cent. respectively over last year.

In Australia, the construction of the Sydney Cross City Tunnel, a two-kilometre cross city tollway tunnel linking Sydney's eastern suburbs with the western side of the city, is making steady progress. Under effective management control, the project is proceeding on budget and construction is ahead of schedule.

## **3. Infrastructure Related Business – Solidifying Market Leadership Position**

2003 was another challenging year for the Group's infrastructure related business. Infrastructure materials have faced competitive prices and downward volume trends in the region and this has impacted on contribution from this sector. With the general economy picking up and the property markets showing signs of recovery, the demand for cement, concrete and aggregate is expected to increase. The Group looks forward to better prospects for its materials business.

A merger of the concrete and quarry operations of Anderson Asia (Holdings) Limited ("Anderson Asia") and the Hong Kong operations of Hanson PLC, one of the leading building materials suppliers in the world, was announced in early 2004. This move will create the largest concrete and quarry supplier in Hong Kong strengthening the Group's market standing in the supply of infrastructure materials. It will also lead to consolidation and maximisation of operational efficiency.

## **On Course on the Growth Roadmap**

2003 represented a year of consolidation and re-alignment for CKI. Given the unsettling macro landscape of last year, we sustained satisfactory organic growth. Looking ahead, as the economy improves in Hong Kong, it is expected that Hongkong Electric and the infrastructure related business will benefit during the recovery. Our investments in the Mainland and Australia are well placed for strong growth as the economies of both countries continue to thrive. With our strong financials, cash on hand of HK\$7.2 billion and low net debt to equity ratio of 18%, the Group is very well positioned to make new, secure and profitable investments as we progress along our growth roadmap.

Mr. Barrie Cook has retired as an Executive Director of the Company. He has been with the Group for the last 21 years developing the materials division which comprises Green Island Cement (Holdings) Limited and Anderson Asia. Barrie has been one of Hong Kong's leading pioneers of environmental sustainability and has introduced a number of major environmental initiatives to both CKI and Hong Kong. I would like to extend my thanks and appreciation to him for his diligent efforts and am pleased to say that he will remain as part of CKI as a Non-executive Director.

Finally, I would like to offer my thanks to the Board of Directors and our staff for their commitment, dedication and hard work, and to all our shareholders for their support and confidence in the Group.

**Li Tzar Kuoi, Victor**

Chairman

Hong Kong, 9th March, 2004

## **FINANCIAL REVIEW**

### **Financial Resources, Treasury Activities And Gearing Ratio**

The Group's capital expenditure and investments were funded from cash in hand, internal cash generation, syndicated loans, notes issued and other project loans.

As at 31st December, 2003, total borrowings of the Group amounted to HK\$12,337 million, which included Hong Kong dollar syndicated loan of HK\$3.8 billion, foreign currency borrowings of HK\$8,478 million and RMB bank loans of HK\$59 million. Of the total borrowings, 10 per cent. were repayable in 2004, 72 per cent. repayable in 2005 to 2008 and 18 per cent. repayable beyond 2008. The Group's financing activities continue to be well received and fully supported by its bankers.

The Group adopts conservative treasury policies in cash and financial management. To achieve better risk control and minimise the cost of funds, the Group's treasury activities are centralised. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars, Hong Kong dollars or Australian dollars. The Group's liquidity and financing requirements are reviewed regularly. The Group will consider new financing while maintaining an appropriate level of gearing in anticipation of new investments or maturity of bank loans.

As at 31st December, 2003, the Group maintained a gearing ratio of 18 per cent. which was based on its net debt of HK\$5,094 million and equity of HK\$29,025 million. This ratio was lower than the gearing ratio of 21 per cent. at the year end of 2002 mainly because of the repayment of Australian dollar bank loans totalling A\$428 million. In addition, the Group entered into a syndicated loan facility agreement of A\$400 million which was fully drawn in December 2003 to repay a short-term Australian dollar bridging loan and partially refinance an Australian dollar syndicated loan.

To minimise currency risk exposure in respect of its investments in other countries, the Group has a policy of hedging those investments with the appropriate level of borrowings denominated in the local currencies of those countries. As at 31st December, 2003, the Group has swapped the floating interest rates of its borrowings totalling HK\$6,062 million into fixed interest rates. The Group will consider entering into further interest and currency swap transactions to hedge against its interest rate and currency risk exposures, as appropriate.

## Charge on Group Assets

As at 31st December, 2003, the Group's interests in an affiliated company with carrying value of HK\$1,888 million were pledged as part of the security to secure bank borrowings totalling HK\$4,268 million granted to the affiliated company.

## Contingent Liabilities

As at 31st December, 2003, the Group was subject to the following contingent liabilities:

HK\$ million

Guarantees in respect of bank loans drawn by affiliated companies	1,900
Performance bonds	36
Total	1,936

## Employees

The Group, including its subsidiaries but excluding affiliated companies, employs a total of 1,678 employees. Employees' cost (excluding directors' emoluments) amounted to HK\$321 million. The Group ensures that the pay levels of its employees are competitive and that its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

Preferential subscription of 2,978,000 new shares of the Company was given to those employees who had submitted the pink application forms to subscribe for shares of HK\$1.00 each in the Company at HK\$12.65 per share on the flotation of the Company in 1996. The Group does not have any share option scheme for employees.

## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed annual results announcement for the year ended 31st December, 2003 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

Cheung Kong Infrastructure Holdings Limited

**AUDITED CONSOLIDATED INCOME STATEMENT**

for the year ended 31st December

HK\$ million	Notes	2003	Restated 2002
<b>Turnover</b>			
	1		
Group turnover		1,613	1,872
Share of turnover of jointly controlled entities		1,841	1,723
		<b>3,454</b>	<b>3,595</b>
<b>Group turnover</b>			
Other revenue	1	1,613	1,872
Operating costs	2	1,196	1,039
	3	<b>(1,807)</b>	<b>(2,051)</b>
<b>Operating profit</b>	4	<b>1,002</b>	860
Finance costs		<b>(630)</b>	(624)
Share of results of associates		3,202	3,201
Share of results of jointly controlled entities		611	453
<b>Profit before taxation</b>		<b>4,185</b>	3,890
Taxation	5	<b>(846)</b>	(569)
<b>Profit after taxation</b>		<b>3,339</b>	3,321
Minority interests		10	5
<b>Profit attributable to shareholders</b>	4	<b>3,349</b>	3,326
<b>Earnings per share</b>			
	6	<b>HK\$1.49</b>	HK\$1.48
<b>Dividends</b>			
Interim dividend paid		485	485
Proposed final dividend		1,127	1,048
		<b>1,612</b>	<b>1,533</b>
<b>Dividends per share</b>			
Interim		<b>HK\$0.215</b>	HK\$0.215
Proposed final		<b>HK\$0.5</b>	HK\$0.465
		<b>HK\$0.715</b>	HK\$0.68

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 1. TURNOVER

Group turnover represents net sales from infrastructure materials business, return on investments and interest income received and receivable from infrastructure project investments, net of withholding tax, where applicable.

In addition, the Group also accounts for its proportionate share of turnover of jointly controlled entities. Turnover of associates is not included.

#### By business segment

for the year ended 31st December

HK\$ million	2003			2002		
	Group turnover	Share of turnover of jointly controlled entities	Total	Group turnover	Share of turnover of jointly controlled entities	Total
Infrastructure investments	212	1,841	2,053	277	1,723	2,000
Infrastructure related business	1,401	-	1,401	1,595	-	1,595
<b>Total</b>	<b>1,613</b>	<b>1,841</b>	<b>3,454</b>	<b>1,872</b>	<b>1,723</b>	<b>3,595</b>

#### By geographic region

for the year ended 31st December

HK\$ million	2003			2002		
	Group turnover	Share of turnover of jointly controlled entities	Total	Group turnover	Share of turnover of jointly controlled entities	Total
Hong Kong	1,012	-	1,012	1,194	-	1,194
Mainland China	564	1,841	2,405	600	1,723	2,323
Others	37	-	37	78	-	78
<b>Total</b>	<b>1,613</b>	<b>1,841</b>	<b>3,454</b>	<b>1,872</b>	<b>1,723</b>	<b>3,595</b>



**2. OTHER REVENUE**

Other revenue includes the following:

HK\$ million	2003	2002
Interest income	<b>967</b>	748
Finance lease income	<b>4</b>	5
Distributions from listed stapled securities	<b>63</b>	53
Gain on disposal of infrastructure project investment	<b>11</b>	-
Gain on disposals of subsidiaries	-	51
Gain on disposals of listed securities	-	97

**3. OPERATING COSTS**

Operating costs include the following:

HK\$ million	2003	2002
Depreciation	<b>181</b>	193
Amortisation of costs of investments in infrastructure projects	<b>107</b>	138
Cost of inventories sold	<b>1,075</b>	1,117
Loss on disposal of a subsidiary	<b>19</b>	-

4. SEGMENT INFORMATION

**By business segment**

for the year ended 31st December

HK\$ million	Investment in Hongkong Electric*		Infrastructure investments		Infrastructure related business		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>Segment revenue</b>										
Group turnover	-	-	212	277	1,401	1,595	-	-	1,613	1,872
Others	-	-	20	15	81	70	-	-	101	85
	-	-	232	292	1,482	1,665	-	-	1,714	1,957
<b>Segment result</b>	-	-	80	101	(49)	47	-	-	31	148
Net gain/(loss) on disposals of infrastructure project investment, subsidiaries and listed securities	-	-	11	51	(19)	-	-	97	(8)	148
Interest and finance lease income	-	-	792	608	81	88	98	57	971	753
Other revenue	-	-	63	53	-	-	-	-	63	53
Corporate overheads and others	-	-	-	-	-	-	(55)	(242)	(55)	(242)
<b>Operating profit</b>	-	-	946	813	13	135	43	(88)	1,002	860
Finance costs	-	-	-	-	-	-	(630)	(624)	(630)	(624)
Share of results of associates and jointly controlled entities	2,942	3,021	877	633	(6)	-	-	-	3,813	3,654
Taxation	(661)	(465)	(182)	(89)	2	(15)	(5)	-	(846)	(569)
Minority interests	-	-	-	-	10	5	-	-	10	5
<b>Profit attributable to shareholders</b>	<b>2,281</b>	<b>2,556</b>	<b>1,641</b>	<b>1,357</b>	<b>19</b>	<b>125</b>	<b>(592)</b>	<b>(712)</b>	<b>3,349</b>	<b>3,326</b>

\* During the year, the Group has a 38.87 per cent. equity interest in Hongkong Electric Holdings Limited (“Hongkong Electric”), which is listed on The Stock Exchange of Hong Kong Limited.

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## By geographic region

for the year ended 31st December

HK\$ million	Hong Kong		Mainland China		Australia		Others		Unallocated items		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>Segment revenue</b>												
Group turnover	1,012	1,194	564	600	-	-	37	78	-	-	1,613	1,872
Others	60	31	41	16	-	-	-	38	-	-	101	85
	<b>1,072</b>	<b>1,225</b>	<b>605</b>	<b>616</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>116</b>	<b>-</b>	<b>-</b>	<b>1,714</b>	<b>1,957</b>
<b>Segment result</b>												
Net gain/(loss) on disposals of infrastructure project investment, subsidiaries and listed securities	-	-	11	51	-	-	(19)	-	-	97	(8)	148
Interest and finance lease income	81	87	-	1	792	608	-	-	98	57	971	753
Other revenue	-	-	-	-	63	53	-	-	-	-	63	53
Corporate overheads and others	-	-	-	-	-	-	-	-	(55)	(242)	(55)	(242)
<b>Operating profit</b>	<b>145</b>	<b>233</b>	<b>60</b>	<b>72</b>	<b>855</b>	<b>661</b>	<b>(101)</b>	<b>(18)</b>	<b>43</b>	<b>(88)</b>	<b>1,002</b>	<b>860</b>
Finance costs	-	-	-	-	-	-	-	-	(630)	(624)	(630)	(624)
Share of results of associates and jointly controlled entities	2,962	3,042	610	453	247	159	(6)	-	-	-	3,813	3,654
Taxation	(663)	(482)	(61)	(36)	(117)	(51)	-	-	(5)	-	(846)	(569)
Minority interests	-	-	1	(1)	-	-	9	6	-	-	10	5
<b>Profit attributable to shareholders</b>	<b>2,444</b>	<b>2,793</b>	<b>610</b>	<b>488</b>	<b>985</b>	<b>769</b>	<b>(98)</b>	<b>(12)</b>	<b>(592)</b>	<b>(712)</b>	<b>3,349</b>	<b>3,326</b>

## 5. TAXATION

Hong Kong Profits Tax is provided for at the rate of 17.5 per cent. (2002: 16 per cent.) on the estimated assessable profits for the year. Deferred taxation is provided on temporary differences under the liability method using tax rates applicable to the Group's operations in different countries and regions.

HK\$ million	2003	2002
<b>Company and subsidiaries</b>		
Current taxation – Hong Kong Profits Tax	9	12
Deferred taxation	(4)	4
	<b>5</b>	<b>16</b>
<b>Share of taxation attributable to</b>		
Associates	780	517
Jointly controlled entities	61	36
	<b>841</b>	<b>553</b>
<b>Total</b>	<b>846</b>	<b>569</b>

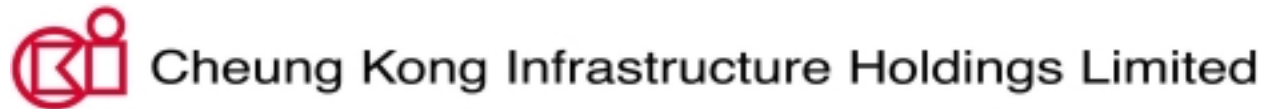
## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,349 million (2002: HK\$3,326 million) and on 2,254,209,945 shares (2002: 2,254,209,945 shares) in issue during the year.

Diluted earnings per share has not been shown as there was no dilutive effect on the earnings per share if the convertible debentures outstanding during the year ended 31st December, 2002 were fully converted into shares of a non-wholly owned subsidiary which issued the debentures.

## 7. CHANGE IN ACCOUNTING POLICY

The Group has adopted Hong Kong Statement of Standard Accounting Practice (“SSAP”) 12 (Revised) “Income Taxes” which became effective on 1st January, 2003. The retrospective change in accounting policy related to SSAP 12 (Revised) has resulted in an increased taxation charge of HK\$237 million (2002: HK\$99 million) against the Group's results. Certain comparative figures have been restated accordingly.



*(Incorporated in Bermuda with limited liability)*

## **NOTICE OF ANNUAL GENERAL MEETING**

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 13th May, 2004 at 2:20 p.m. for the following purposes:

1. To receive the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 31st December, 2003.
2. To declare a final dividend.
3. To elect Directors.
4. To appoint Auditors and authorise the Directors to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:

## ORDINARY RESOLUTIONS

- (1) "THAT a general mandate be and is hereby unconditionally given to the Directors to issue and dispose of additional shares not exceeding twenty per cent. of the existing issued share capital of the Company at the date of the Resolution until the next Annual General Meeting."
  
- (2) "THAT:
  - (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1.00 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
  
  - (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
  
  - (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
    - (i) the conclusion of the next Annual General Meeting of the Company;
    - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
    - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

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- (3) "THAT the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Ordinary Resolution No. 5(1) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5(2) set out in the notice convening this meeting, provided that such amount shall not exceed ten per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution."

By Order of the Board

**Eirene Yeung**

Company Secretary

Hong Kong, 9th March, 2004

Notes:

1. At the Annual General Meeting, the Chairman of the Meeting will exercise his power under the Company's Bye-law 66 to put each of the above resolutions to the vote by way of a poll.
2. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. The Register of Members will be closed from Thursday, 6th May, 2004 to Thursday, 13th May, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Branch Registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Wednesday, 5th May, 2004.

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4. Concerning Ordinary Resolution No. 3 above, Mr. Fok Kin Ning, Canning, Mrs. Chow Woo Mo Fong, Susan and Mr. Cheong Ying Chew, Henry will retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. Details of the above Directors will be set out in a circular (the “Circular”) to be enclosed with the Annual Report 2003.
5. Concerning Ordinary Resolution No. 5(1) above, the Directors wish to state that they have no immediate plans to issue any new shares of the Company. Approval is being sought from the members as a general mandate for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
6. Concerning Ordinary Resolution No. 5(2) above, the Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchase of shares of the Company. The Explanatory Statement containing the information necessary to enable the members to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Listing Rules, will be set out in the Circular.





## NOTICE OF SPECIAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that a Special General Meeting of the Company will be held at the Ballroom, 1st Floor, Harbour Plaza Hong Kong, 20 Tak Fung Street, Hung Hom, Kowloon, Hong Kong on Thursday, 13th May, 2004 at 2:30 p.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held on the same day) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as a special resolution of the Company:

### SPECIAL RESOLUTION

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

(a) By adding the following definition in Bye-law 1 immediately after the definition of “Act”:

““associate”                      the meaning attributed to it in Rule 1.01 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.”

(b) By deleting the words “a recognised clearing house within the meaning of Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong or” from the definition of “clearing house” in Bye-law 1 and substituting therefor the words “a recognised clearing house within the meaning of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) and any amendments thereto for the time being in force or”

(c) By re-numbering existing Bye-law 76 as Bye-law 76(1) and adding the following new Bye-law 76(2) immediately thereafter:

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

(d) By re-numbering existing Bye-law 84(2) as Bye-law 84(3) and adding the following new Bye-law 84(2) immediately before the re-numbered Bye-law 84(3):

“(2)        Where a Member is a clearing house (or its nominee(s) and, in each case, being a corporation), it may authorise or appoint such persons as it thinks fit to act as its representatives or proxies at any meeting of the Company or at any meeting of any class of Members provided that the authorisation or instrument of proxy shall specify the number and class of shares in respect of which each such person is so authorised or appointed. Each person so authorised or appointed under the provisions of this Bye-law shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was an individual 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 authorization or instrument of proxy including the right to vote individually on a show of hands notwithstanding any contrary provisions contained in these Articles.”

(e) By deleting the word “special” in the second line in Bye-law 86(4) and substituting therefor the word “ordinary”.

(f) By deleting the existing Bye-law 87(1) in its entirety and substituting therefor the following:

“87. (1) Notwithstanding any other provisions in the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) or such other manner of rotation as may be from time to time required by the applicable regulatory authority shall retire from office by rotation.”

(g) By deleting the words “not later than the latest date for lodgement of the aforesaid Notices which shall be the seventh (7th) day prior to the date appointed for the meeting” from the existing Bye-law 88 and substituting therefor the following:

“provided that the minimum length of the period, during which such Notice(s) may be given, shall be at least seven (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 seven (7) days prior to the date of such general meeting”

(h) By deleting the existing Bye-law 103 in its entirety and substituting therefor the following:

“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 associate(s) is materially interested, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum of such resolution of the Board but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to the Director or his associate(s) in respect of money lent by him or any of them or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company or any of its subsidiaries to be issued pursuant to any offer or invitation to the members or debenture holders or to the public which does not provide the Director or his associate(s) any privilege not accorded to any other members or debenture holders or to the public;
- (iv) any contract, arrangement or proposal concerning an offer of the shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company or any of its subsidiaries;
- (vi) any contract, arrangement or proposal concerning any company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer, executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company provided that the Director and any of his associate(s) do not in aggregate own five (5) per cent. or more of such company, within the meaning as described in Bye-law 103(2);
- (vii) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries or its associated companies including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to directors (or their associates) and employees of the Company or of any of its subsidiaries or its associated companies and does not give the Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to whom such scheme or fund relates; or
- (viii) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of the employees of the Company or its subsidiaries or its associated companies under which the Director or his associate(s) may benefit.

For the purposes of this Bye-law 103(1), “subsidiary” shall have the meaning as defined in Rule 1.01 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) A company shall be deemed to be a company in which a Director and any of his associate(s) in aggregate own five (5) per cent. or more if and so long as (but only if and so long as) a Director and his associate(s), (either directly or indirectly) are in aggregate the holders of or beneficially interested in five (5) per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or any of his associate(s) as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the interest of the Director or any of his associate(s) is 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 or his associate(s) is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

(3) Where a company in which a Director and any of his associate(s) in aggregate own five (5) per cent. or more (within the meaning as described in Bye-law 103(2)) is materially interested in a transaction, then that Director 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 or his associate(s) (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned and of his associate(s) 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 and of his associate(s) as known to such chairman has not been fairly disclosed to the Board.

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

By Order of the Board

**Eirene Yeung**

Company Secretary

Hong Kong, 9th March, 2004

Notes:

1. At the Special General Meeting, the Chairman of the Meeting will exercise his power under the Company's Bye-law 66 to put the above resolution to the vote by way of a poll.
2. Any member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
3. The Directors wish to state that the above proposed Special Resolution is mainly to facilitate the flexibility under the recent amendments of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance.
4. The translation into Chinese language of this notice (including the Special Resolution which contains the proposed new Bye-laws) is for reference only. In case of any inconsistency, the English version shall prevail.

Please also refer to the published version of this announcement in The Standard dated 10/3/2004.