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MOULIN INTERNATIONAL HOLDINGS LIMITED

泰興光學集團有限公司

(incorporated in Bermuda with limited liability)

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Sole Bookrunner and Lead Manager

CAZENOVE
Cazenove Asia Limited

The Placing and Subscription Agreement was entered into on 3 December, 2003 pursuant to which (i) the Sole Bookrunner and Lead Manager has agreed, on a fully underwritten basis, to place the Placing Shares held by the Vendor to not less than six independent placees at the Placing Price; and (ii) the Vendor has agreed to subscribe for and the Company has agreed to allot and issue to the Vendor the New Shares at the Subscription Price subject to, among other things, the granting of the listing of, and permission to deal in, the New Shares by the Listing Committee and completion of the Placing.

Prior to the Placing, the Vendor and parties acting in concert with it are the largest shareholders of the Company and hold approximately 37.27% of the Company's existing issued share capital. Immediately after the completion of the Placing, but before the Subscription, the combined shareholding of the Vendor and parties acting in concert will be reduced to approximately 25.14% of the existing issued share capital of the Company. The Vendor and parties acting in concert will together hold a total of approximately 33.24% of the issued share capital of the Company as enlarged by the allotment of the New Shares immediately after completion of the Placing and the Subscription.

In accordance with Practice Note 19 of the Listing Rules, the Directors advise that the Placing and the Subscription may result in the Company breaching one of its undertakings in the Facility Agreement, such that the lenders thereunder may demand immediate repayment of the loans. The loans obtained under the Facility Agreement are significant to the operations of the Company and the Company is in the process of seeking formal waivers from the lenders under the Facility Agreement and has obtained verbal confirmations from the majority of the lenders that such waiver would be given.

The net proceeds from the Subscription are estimated to be approximately HK\$295 million. It is the intention of the Directors to use the net proceeds from the Subscription of approximately HK\$236 million to expand the Group's business in the same industry in the United States of America including through possible mergers, acquisitions and/or business combinations with companies in its industry and approximately HK\$59 million for general working capital. As disclosed in the Company's announcement dated 28 November 2003, the Company is currently in discussions with companies in its industry to explore possible mergers, acquisitions and business combinations for the purpose of expanding the business of the Group. However, as at the date hereof, no legally binding agreement has been reached in relation to such discussions. In the event that any of the above discussions materialize into a transaction, the Company undertakes to comply with the relevant provisions of the Listing Rules and make further announcements as and when appropriate. As such transactions may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange from 2:30 p.m. on 3 December 2003, pending the issue of this announcement. Application has been made by the Company for the resumption of trading of the Shares with effect from 9:30 a.m. on 4 December 2003.

PLACING UNDER THE PLACING AND SUBSCRIPTION AGREEMENT DATED 3 DECEMBER, 2003

- Vendor:** KFL Holdings Limited, a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by a discretionary trust, the objects of which include the Beneficial Shareholders and their family members.
- Number of Placing Shares:** 54,000,000 Shares, representing approximately 12.13% of the existing issued share capital of the Company and approximately 10.82% of the issued share capital as enlarged by the issue of the New Shares.
- Placing Price:** HK\$5.60 per Share, which represents a discount of approximately 5.1% to the closing price of HK\$5.90 per Share quoted on the Stock Exchange on 3 December, 2003, the latest trading day prior to the suspension of trading of the Shares from 2:30 p.m. on 3 December 2003 and a discount of approximately 5.3% to the average closing price of the Shares of approximately HK\$5.915 per Share over the last 10 consecutive trading days up to and including 3 December, 2003. The Placing Price has been determined after arms length negotiations between the Vendor, the Company and the Sole Bookrunner and Lead Manager.
- Rights:** The Placing Shares will be sold free of any encumbrances and third party rights. The placees will receive all dividends and distributions declared, made or paid after the date of the Placing and Subscription Agreement.
- Placees:** The Sole Bookrunner and Lead Manager has agreed to use its best efforts to procure that there will be not less than six independent placees (which will be professional or institutional investors). In the event that there are less than six placees, the Company will make a further announcement to disclose the individual identity of such placees.
- Sole Bookrunner and Lead Manager:** Cazenove.

Independence of placees and the Sole Bookrunner and Lead Manager:	The placees and the Sole Bookrunner and Lead Manager (and its beneficial owners) are not connected persons (as defined in the Listing Rules) of the Company and not parties acting in concert with the Vendor or its concert parties. None of the placees will become substantial shareholders (as defined in the Listing Rules) of the Company as a result of their acquisition of Shares pursuant to the Placing.
Completion of the Placing:	Completion of the Placing is expected to take place on 8 December, 2003 or such later date as may be agreed by the Vendor and the Sole Bookrunner and Lead Manager.
Force Majeure:	The Sole Bookrunner and Lead Manager is entitled, on the occurrence of certain events (including a material breach of any of the undertakings, representations and warranties set out in the Placing and Subscription Agreement, and material adverse change in the financial position of the Company), to terminate the Placing and Subscription Agreement by giving notice to the Company and the Vendor at any time prior to completion of the Placing.

SUBSCRIPTION UNDER THE PLACING AND SUBSCRIPTION AGREEMENT DATED 3 DECEMBER, 2003

Subscriber:	The Vendor
Issuer:	The Company
Number of New Shares:	The Company has agreed to allot and issue to the Vendor and the Vendor has agreed, conditionally as referred to below, to subscribe for the New Shares at the Subscription Price. The New Shares represent approximately 12.13% of the existing issued share capital of the Company and approximately 10.82% of the issued share capital of the Company as enlarged by the issue of the New Shares.
Subscription Price:	HK\$5.60 per Share, which is equivalent to the Placing Price. All the commission, costs, and expenses incurred in relation to the Placing and the Subscription will be borne by the Company and interest accrued on the net Placing proceeds from the date of completion of the Placing to the date of completion of the Subscription will be for the benefit of the Company.
General mandate to issue New Shares:	The New Shares will be issued under the general mandate granted to the Directors pursuant to a resolution passed by the shareholders of the Company at an annual general meeting held on 3 June 2003.
Ranking:	The New Shares, when fully paid, will rank pari passu with all the existing Shares of the Company in issue as at the date of issue of the New Shares.

Conditions and completion of the Subscription:

The Subscription by the Vendor of the New Shares is conditional upon the satisfaction of the following conditions by not later than 15 December, 2003 (or such later date as may be agreed between the Sole Bookrunner and Lead Manager, the Vendor and the Company):

- (i) completion of the Placing;
- (ii) the granting of the listing of, and permission to deal in, the New Shares by the Listing Committee;
- (iii) the granting of a waiver to the Vendor and persons acting in concert pursuant to Note 6 on dispensations from the obligation to make a general offer for all the Shares in issue under Rule 26 of the Code by the SFC; and
- (iv) if necessary, the Bermuda Monetary Authority approving or agreeing to approve the allotment, issue and subsequent transfer of the New Shares.

In the event that the SFC does not grant a waiver referred to in condition (iii) above to the Vendor and persons acting in concert, the Subscription will not proceed.

Completion of the Subscription:

The Subscription is expected to be completed on or before 16 December, 2003, being the date falling within fourteen days from the date of the Placing and Subscription Agreement. In the event that the Subscription is not completed within fourteen days from the date of the Placing and Subscription Agreement, the Company will fully comply with the requirements of Chapter 14 of the Listing Rules.

Lock-up:

Pursuant to the Placing and Subscription Agreement, each of the Vendor and the Beneficial Shareholders has undertaken to the Sole Bookrunner and Lead Manager that, prior to the expiry of the period of six months from the date of the Placing and Subscription Agreement, it will not and will procure that none of its nominees will sell or otherwise dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the New Shares but excluding the Placing Shares) or any interests therein, without the prior written consent of the Sole Bookrunner and Lead Manager.

Pursuant to the Placing and Subscription Agreement, the Company has undertaken to the Sole Bookrunner and Lead Manager that, prior to the expiry of the period of six months from the date of the Placing and Subscription Agreement, it will not allot or issue or agree to allot or issue (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares, otherwise than by way of a rights issue or pursuant to the exercise of the options which may be granted under any share option scheme of the Company from time to time in force or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws of the Company, without the prior written consent of the Sole Bookrunner and Lead Manager.

Principal business:	The principal business activity of the Group is the design, manufacture, distribution and retail sales of optical products.
Application for listing:	Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the New Shares.
Application for waiver pursuant to Note 6 on dispensations from the obligation to make a general offer for all Shares in issue under Rule 26 of the Code:	Pursuant to Rule 26.1(b) of the Code, where two or more persons are acting in concert, and they collectively hold less than 30% of the voting rights of a company, and any one or more of them acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the company to 30% or more, such person is obliged to make a mandatory offer for all of the issued shares of that company unless a waiver is obtained from the SFC. For the purpose of the Code, the Vendor, the Beneficial Shareholders, Mr. Tong Ka Wai, Dicky, Ms. Lee Sin Mei, Olivia, Mr. Chan Wing Wah, Ivan, Mr. Ng Tai Chiu, David and United Will Holdings Limited are considered to be acting in concert. The aggregate interests in the Company held by the Vendor and the parties acting in concert prior to the Placing is approximately 37.27%. Immediately after the completion of the Placing, but before the Subscription, the combined shareholding of the Vendor and parties acting in concert will be reduced to approximately 25.14% of the existing issued share capital of the Company. Pursuant to the Subscription, the collective interests in the issued share capital of the Company held by the Vendor and parties acting in concert will increase from approximately 25.14% to approximately 33.24%. The Vendor and parties acting in concert will apply to the SFC for a waiver pursuant to Note 6 on dispensations from the obligation to make a general offer for all the Shares in issue under Rule 26 of the Code.

EFFECT OF THE PLACING AND THE SUBSCRIPTION

The effects on the shareholding structure of the Company pursuant to the Placing and the Subscription are as follows:

	At present		Immediately after completion of the Placing but before Subscription		Immediately after completion of the Placing and Subscription	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Vendor and parties acting in concert	165,931,167	37.27%	111,931,167	25.14%	165,931,167	33.24%
Placees	0	0.00%	54,000,000	12.13%	54,000,000	10.82%
Public and other shareholders	279,269,395	62.73%	279,269,395	62.73%	279,269,395	55.94%
Total	445,200,562	<u>100.00%</u>	445,200,562	<u>100.00%</u>	499,200,562	<u>100.00%</u>

In the past 12 months, the Company has conducted only one fund-raising exercise which was the placing and subscription of Shares as announced by the Company on 14 May 2003. The net proceeds of that placing, amounting to HK\$136 million, have been fully utilized in accordance with the stated use of proceeds.

PRACTICE NOTE 19 OF THE LISTING RULES

In accordance with Practice Note 19 of the Listing Rules, the Directors advise that the Placing and the Subscription may result in the Company breaching one of its undertakings in the Facility Agreement requiring Mr. Ma Bo Kee, his family members, close relatives, related trusts and companies controlled by him, his family members, close relatives or related trusts to at all times be beneficial owners of in aggregate more than 35% of the issued voting share capital of the Company (as disclosed in the Company's announcement dated October 25, 2002), such that the lenders thereunder may demand immediate repayment of the loans. The loans obtained under the Facility Agreement (the full amount of which has been drawdown thereunder) are significant to the operations of the Company. The Company is in the process of seeking formal waivers from the lenders under the Facility Agreement and has obtained verbal confirmations from the majority of the lenders (being the requisite majority under the Facility Agreement for obtaining such waiver) that such waiver would be given. In the event waivers are not obtained in relation to such possible breach, the Directors consider that this would have an adverse impact on the operations and financial condition of the Group, and a further announcement would be made by the Company in this regard.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The principal activities of the Group comprise the design, manufacture, distribution and retail of optical products.

The Directors estimate that the net proceeds of the Subscription will amount to approximately HK\$295 million. It is the intention of the Directors to use the net proceeds from the Subscription of approximately HK\$236 million to expand the Group's business in the United States of America including through possible mergers, acquisitions and/or business combinations with companies in its industry and of approximately HK\$59 million for general working capital. As disclosed in the Company's announcement dated 28 November 2003, the Company is currently in discussions with companies in its industry to explore possible mergers, acquisitions and business combinations for the purpose of expanding the business of the Group. However, as at the date hereof, no legally binding agreement has been reached in relation to such discussions. In the event that any of the above discussions materialize into a transaction, the Company undertakes to comply with the relevant provisions of the Listing Rules and make further announcements as and when appropriate. As such transactions may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

In light of the verbal confirmations received from the majority of the banks party to the Facility Agreement in connection with the waiver of any possible breach of the Facility Agreement, the Directors consider that the Placing and the Subscription are in the best interests of the shareholders of the Company notwithstanding any possible breach under the Facility Agreement.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange from 2:30 p.m. on 3 December 2003, pending the issue of this announcement. Application has been made by the Company for the resumption of trading of the Shares with effect from 9:30 a.m. on 4 December 2003.

DEFINITIONS

“Beneficial Shareholders”	Mr. Ma Bo Kee, Mr. Ma Bo Fung, Mr. Ma Bo Lung, Mr. Ma Lit Kin, Cary and Mr. Ma Hon Kin, Dennis, all of whom are Directors.
“Cazenove” or “Sole Bookrunner and Lead Manager”	Cazenove Asia Limited, a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Sole Bookrunner and Lead Manager of the Placing
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Moulin International Holdings Limited
“Director(s)”	the director(s) of the Company
“Facility Agreement”	the facility agreement dated October 25, 2002 in relation to a HK\$220,000,000 term loan facility and HK\$220,000,000 revolving credit facility entered into between (i) Moulin Optical Manufactory Limited and Allied Industrial Limited as Borrowers, (ii) Moulin International Holdings Limited, Leadkeen Industrial Limited and Moulin European Holdings Limited as Original Guarantors, (iii) BNP Paribas Hong Kong Branch and Standard Chartered Bank as the Co-ordinating Arrangers, (iv) Bank of China (Hong Kong) Limited, China Construction Bank, Hong Kong Branch and Oversea - Chinese Banking Corporation Limited as Arrangers; (v) Hang Seng Bank Limited, IntesaBCI S.p.A., Hong Kong Branch, United Overseas Bank Limited, Asia Commercial Bank Limited, Banca Nazionale del Lavoro S.p.A., Hong Kong Branch, The Bank of Nova Scotia and Credit Agricole Indosuez as the Lead Managers, (vi) the Original Lenders named therein and (vii) BNP Paribas Hong Kong Branch as Agent
“Group”	the Company and its subsidiaries at the relevant point of time
“HK\$”	Hong Kong Dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	54,000,000 new Shares to be subscribed by the Vendor at the Subscription Price under the Placing and Subscription Agreement
“Placing”	the placing of the Placing Shares by the Sole Bookrunner and Lead Manager, on behalf of the Vendor pursuant to the Placing and Subscription Agreement

“Placing and Subscription Agreement	the placing and subscription agreement entered into on 3 December, 2003 between the Vendor, the Beneficial Shareholders, the Company and the Sole Bookrunner and Lead Manager in relation to the Placing and the Subscription
“Placing Price”	HK\$5.60 per Placing Share
“Placing Shares”	54,000,000 Shares currently owned by the Vendor
“PRC”	the People’s Republic of China
“Share(s)”	Share(s) of nominal value of HK\$0.50 each in the capital of the Company
“SFC”	Securities and Futures Commission of Hong Kong
“Sole Bookrunner and Lead Manager”	Cazenove, the Sole Bookrunner and Lead Manager of the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	The subscription for the New Shares by the Vendor at the Subscription Price pursuant to the Placing and Subscription Agreement
“Subscription Price”:	HK\$5.60 per New Share
“Vendor”	KFL Holdings Limited, a company incorporated under the laws of the British Virgin Islands which is beneficially owned by a discretionary trust, the objects of which include Mr. Ma Bo Kee, Mr. Ma Bo Fung, Mr. Ma Bo Lung, Mr. Ma Lit Kin, Cary, Mr. Ma Hon Kin, Dennis and their family members

By Order of the Board
Moulin International Holdings Limited
Ma Bo Kee
Chairman

Hong Kong, 3 December, 2003

The information contained in this announcement has been provided by the Directors. The Directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in the announcement misleading.

Please also refer to the published version of this announcement in the South China Morning Post.