MOULIN
1960

MOULIN INTERNATIONAL HOLDINGS LIMITED
泰興光學集團有限公司

(Stock Code: 389)

(incorporated in Bermuda with limited liability)

website: http://www.moulin.com.hk
http://www.etnet.com.hk

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

SUMMARY

- Consolidated turnover increased 4.4% to HK$1,238 million
- Operating profit jumped 9.5% to HK$241 million, with margin increased to 19.5%
- Selling, distribution and administrative expenses substantially reduced by 13.7%
- EBITDA reached HK$301 million, surged by 7.6%
- Net margin improved significantly from 11.4% to 14.7%
- Profit attributable to shareholders increased by 34.9% to HK$182 million
- Basic earnings per share grew 26.5% to HK42.31 cents
- Strong capital base with HK$890 million cash on hand and HK$2,011 million shareholders' fund
- Return on average equity raised to 10.5%
- The Board of Directors recommended a final dividend of HK4.8 cents per share

The Board of Directors (the "Directors") of Moulin International Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2003, together with comparative figures for the period from 1 April 2002 to 31 December 2002, as follows:—

	Notes	**Year ended 31 December 2003** *HK$'000*	Nine months ended 31 December 2002 *HK$'000* *(restated)*
TURNOVER	*2*	**1,237,732**	888,753
Cost of sales		**(532,884)**	(354,185)
Gross profit		**704,848**	534,568
Other revenue and gains	*3*	**59,618**	63,587
Selling and distribution costs		**(183,916)**	(147,423)
Administrative expenses		**(207,167)**	(192,445)
Other operating expenses, net		**(132,161)**	(82,305)
Restructuring costs	*4*	**—**	(10,706)
PROFIT FROM OPERATING ACTIVITIES	*5*	**241,222**	165,276
Finance costs	*6*	**(39,089)**	(46,541)
PROFIT BEFORE TAX		**202,133**	118,735
Tax	*7*	**(21,017)**	(17,275)
PROFIT BEFORE MINORITY INTERESTS		**181,116**	101,460
Minority interests		**494**	(457)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**181,610**	101,003
DIVIDENDS	*8*		
Additional final dividend in respect of prior year		**1,759**	148
Interim		**31,164**	22,569
Proposed final		**23,962**	17,673
		56,885	40,390
EARNINGS PER SHARE (restated)			
— Basic	*9*	**42.31 cents**	25.09 cents
— Diluted		**42.12 cents**	25.03 cents

Notes:

1. **Basis of Preparation**

The audited consolidated financial statements ("Accounts") have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("HKSSAP"), the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of certain fixed assets and equity investments.

The accounting policies and basis of preparation used in the preparation of the Accounts are the same as those used in the annual financial statement for the period from 1 April 2002 to 31 December 2002 except that the Group has changed its accounting policy following its adoption of the HKSSAP No. 12 "Income Tax" (revised) which is effective for accounting periods commencing on or after 1 January 2003.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing difference between taxable profit and accounting profit to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

Under the revised HKSSAP No. 12, deferred tax liabilities are provided in full on all temporary differences while deferred tax assets are not recognised unless it is probable that future taxable profits will be available against which the temporary difference can be utilised. The change in accounting policy has been applied retrospectively, resulting in prior period adjustments with the opening balances of equity at 1 April 2002 and 1 January 2003 increased by HK$1,973,000 and HK$1,699,000 respectively, which represent the unprovided tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31 December 2002 by HK$6,022,000 and HK$4,323,000 respectively. The profit for the year ended 31 December 2002 has been reduced by HK$274,000.

2. **TURNOVER AND SEGMENT INFORMATION**

Segment information is presented by way of geographical segment. No business segment analysis of the Group's revenues and results is presented as all the Group's revenue and results are generated from vertically integrated activities which include the design, manufacture, distribution and retail of optical products.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

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

Group

	North America		Mainland China		Asia Pacific (including Hong Kong)		Europe		Corporate		Others		Consolidated	
	Year ended 31 December 2003	Period ended 31 December 2002	**Year ended 31 December 2003**	Period ended 31 December 2002	**Year ended 31 December 2003**	Period ended 31 December 2002	**Year ended 31 December 2003**	Period ended 31 December 2002	**Year ended 31 December 2003**	Period ended 31 December 2002	**Year ended 31 December 2003**	Period ended 31 December 2002	**Year ended 31 December 2003**	Period ended 31 December 2002
	HK$'000	*HK$'000* *(restated)*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* *(restated)*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* *(restated)*
Segment revenue:														
Sales to external customers	**482,871**	320,216	**291,797**	185,701	**122,534**	83,933	**337,622**	295,786	**1,056**	—	**1,852**	3,117	**1,237,732**	888,753
Other revenue	**3,695**	1,812	**2,947**	950	**1,590**	1,763	**6,500**	25,648	**775**	418	**2**	47	**15,509**	30,638
Total	**486,566**	322,028	**294,744**	186,651	**124,124**	85,696	**344,122**	321,434	**1,831**	418	**1,854**	3,164	**1,253,241**	919,391
Segment results	**143,467**	72,516	**68,878**	46,396	**(1,161)**	17,977	**(16,278)**	(11,092)	**1,415**	5,278	**792**	1,252	**197,113**	132,327
Interest and dividend income													**44,109**	32,949
Profit from operating activities													**241,222**	165,276
Finance costs													**(39,089)**	(46,541)
Profit before tax													**202,133**	118,735
Tax													**(21,017)**	(17,275)
Profit before minority interests													**181,116**	101,460
Minority interests													**494**	(457)
Net profit from ordinary activities attributable to shareholders													**181,610**	101,003

3. OTHER REVENUE AND GAINS

An analysis of the Group's other revenue and gains is as follows:

	Year ended 31 December 2003 *HK$'000*	Period from 1 April 2002 to 31 December 2002 *HK$'000*
Other revenue		
Interest income	**43,866**	32,704
Dividend income from investments	**243**	245
Subcontracting income	**3,270**	1,617
Management fee income	**825**	250
Others	**9,162**	14,568
	57,366	49,384
Gains		
Gain on disposal of subsidiaries	**—**	12,897
Gain on disposal of short term listed investment	**—**	2
Waiver of trade payables	**2,252**	1,304
	2,252	14,203
Other revenue and gains	**59,618**	63,587

4. RESTRUCTURING COSTS

Last years' restructuring costs, comprising compensation for dismissal of workers and staff, removal costs and restructuring advisory fee, were incurred for the restructuring of the Group's distribution business in Europe and North America during the period from 1 April 2002 to 31 December 2002.

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting) the following:

	Year ended 31 December 2003 *HK$'000*	Period from 1 April 2002 to 31 December 2002 *HK$'000*
Depreciation	**74,851**	61,544
Amortisation of intangible assets	**5,549**	7,313
Amortisation of goodwill	**23,705**	8,728
Provision for doubtful debts	**12,017**	12,143
Provision for slow moving and obsolete inventories	**14,753**	2,000
Loss on disposal of intangible assets	**—**	926
Loss on disposal of fixed assets	**67**	1,404
Write back of provision for slow moving and obsolete inventories	**(4,230)**	(12,402)

6. FINANCE COSTS

	Year ended 31 December 2003 *HK$'000*	Period from 1 April 2002 to 31 December 2002 *HK$'000*
Interest on bank loans and overdrafts wholly repayable:		
within five years	**34,006**	39,460
beyond five years	**1,116**	920
Interest on finance leases and hire purchase contracts	**434**	1,848
Interest on convertible notes	**257**	1,740
Total interest	**35,813**	43,968
Bank charges	**3,276**	2,573
	39,089	46,541

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 December 2003 *HK$'000*	Period from 1 April 2002 to 31 December 2002 *HK$'000* *(restated)*
Current — Hong Kong		
Charge for the year	**22,761**	12,989
Underprovision in prior year	**200**	106
Current — Elsewhere		
Charge for the year	**999**	881
Underprovision in prior year	**62**	143
Deferred tax	**(3,005)**	3,156
Tax charge for the year/period	**21,017**	17,275

8. DIVIDENDS

	Year ended 31 December 2003 *HK$'000*	Period from 1 April 2002 to 31 December 2002 *HK$'000*
Additional final dividend in respect of prior year	**1,759**	148
Interim — HK7.0 cents (2002 (restated): HK5.6 cents) per ordinary share	**31,164**	22,569
Proposed final — HK4.8 cents (2002 (restated): HK4.4 cents) per ordinary share	**23,962**	17,673
	56,885	40,390

The additional final dividend represents the additional payment of the prior year's final dividend of HK4.4 cents per ordinary share to the new shareholders of 40,000,000 shares registered as members between, the date upon which members were entitled to the dividend.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. **EARNINGS PER SHARE**

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December 2003 *HK$'000*	Period from 1 April 2002 to 31 December 2002 *HK$'000* *(restated)*
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations	**181,610**	101,003
Increase in earnings arising from a saving in interest cost, net of tax (assuming the convertible notes had been converted into shares in the Company at their date of issue)	**264**	655
Adjusted profit attributable to shareholders	**181,874**	101,658

	Number of shares **2003**	2002
Weighted average number of ordinary shares in issue during the year/period used in basic earnings per share calculation	**429,236,296**	402,535,166
Weighted average number of ordinary shares:		
assumed issued at no consideration on deemed exercise of all convertible notes outstanding during the year/period	**1,435,050**	3,563,218
assumed issued at no consideration on deemed exercise of all share options outstanding during the year	**1,115,449**	—
Weighted average number of ordinary shares used in diluted earnings per share calculation	**431,786,795**	406,098,384

RESULTS

Turnover for the year under review amounted to approximately HK$1,238 million, representing an increase of approximately 4.4% compared to the annualised consolidated turnover in the previous financial period. The net profit attributable to shareholders was approximately HK$182 million.

FINAL DIVIDEND

The directors proposed to pay a final dividend of HK4.8 cents (2002: HK4.4 cents) per share for the financial year ended 31 December 2003 to shareholders whose names appear on the register of members of the Company on 4 June 2004.

It is expected that cheques for payment of the final dividend will be dispatched to those entitled on or before 16 July 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 June 2004 to 14 June 2004 both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the final dividend mentioned above, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 4 June 2004.

FINANCIAL REVIEW

The Group's consolidated turnover for the financial year ended 31 December 2003 amounted to HK$1,238 million, representing an increase of 4.4% over the HK$1,185 million annualised consolidated turnover recorded in the previous year. Although the Group's interim results reported a 2.1% drop in turnover, sales momentum was quickly restored in the second half of the year with 11.6% growth, resulting in a net increment for the full year consolidated turnover.

Gross profit for the year was HK$705 million (2002 annualised: HK$713 million), representing a gross profit margin of 57.0% (2002: 60.2%). In the interim report, the gross profit margin was only 56.2%. For the second half of the year, the gross profit margin increased 1.6% and went up to 57.8% and the resultant gross profit margin for the full-year was 57.0%.

As a result of maintaining a stable gross profit level while reducing in selling, distribution and administrative expenses by 13.7%, the Group's operating profit increased 9.5% to HK$241 million from 2002's annualised figure of HK$220 million. Together with a reduction of 37.0% in its finance costs due to the low interest rate environment in 2003 and a lower effective tax rate this year, profit attributable to shareholders reached HK$182 million against an annualised figure of HK$135 million for 2002, a significant increase of 34.9%.

The Group's earnings before interest, tax, depreciation and amortization (excluding interest income) amounted to HK$301 million, a rise of 7.6% over the annualised 2002 figure of HK$280 million, showing a very strong operation capability and cash-generating power of the Group.

Returns on average equity increased from 9.4% in 2002 to 10.5% in 2003. Based on the profit attributable to shareholders of HK$182 million, basic earnings per share amounted to HK42.3 cents (2002 annualised: HK33.5 cents), an increase of 26.3%. The Board recommended payment of a final dividend of HK4.8 cents.

BUSINESS REVIEW

By Business Segment

Global Manufacturing-Distribution Integration

In recent times, Moulin has transformed itself into a streamlined global eyewear group with a mid-market brand portfolio. Following a focused development strategy, its distribution business has grown progressively with a turnover of HK$983 million, representing 79% of the Group's total turnover in 2003.

With 17 sales offices globally including the newly acquired NiGuRa Optik GmbH ("NiGuRa"), 250 sales representatives and over 500 customer service officers, the Group enjoys extensive access to global markets, and sells its products through hundreds of thousands of retailers worldwide.

The Group boasts high operational efficiencies, strong global distribution capabilities, and relatively low production costs by comparison with many competitors. Amongst its restructuring activities, the Group was able to transfer certain of its advanced production technologies from manufacturing bases in Europe to its low-cost PRC production base for greater long-term cost-effectiveness.

In addition, the Group set up new warehousing and logistics facilities in China and Hong Kong during this period. Its new 7,000 square feet Hong Kong logistics hub now provides further efficient centralization for direct shipping to the Group's customers globally. Meanwhile, its 30,000 square feet Chaoyang warehouse in Guangdong Province is handling storage of semi-finished and finished optical frames.

Over the past year, the Group has leveraged these competitive advantages to attract more licensed brands and hence has been able to be more selective in its development of a diverse and attractive brand portfolio. In 2003 Moulin added to its list new brands such as Reebok, Féraud, NiGuRa and Enjoy and expects to see a rapid increase of turnover arising directly from their acquisition.

Europe

In Europe, one of the most important development in 2003 was the acquisition of NiGuRa. As a comparatively recent acquisition, the management experts the full benefits arising from NiGuRa should be more fully reflected in 2004.

United States

In the United States, additional contracts with certain sizable mass market retail customers in the United States that were secured in late 2002 and early 2003, were shipped in the second half of 2003. In addition, the Group successfully expanded its direct sales network and thus increased the range and number of opportunities for distributing its products. Moreover, the Group also expanded its direct sales network to service independent eyecare practitioners through a sales distribution agreement with the second largest contact lens distributors in the United States.

Asia Pacific

The Asia Pacific market remained steady overall, although there were individual fluctuations across the region. In particular, due to the adverse market conditions in the first half of the year, business in Hong Kong, Taiwan and Singapore was slightly affected as retail spending in these markets declined across the board. By contrast, sales in Indonesia, the Philippines and Malaysia were robust, with the Group securing significant orders from some of its large-scale retail chain customers.

The PRC

The Group's PRC business grew substantially in 2003 which was attributed to the introduction of a number of the Group's existing international brands into the PRC market, including United Colors of Benetton, Aigner, and Kappa. These prestigious international brands were welcomed enthusiastically by newly affluent urban consumers looking for distinctive upmarket eyewear styles.

ODM/OEM Business

In the year under review, the Group's ODM/OEM business turnover was recorded at HK$170 million. Gross margin was maintained at around 41% in a highly competitive market. The Group plans to deploy a balanced level of resources to maintain a steady and stable ODM/OEM income.

Retail Business

The growth in international brand sales in the PRC was underpinned and enhanced by a corresponding expansion of Shanghai Moulin's retail network. In the second half of 2003, the Group increased the pace at which it opened new stores in Shanghai, which contributed positively to both sales and profitability. Turnover increased significantly by 23% to HK$85 million, against 2002's annualized figures. The number of shops operating under the name "America's Eyes" rose from 29 at the end of 2002 to 34 in December 2003.

PROSPECTS

Firmly established as a global eyewear group with an advanced and efficient integrated manufacturing and distribution network, Moulin is in a strong position to leverage on the synergies between its operations across countries and industry sectors. To do this, the Group plans to pursue a number of carefully formulated development strategies.

Growth through investment

Further downstream expansion

The Group intends to further boost growth by continuous investment in its distribution business. This strategy will involve isolating and exploring opportunities to invest further downstream, with a particular emphasis on acquiring a foothold in the US retail market. Taking this direction should provide the Group with important opportunities to control the entire supply chain network and deliver its products directly to end-users. Such moves are being strongly backed by Moulin's parallel investments in internal management and logistics systems, developments that are streamlining and speeding up its operational processes. For example, the Group's web-based SAP information system, its inventory management system and the customer service centres located in its various offices are helping create a streamlined workflow and a fast, efficient delivery system worldwide.

Brand portfolio

Following successful efforts in consolidating its brand portfolio over the past year, the Group is now ready to focus marketing efforts on promoting those strategic brands which it believes to most likely to make a substantial contribution to future growth. The Group's marketing operations will also be boosted across its entire sphere of operations, with an emphasis on further expanding the marketing teams in its international offices to maximize new opportunities arising there.

Management excellence

In a display of confidence in its directions and its long-term potential, Moulin also invested substantially in management excellence. It expects to further strengthen its management team by attracting more high calibre industry experts into the Moulin fold.

Growth through further consolidation

Although the bulk of Moulin's major consolidation initiatives were completed in 2003, it has identified further areas in which consolidation will be beneficial to the Group and result in improved performance and profitability. For example, the Group is studying the best way to maximize the synergies between its different German distribution businesses , while the Group's European warehousing and logistics functions will shortly be centralized in new facilities located in the Czech Republic. This new Czech Republic facility will not only centralize delivery systems for Europe, it will also act as an important hub for the Group's European logistics centres and customer service support.

Growth through PRC expansion

In the years ahead, the Group will continue to strengthen its leadership position in the PRC to capture the lucrative market potential there. The Group anticipates further synergies will result from the full integration of its businesses. To accelerate the growth of its PRC business, the Group is actively looking for acquisition opportunities in China.

It is the Group's target to open a further 16 self-operated stores by the end of 2004. Meanwhile, its distribution business will introduce further licensed brands into the PRC market.

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Pursuant to the placing and subscription agreement dated 14 May 2003, KFL Holdings Limited, a substantial shareholder of the Company, placed 40,000,000 shares of HK$0.5 each in the capital of the Company at HK$3.5 per share to over 20 independent professional investors and on 27 May 2003 subscribed for 40,000,000 new shares at HK$3.5 per share. The net proceeds received by the company under the subscription were approximately HK$136 million and were used to expand the Group's distribution business in Europe.

Pursuant to the placing and subscription agreement dated 3 December 2003, KFL Holdings Limited, a substantial shareholder of the Company, placed 54,000,000 shares of HK$0.5 each in the capital of the Company at HK$5.6 per share to over 20 independent professional investors and on 16 December 2003 subscribed for 54,000,000 new shares at HK$5.6 per share. The net proceeds received by the company under the subscription were approximately HK$295 million and were used to expand the business of the Group in the United States.

The above two exercises have further broadened up the Company's shareholder base with the inclusion of more institutional investors.

FINANCIAL POSITION

As a result of its liquidation of short term investment and certain receivables, together with two placements of new shares over the course of the year, the Group had approximately HK$890 million in cash on hand as at 31 December 2003. This compares with a total of around HK$265 million on the same date in the previous year. The HK$890 million figure represents a strong investment base for future activities. The Group's gearing ratio also improved over the year, from 0.56 at 31 December 2002 to 0.39 at 30 June 2003 to 0.13 at 31 December 2003. The current gearing ratio is unusually low, however, and planned future investment on the part of the Group should see it rise moderately over time. The current ratio also improved from 2.1 at 31 December 2002 to 2.4 at 31 December 2003 showing a strong yet improving liquidity position of the Group.

The appreciation of the Euro had an inevitable impact on certain aspects of the Group's financial results. By the end of the year the HKD-Euro exchange rate stood at 9.7, considerably higher than the year average which came out at 9.1, and still higher than the 8.2 rate at 31 December 2002. Certain financial ratios such as inventory turnover and debtor turnover did not improve specifically because of the impact of Euro appreciation.

EMPLOYEES

At 31 December 2003 the Group had some 5,000 employees around the world. The Group's policies governing employee remuneration and other benefits are based on individual performance, experience, and more broadly on the current conditions prevailing in the industry generally. The awarding of any discretionary bonuses, merit payments and the granting of share options to eligible staff is made according to the Group's financial results and is based on the performance of individual employees. The Group's employees are also provided with opportunities for training to enhance their personal development and contribution to the Company.

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 for the financial year ended 31 December 2003, in compliance with the "Code of Best Practice" as set our in Appendix 14 of the Rules governing the Listing of securities on the Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year, the Company had not purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code of Best Practice, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises two independent non-executive directors and one non-executive director of the Company.

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

The detailed results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Ma Bo Kee
Chairman

Hong Kong, 29 April 2004

Members of the Board:

Executive Directors:
Mr. Ma Bo Kee *(Chairman)*
Mr. Ma Bo Fung *(Vice Chairman)*
Mr. Ma Bo Lung *(Vice Chairman)*
Mr. Ma Lit Kin, Cary *(Chief Executive Officer)*
Mr. Ma Hon Kin, Dennis
Mr. Tong Ka Wai, Dicky

Independent Non-Executive Directors:
Mr. Ng Tai Chiu, David
Mr. Chan Wing Wah, Ivan

Non-Executive Director:
Ms. Lee Sin Mei, Olivia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of Moulin International Holdings Limited (the "Company") will be held at 3:30 p.m. on Monday, 14 June 2004 at 4/F, Kenning Industrial Building, 19 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong for the following purposes:

1. to receive and approve the audited consolidated financial statements and the reports of the directors of the Company and the auditors for the financial year ended 31 December 2003

2. to declare a final dividend ;

3. to elect directors and to authorize the board of directors to fix the remuneration of the directors;

4. to re-appoint auditors and to authorize the board of directors to fix their remuneration;

5. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

   (A) "That:

   (a) subject to sub-paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in sub-paragraph (a) above shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

   (c) 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 sub-paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined in sub-paragraph (d) below); (ii) the exercise of the subscription rights under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares; (iii) the exercise of the subscription rights under the terms of any warrants issued by the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Bye-Laws of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:—

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:—

(i) the conclusion of the next annual general meeting of the Company;

(ii) the 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

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

"Right issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusion 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 of, or the requirements of any recognized regulatory body or any stock exchange in territory outside Hong Kong)."

(B) "That:

(a) subject to sub-paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares and warrants, subject and 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 (as amended from time to time), be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares and warrants of the Company purchased by the Company pursuant to the approval in sub-paragraph (a) above during the Relevant Period shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue and 10 percent of the outstanding warrants of the Company at the date of passing this Resolution and the said approval be limited accordingly; and;

(c) for the purposes of this Resolutions:—

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:—

(i) the conclusion of the next annual general meeting of the Company;

(ii) the 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

(iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "That conditional upon Resolutions 5A and 5B above being passed, the general unconditional mandate as mentioned in Resolution 5A above shall be extended by the directors pursuant to such general unconditional mandate of any amount representing the aggregate nominal amount of the share capital repurchased by the Company pursuant to the general unconditional mandate referred to in Resolution 5B above, provided that such extended amount shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution."

6. As special business, to consider and, if thought fit, pass the following resolutions as Special Resolutions:

"That the Bye-laws of the Company be and are hereby amended in the following manner:

(A) by inserting the following new definitions in Bye-law 1 :

"Associate"	the meaning ascribed to it under the Listing Rules.
"electronic"	relating to technology having electrical, digital, magnetic, wireless, optical electromagnetic or similar capabilities and such other meanings as given to it in the Electronic Transactions Act 1999 of Bermuda as may be amended from time to time.
"full financial statements"	the financial statements that are required under section 87(1) of the Companies Act.
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time).
"summarized financial statements"	the meaning ascribed to them in the section 87A(3) of the Companies Act.

(B) by deleting the definitions of "clearing house" in Bye-law 1 and substituting therefor the following:

"clearing house"	a recognized clearing house within the meaning of Schedule 1 to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorized shares depositary recognized by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.

(C) by deleting Bye-law 76 in its entirety and substituting therefor the following:

"(1) No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in quorum at any General Meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid; and

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

(D) by deleting Bye-law 88 in its entirety and substituting therefor the following:

"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 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."

(E) by deleting Bye-law 103 in its entirety and substituting therefor the following:

"(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or proposal in which he or any of his Associates has a material interest, but this prohibition shall not apply to any of the following matters namely:

(a) the giving of any security or indemnity either:—

(i) to such Director or his Associate(s) in respect of money lent by him or any of them to or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(ii) to a third party in respect of a debt or obligation of the Company or any or its subsidiaries for which the Director or any of his Associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security; or

(b) any proposal concerning an offer of the 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; or

(c) any proposal concerning any other company in which the Director or his Associate(s) is/are interested, whether directly or indirectly, as an officer or executive or member or in which the Director and his Associate(s) is/are beneficially interested in shares of the company, provided that the Director and/or his Associate(s) is/are not in aggregate beneficially interested in five (5) per cent or more of the issued shares of any class of such company (or of any third company through which his interest or that of his Associate(s) is derived) or of the voting rights; or

(d) any proposal or arrangement concerning the benefit of employees of the issuer or its subsidiaries including:—

(i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or any of his associates may benefit; or

(ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, their Associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or any of his Associates, as such any privilege or advantage not generally be accorded to the class of persons to which such scheme or fund relates;

(e) 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.

(2) A company shall be deemed to be a company in which a Director and/or any of his Associates owns five (5) per cent or more of any class of the voting equity share capital of such company or of the voting rights of any class of shares of such company if and so long as (but only if and so long as) he and/or his Associates is (either directly or indirectly) the holder of or beneficially interested in five (5) per cent or more of any class of the equity share capital of such company (or of any third company through which his interest or that of his Associate(s) is derived) or of the voting rights of any class of shares of the company. For the purpose of this paragraph, there shall be disregarded any shares held by a Director or his Associates 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 interest of the Director or his Associates 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 authorized unit trust scheme in which the Director or his Associates 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 any of his Associates 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 or his Associates 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 or his Associates, such question shall be decided by a resolution of the Board (for which purpose such chairman shall not be counted in the quorum and 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 or his Associates as known to such chairman has not been fairly disclosed to the Board."

(F) by deleting the Bye-law 153 in its entirety and substituting therefor the following:

"(1) Subject to Section 88 of the Act and Bye-law 153 (2) below, 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 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 or to more than one of the joint holders of any shares or debentures.

(2) The Company may send summarized financial statements to members of the Company who have, in accordance with the Statutes, Listing Rules and any applicable laws, rules and regulations, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by the Auditor's report must be sent not less than twenty-one (21) days before the general meeting to those members that consented and elected to receive the summarized financial statements."

(G) by deleting the existing Bye-laws 160 to 161 (inclusive) in their entirety and substituting therefor the following:

"160. Any notice or document to be given or issued under these Bye-laws in writing may be served or delivered by the Company by any of the following means subject to and to such extent permitted by and in accordance with the Statutes, the Listing Rules and any applicable laws, rules and regulations:

(a) personally;

(b) by sending it through the post in a properly prepaid letter, envelope or wrapper addressed to a member at his registered address as appearing in the register of members;

(c) by delivering or leaving it at such address as aforesaid;

(d) by advertisement in an English language newspaper and a Chinese language newspaper in Hong Kong in accordance with the Listing Rules;

(e) by transmitting it as an electronic communication to the entitled person at such electronic address as he may have provided; or

(f) by publishing it on a computer network.

In 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 of members and notice so given shall be sufficient notice to all the joint holders.

161. Any notice or document (including any "corporate communication" within the meaning ascribed thereto in the Listing Rules) given or issued by or on behalf of the Company:

(a) if served or delivered by post, shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is put into a post office situated within Hong Kong and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly prepaid, addressed and put into such post office (airmail if posted from Hong Kong to an address outside Hong Kong) and a certificate in writing signed by the Secretary or other person appointed by the Board that the envelope or wrapper containing the notice or document was so properly prepaid, addressed and put into such post office shall be conclusive evidence thereof;

(b) if not served or delivered by post but delivered or left at a registered address by the Company, shall be deemed to have been served on the day it was so delivered or left;

(c) if published by way of a newspaper advertisement, shall be deemed to have been served on the date on which it is advertised in one English language newspaper and one Chinese language newspaper in Hong Kong;

(d) if sent as an electronic communication, shall be deemed to have been served at the time when the notice or document is transmitted electronically provided that no notification that the electronic communication has not reached its recipient has been received by the sender, except that any failure in transmission beyond the sender's control shall not invalidate the effectiveness of the notice or document being served; and

(e) if published on the Company's computer network, shall be deemed to have been served on the day on which the notice or document is published on the Company's computer network to which the entitled person may have access.

The signature to any notice or document by the Company may be written, typed, printed or made electronically."

(H) by deleting the existing Bye-laws 162 (2) in its entirety and substituting therefor the following:

"(2) Any notice or document served in accordance with Bye-law 161 shall, in respect of any Member who is deceased, bankrupt or in mental disorder, be deemed to have been duly served on his legal personal representatives or trustee of the bankrupt, whether or not the Company has notice of his status."

By Order of the Board
Kan Siu Yim, Katie
Company Secretary

Hong Kong, 29 April 2004

Principal place of business:
4/F, Kenning Industrial Building
19 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

NOTES:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the Bye-laws of the Company, vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, a from of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

3. The register of members of the Company will be closed from 7 June 2004 to 14 June 2004, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the attendance a the annual general meeting of the Company and the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 4 June 2004.

Please also refer to the published version of this announcement in The Standard.