



LUK FOOK HOLDINGS (INTERNATIONAL) LIMITED

六福集團(國際)有限公司

(Incorporated in Bermuda with limited liability)

Website: www.lukfook.com.hk www.infocast.com.hk/listco/lukfook
(Stock Code: 590)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST MARCH 2004

RESULTS

The Board of Directors (the "Board") of Luk Fook Holdings (International) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2004 together with comparative figures for the previous year as follows:

		(Note 1) As restated	
		2004 HK\$'000	2003 HK\$'000
Turnover	2	1,598,123	1,461,763
Cost of sales		(1,252,232)	(1,157,410)
Gross profit		345,891	304,353
Other revenues	2	20,239	13,786
Selling and distribution costs		(240,472)	(227,331)
Administrative expenses		(28,233)	(27,786)
Other operating expenses		(4,550)	(5,477)
Operating profit	3	92,875	57,545
Finance costs		(7)	(25)
Profit before taxation		92,868	57,520
Taxation	4	(14,796)	(9,834)
Profit after taxation		78,072	47,686
Minority interests		(1,107)	(329)
Profit attributable to shareholders		76,965	47,357
Dividends		33,667	28,480
Earnings per share	5		
Basic		HK16.1 cents	HK10.0 cents
Diluted		HK15.8 cents	HK9.8 cents

Notes:

1. Basis of preparation and accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). The accounts have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice No. 12 (the "revised SSAP 12") issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. The opening retained earnings at 1st April 2002 and 2003 have been increased by HK\$4,708,000 and HK\$6,282,000, respectively, which represent the unprovided net deferred tax assets. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$6,473,000 and HK\$191,000, respectively. The profit for the year ended 31st March 2003 has been increased by HK\$1,574,000.

2. Revenue, turnover and segment information

The Group is principally engaged in the retailing and wholesaling of gold jewellery and gold ornaments, gem-set jewellery and gemstones, and other accessory items. The Group also provides technical support and consultancy services including quality control of jewellery products to licencees. Revenues recognised during the year are as follows:

	2004 HK\$'000		2003 HK\$'000	
Turnover	1,598,123		1,461,763	
Sale of goods				
Other revenues	9,936		6,478	
Services income	4,770		3,246	
Consultancy fee income	169		897	
Interest income	633		1,461	
Commission income	4,731		1,704	
Others				
	20,239		13,786	
Total revenues	1,618,362		1,475,549	

Primary reporting format – business segments

The Group is organised mainly in Hong Kong into two major business segments:

- Retailing of jewellery
- Manufacturing and wholesaling of jewellery

Other operations of the Group mainly comprise securities investments, and services relating to internet and software development.

	Retailing		Manufacturing and wholesaling		Other operations		Eliminations		Group	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales to external customers	1,502,946	1,375,891	94,760	85,872	417	–	–	–	1,598,123	1,461,763
Inter-segment sales	14,617	3,846	359,644	301,284	79	–	(374,340)	(305,130)	–	–
Other revenues from external customers	874	91	13,835	9,516	4,333	3,282	–	–	19,042	12,889
Inter-segment other revenues	–	–	–	–	2,494	934	(2,494)	(934)	–	–
Total	1,518,437	1,379,828	468,239	396,672	7,323	4,216	(376,834)	(306,064)	1,617,165	1,474,652
Segment results	87,127	77,880	39,204	14,576	(4,811)	(5,737)	(5,334)	(2,679)	116,186	84,040
Interest income									169	897
Unallocated costs									(23,480)	(27,392)
Operating profit									92,875	57,545
Finance costs									(7)	(25)
Profit before taxation									92,868	57,520
Taxation									(14,796)	(9,834)
Profit after taxation									78,072	47,686
Minority interests									(1,107)	(329)
Profit attributable to shareholders									76,965	47,357
Depreciation – allocated	6,857	7,927	1,633	1,383	762	630	–	–	9,252	9,940
– unallocated	–	–	–	–	–	–	–	–	3,013	2,954
									12,265	12,894
(Surplus)/deficit on revaluation of land and buildings – allocated	–	42	–	–	–	–	–	–	(1,835)	1,884
– unallocated	–	–	–	–	–	–	–	–	(1,835)	1,926

Secondary reporting format – geographical segments

No geographical analysis is presented as over 90% of the Group's revenue, results and assets are derived from activities in Hong Kong during the two years ended 31st March 2003 and 2004.

3. Operating profit is stated after crediting and charging the following:

	2004 HK\$'000	2003 HK\$'000
Crediting		
Surplus on revaluation of land and buildings	1,835	–
Charging		
Cost of inventories sold	1,251,980	1,160,047
Depreciation of fixed assets	12,265	12,894
Deficit on revaluation of land and buildings	–	1,926

4. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax	16,940	12,155
Over provision in prior years	(1,399)	(747)
Deferred taxation	(745)	(1,574)
	14,796	9,834

Hong Kong profits tax has been provided for at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profit tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

5. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$76,965,000 (2003: HK\$47,357,000) and the weighted average number of 478,399,954 (2003: 473,815,212) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders of HK\$76,965,000 (2003: HK\$47,357,000) and the weighted average number of 486,558,652 (2003: 484,350,454) ordinary shares in issue during the year after adjusting for the effects of all potential dilutive ordinary shares deemed to be issued at no consideration if all outstanding share options granted under the share option scheme of the Company had been exercised.

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK5 cents (2003: HK4 cents) per share for the financial year ended 31st March 2004. The final dividend, if approved, will be payable on 15th September 2004 to shareholders whose names appear on the Register of Members of the Company on 27th August 2004.

OPERATION REVIEW

Gold and Jewellery Operation Business Expansion

At present, the Group has 28 retail outlets under the brand name of Luk Fook and six outlets under the brand name of Ice g. in Hong Kong, the PRC, Macau and Canada. During the year under review, the Group opened two retail outlets in Jordan and Shatin. In addition, the Group has been continuously expanding its overseas market by establishing two outlets in Vancouver and Toronto, Canada in the year under review.

Innovative Designs

Articles of jewellery are getting more fashion oriented. In order to move up-market, innovative designs are very important. Similar to the past few years, the Group's designs gained significant recognition and accredited with awards in various jewellery design competitions for the year under review. Details are set out in the "Review of 2003/2004 Business Strategies" section.

In addition, the Group launched various new products into the market so as to suit the needs and taste of different customers, including:

- "Baimo" pendant collection specially designed for Christmas. Each pendant is produced by trendy baimo with different colour, including natural pink, pearl white or malachite green together with sparkling diamond on top
- Gold ornaments with Year of the Monkey as the theme. Cute figures like "甜甜小寶", "進寶金猴" and "招財金猴" etc were produced
- Lovers' rings from Ice g specially designed for Valentine. Each ring comprised exquisite round-shaped and square-shaped diamonds. The trendy and simple design collection created romantic atmosphere for lovers
- Gold jewellery encrusted with pearl and jade especially designed for Mother's Day

Promotional Activities

The Group continues to participate in numerous promotional activities during the year to reinforce its brand awareness in the market. Details are set out in the "Review of 2003/2004 Business Strategies" section.

PRC Market

The continuous growth of the PRC economy boosted the demand for luxury products. It is expected to create enormous business opportunity for jewellery brands. In July 2003, the Group has obtained the sole-proprietorship license, which allows the Group to retail and wholesale. The large-scale jewellery manufacturing plant is situated on a site area of about 350,000 sq. ft. in Panyu, Guangdong and with a total investment of approximately HK\$60,000,000 which is funded by internal resources. It is expected to commence operation in the fourth quarter of 2004, which will triple the existing production capacity. On the one hand, it will further reduce the production cost and enhance the profit margin of the Group. On the other hand, it prepares the Group to explore wholesale business opportunity in the foreseeable future.

In order to further penetrate into the PRC market, the Group is actively searching for appropriate distributors. The establishment of the new manufacturing plant in the PRC will enable the Group to enhance its brand awareness and to develop its distribution and wholesales business in the PRC, which also will contribute an increment for the revenue of the Group's Hong Kong operation.

During the year, the Group provides technical support, product design and staff training services to over 110 franchise jewelers in the PRC, with an aim to increase the brand awareness and market penetration, thus paving the way for future business development.

Securities Operation

During the year under review, the Group ceased its securities operation, with a target to re-engineer its resources and to focus on the development of its core business of jewellery operation.

Portal Operation

The Group's registered jewellery portal "www.jewellworld.com" or "www.jw28.com", which serves as an electronic gateway for the global jewellery industry, is expected to become a business-to-business trading platform among jewellery manufacturers, wholesalers and retailers around the world, as well as an additional promotion channel for the Group. The Group believes that the increasing trend of viewing samples and purchasing jewellery electronically will enhance business potential.

PROSPECTS

Hong Kong Market

Looking forward, the Group is optimistic. Macro speaking, the Hong Kong economy is undergoing a strong upturn. In the first quarter of 2004, real GDP grew by 6.8% from a year earlier, continuing on the 3.3% growth in 2003. On account of the prevailing upturn, the official forecast of GDP growth is 6% for 2004.

Also, 2004 is the year for wedding as the Chinese tradition "double spring" is a blessing year for marriage which will boost up the sale of gold and jewellery for the year.

The implementation of "Individual Visit Scheme" which was effective in July 2004 for the provinces including Fujian, Zhejiang, and Jiangsu will further benefit the local retail market. The Group has launched marketing campaigns targeting this segment.

In line with the increasing consumption of mainland tourists in Hong Kong, the Group was among the first batch of retailers, which accepted RMB Union Pay Card.

All of the above-mentioned factors, without mentioning the escalating reputation of the Luk Fook brand in Hong Kong, contribute to the development of the Group in the long run. In May 2004, the Group opened its 28th retail shop in Yuen Long, Hong Kong. Looking ahead, it will continue to seize prime locations to open more retail outlets.

In April 2004, the Group acquired the whole block of 14-storey commercial building (plus a cockloft) situated at No. 749A Nathan Road, Kowloon, Hong Kong for a consideration of HK\$36 million. The total saleable area is 10,788 square feet. The Group will rename the property as Luk Fook Jewellery Centre and use the whole property as its head office building to accommodate all its existing office operations.

PRC Market

According to the Hong Kong Trade Development Council, the sales of jewellery recorded an annual growth rate of 15.7% in the PRC market. The jewellery market is expected to reach RMB150 billion in the year 2010. At present, there are approximately 7,000 consumers per gold and jewellery shop internationally. In Hong Kong, approximately 6,500 consumers per gold and jewellery shop but approximately 25,000 consumers per shop in the PRC. The jewellery possession rate is only 55% in first-tier cities, 23% in small to medium cities. Therefore, the growth potential is huge.

The early penetration and brand name promotion in the PRC through its franchise shops have brought with the Group harvesting return. With the competitive advantages over domestic and foreign jewelers in terms of reputation, services and product quality as well as commencement of operation of the new manufacturing plant in the fourth quarter of 2004, the Group believes that its business development will further be enhanced.

Macau Market

Since the simplified traveling procedures and the opening of gambling industry has boosted Macau's tourist industry, Macau will turn to be another famous tourist spot for mainland visitors. In view of this, the Group will continue to develop and promote its business in Macau with the two retail outlets there.

Overseas Market

The Group has successfully penetrated into the overseas market. Following the Canada market, the Group plans to open retail outlets in New York, Las Vegas and Southeast Asia in the future, aiming to upgrade Luk Fook to become an international brand.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Consumer spending has progressively recovered from the setback of SARS in Hong Kong. In part due to a strong increase in the number of mainland visitors fuelled by "Individual Visit Scheme" implemented by the PRC central government. The acceptance of using RMB Union Pay Card by the mainland visitors in Hong Kong allowed them to indulge in shopping without worries. According to the Hong Kong Trade Development Council, tourist arrivals rebounded by 5.8% in the latter half of 2003 after a 57.9% decrease in the second quarter. Tourist arrivals increased by 8.4% in the first two months of 2004. The retail market of both Lunar New Year Holidays and Golden Week are highly rewarded. Gold and Jewellery are all time favorite shopping items of mainland tourists.

In addition, retail sales volume grew by 7.3% in the first three months of 2004. Also, labour market conditions have improved, with the unemployment rate falling from a record high of 8.7% in the three months ended July 2003 to 7.1% April 2004. The Composite Consumer Price Index (CCPI), which covers 90% of households, however fell by 2.6% in 2003 and 1.7% in the first four months of 2004.

The continuous growth of the PRC economy boosted the demand for luxury products such as gold and diamond. Following the Zero Tariffs came under the "Closer Economic Partnership Agreement", the Group can further penetrate into the PRC jewellery market through its advanced technology, quality products and well-trained staff.

REVIEW OF 2003/2004 BUSINESS STRATEGIES

The expansion of the local, PRC and overseas markets has contributed an increment for the Group's turnover. During the year under review, the Group has opened two retail outlets in Hong Kong and also set up the first outlet in Shenzhen. To expand its international market, also established two retail outlets in Vancouver, and Toronto.

Gold and Jewellery Operation

Innovative Designs

The Group's designs gained applauses in numerous local and overseas design competitions, including:

- "Tahitian Pearl Trophy 2003"
 - Cultural Fusion Award : "Dragon"
 - Brooch Category : Winner – "Chopsticks"
 - Pendant Category : Winner – "Shimmer"
 - Earrings Category : Winner – "Water Screen"
 - Earrings Category : 1st runner up – "Flow"
 - Parure Category : 2nd runner up – "Wavelet"
- "The 5th Hong Kong Jewellery Design Competition"
 - Best of Show Awards:
 - Earrings Category – "Blissful Jump"
 - Necklace Category – "Rebirth"
 - Merit Awards:
 - Watch Category – "Sunflower"
 - Ring Category – "Dance"
 - Earrings Category – "Thousand Stars"
 - Brooch Category – "S.cascade"
 - Pendant Category – "Dream" and "Fancy Dew"
- "The Chuk Kam Jewellery Design Competition 2004"
 - K-gold Group : Winner – "Dragon & Phoneix"
 - Buyers' Choice Category : Winner – "Pearl of Dragon"
- DTC "Diamond : Natural's Miracle" International Design Competition Award
 - Hong Kong Award Winning Piece : Necklace "Lava"

Brand Building

Branding is undoubtedly important for the long-term development of the Group. The Group dedicates to promote its trade name of "Luk Fook Jewellery" in the Hong Kong, PRC, and overseas markets.

The Group sponsored various public activities during the year, including:

- Concerts of Hong Kong Harbour Fest held on 26, 30 and 31 October 2003
- Diamond crown and some jewellery pieces for the winners of the 2003 Miss Hong Kong Beauty Pageant
- "Live with the Hong Kong Sinfonietta" Concert of Andy Hui and William So
- Movie "Golden Chicken II" product placement

The Group also organized and participated in numerous promotional activities, including:

- "Luk Fook EPS Super Reward Programme" for the Group's 12th anniversary celebration. Prizes included 5% cash rebate, jewellery, cosmetic and skin care products

- "八寶袋" were distributed during the National Day and Golden Week
- Tourist VIP Card
- "Boost up Hong Kong Economy, 5% Cash rebate" ("振興香港50%現金回贈") organized by the Hong Kong Jewellers' and Goldsmiths' Association and the Kowloon Jewellers' and Goldsmiths' Association
- "Hong Kong Super Draw" organized by the Hong Kong Tourism Board
- Seasonal promotional activities included Mother's Day, Christmas, Chinese New Year and Valentine's Day;
- Various large-scale road shows including:
 - Hong Kong International Jewellery Fair at the Hong Kong Convention and Exhibition Centre, Wanchai
 - Shenzhen International Jewellery Fair at the China Hi-Tech Fair Exhibition Centre, Shenzhen
 - Jewelry Expo Shanghai 2003 at the Shanghai Exhibition Centre
 - "11th Hong Kong International Jewellery Manufactures Exhibition" at Hong Kong Convention and Exhibition Centre
 - "Luk Fook 12th Anniversary Jewellery Exhibition" at Shatin New Town Plaza
 - "The Beauty of Jewellery Exhibition" at Kornhill Jusco

Quality Assurance

"China Gems Laboratory Limited", the Group's subsidiary, had tested and issued quality certificates for over 100,000 pieces of jade products. In recent years, the Group has introduced advanced equipments for the testing and issuance of certificates for diamonds and gemstone jewellery. The objective is to ensure that every piece of the Group's products come with an identification certificate, which could raise the confidence of our customers towards the Group's products and the market competitiveness.

Cost Control

The rental costs represented 3.3% of the Group's turnover for the year under review. The Group continues to obtain favorable rates from landlords this year. Negotiations with other landlords on rental issues are in active progress. Advertising and promotion expenditures represented approximately 1.2% of the turnover.

Securities Operation

During the year under review, the Group ceased its securities operation, with a target to re-engineer its resources and to focus on the development of its core business of jewellery operation.

Portal Operation

The Group believes that jewelers around the world will use the jewellery portal more frequently to view samples and purchase jewellery in order to streamline their operation procedures. It undoubtedly represents significant business potential for the Group's jewellery portal.

Liquidity and Financial Resources

The Group's core business is gold and jewellery retailing. As at 31st March 2004, the Group's cash on hand reached approximately HK\$73 million (2003: HK\$91 million). The Group's debt-to-equity ratio at the year-end, being the proportion of total debts of approximately HK\$120 million (2003: HK \$98 million) against total shareholders' equity of approximately HK\$583 million (2003: HK\$531 million), was 20.6% (2003:18.5%).

Exposure to Fluctuations in exchange rates and related hedges

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars. During the year the Group had no significant exposure to fluctuations in exchange rates and did not use any related hedges.

Capital Expenditure

During the year under review, the Group incurred capital expenditures of approximately HK\$45 million, including the costs of furniture, fixture and equipment for several new jewellery retails shops as well as the construction cost for a manufacturing plant at Panyu of the PRC.

Contingent Liabilities

The Group did not have any significant contingent liabilities at 31st March 2004 (2003: Nil).

Employment, Training, Development and Recruitment Remuneration Policy

As at 31st March 2004, the number of staff of the Group in Hong Kong was approximately 700 (2003: 636). Remuneration policies are reviewed and approved by management on a regular basis. Remuneration packages are structured to take into account the comparable level of the market. Bonus and other merit payments are linked to success of the Group and performance of individual employee. The policy is to encourage employees to optimize business performance by providing them with financial incentives.

CLOSURE OF REGISTER OF MEMBERS

The Register of members of the Company will be closed from 23rd August 2004 to 27th August 2004 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00p.m. on 20th August 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules.

AUDIT COMMITTEE

In compliance with paragraph 14 of the Code of Best Practice, the Board has established an audit committee comprising all independent non-executive directors, to monitor the accounting and financial reporting practices and internal control systems of the Company. Since 1st April 2003, the audit committee has held several meetings to consider matters including the 2003 annual report of the Company, internal controls and the implications of the new accounting standards to the Group's financial reporting, the unaudited interim condensed consolidated accounts for the six months ended 30th September 2003, the 2004 annual report of the Company and the Group's IT control environment.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

APPRECIATION

On behalf of the Board of Directors, I would like to express my appreciation to all the staff for their dedication and contribution during the year. I would also like to offer my sincerest gratitude to all our customers, suppliers, business associates and shareholders for their support and advice. With your continuous cooperation and support, the Group will make every endeavor to strive for the best in the coming year.

By Order of the Board
Wong Wai Sheung
Chairman

Hong Kong, 23rd July 2004

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published in the Stock Exchange's website as soon as possible.

The full text of the Company's announcement of annual results can be accessed through the Internet at: <http://www.infocast.com/hk/listco/hk/lukfook>

As at the date of this announcement, the Company's executive directors included Mr. WONG Wai Sheung, Mr. TSE Moon Chuen, Mr. LAW Tim Fuk, Paul, Mr. POON Kam Chi, Mr. LAU Kwok Sum and the non-executive directors included Mr. WONG Koon Cheung, CHAN Wai, LEE Shu Kuan, Ms. YUENG Po Ling, Pauline, Mr. HUI Chiu Chung, Mr. CHIU Wai Mo and Mr. HUI King Wai.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 19/F., Sino Centre, 582-592 Nathan Road, Kowloon on 27th August, 2004 (Friday) at 11:30 a.m. for the following purposes:

1. To receive and consider the Audited Consolidated Accounts and the Reports of the Directors and Auditors for the year ended 31st March 2004.
2. To declare the final dividend for the year ended 31st March 2004.
3. To re-elect the retiring Directors, to authorise the Board to fix the remuneration of Directors and to appoint additional Directors.
4. To re-appoint Auditors and to authorise the Board to fix their remuneration.
5. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

"THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (d) below) 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 which might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which 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) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as defined in paragraph (d) below) or pursuant to an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to executives and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or any script dividend or

similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors in paragraph (a) above 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 laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to the shareholders on the register of shareholders of the Company on a fixed record date in proportion to their shareholdings as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

6. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

"THAT:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to repurchase its own shares on The Stock Exchange of

Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and it is hereby generally and unconditionally approved;

- (b) the aggregate nominal amount of share capital repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution and the said approval to the Directors of the Company in paragraph (a) above shall be limited accordingly; and
- (c) for the purpose 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 laws to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting."

7. As special business, to consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution:

"**THAT** conditional upon Resolutions Nos. 5 and 6 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors of the Company as mentioned in Resolution No. 6 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution No. 5 above, provided that the amount of share capital repurchased by the Company shall not exceed 10% of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

8. As special business, to consider and, if thought fit, to pass the following resolution as a special resolution:

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

(A) *Definitions*

THAT the existing definition of "Clearing House" in Bye-law 1(A) be deleted and substituted by the following new definition:

"Clearing House" shall mean a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or a clearing house or authorised shares depository recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction;

THAT the existing definition of "associates" in Bye-law 1(A) be deleted and substituted by the following new definition:

"associates" shall have the meaning as defined in the Listing Rules;

THAT following new definition of "Listing Rules" be added to Bye-law 1(A) immediately following the existing definition of "holding company" and "subsidiary":

"Listing Rules" shall mean the rules governing the listing of securities made by The Stock Exchange of Hong Kong Limited (as amended from time to time);

(B) *Bye-law 76A*

THAT the following new Bye-law 76A be added after the existing Bye-law 76:

"76A Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted."

(C) *Bye-law 98(H)*

THAT the existing Bye-law 98(H) be deleted and substituted by the following:

"98(H) A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his associate(s) has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to any of the following matters namely:-

- (i) the giving of any security or indemnity either:
- (a) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
- (b) 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/himself assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
- (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or
- (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company."

(D) *Bye-law 103*

THAT the existing Bye-law 103 be deleted and substituted by the following:

"103. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office at least 7 days before the date of the general meeting. The period for lodgment of the notice required under this bye-law will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting."

9. To transact any other business.

By Order of the Board
Law Tim Fuk, Paul
Company Secretary

Hong Kong, 23rd July, 2004

Notes:

1. Any member of the Company entitled to attend and vote at the Annual General Meeting of the Company shall be entitled to appoint another person as proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
2. The instrument appointing a proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the principal place of the Company in Hong Kong at 19/F Sino Centre, 582-592 Nathan Road, Mong Kok, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.
3. The Bye-laws of the Company is written in English. There is no Chinese version in respect thereof. Therefore, the Chinese version of the Special Resolution as set out in item 8 above on amendments to the Bye-laws is purely a translation only. Should there be any discrepancies, the English version will prevail. The purpose of the amendments is included in a separate circular to members of the Company which is dispatched to members with the Company's Annual Report 2004.