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Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Website: <http://www.peacemark.com>)

(Stock Code: 304)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH, 2004

The board of directors (the “Directors”) is pleased to announce the audited consolidated results of Peace Mark (Holdings) Limited (“Peace Mark” or the “Company”) and its subsidiaries (together with the Company hereinafter referred to as the “Group”) for the year ended 31 March, 2004.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	1,434,492	1,119,099
Cost of sales		(1,089,082)	(925,476)
Gross profit		345,410	193,623
Other revenue		11,639	19,668
Distribution costs		(118,012)	(43,979)
Administrative expenses		(114,101)	(70,351)
Other operating expenses		(16,646)	(5,332)
Profit from operations	3	108,290	93,629
Share of profit of an associate		321	–
Share of loss of a jointly controlled entity		(2,998)	(6,194)
Finance costs	4	(18,155)	(13,407)
Profit before taxation	2	87,458	74,028
Income tax	5	(206)	(7,995)
Profit after taxation		87,252	66,033
Minority interests		(7,247)	(7,834)
Profit attributable to shareholders		80,005	58,199
Dividends	6	27,958	17,739
Earnings per share	7		
Basic (cents)		12.43	13.80
Diluted (cents)		12.09	13.79

3. Profit from operations

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging and (crediting) the following:		
Depreciation		
– Owned assets	38,001	34,857
– Assets under finance leases	697	1,454
Amortization of intangible assets	4,380	5,399
Amortization of goodwill	2,825	719
Staff costs including contributions of HK\$1,209,000 (2003: HK\$1,080,000) to defined contribution retirement plans	72,706	45,926
Write-off of current assets	–	442
Realization of negative goodwill	–	(4,101)
Interest income	(4,761)	(5,128)
Loss on write-down of inventories to net realisable value	4,398	–
	<u>4,398</u>	<u>–</u>

4. Finance costs

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on:		
Term loans, syndicated loan and bank overdrafts wholly repayable within five years	17,982	13,286
Obligations under finance leases	173	121
	<u>18,155</u>	<u>13,407</u>

5. Income tax

Taxation in the consolidated income statement represents:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	9,791	4,119
Underprovision in prior year	–	516
Deferred taxation	(9,585)	3,360
	<u>206</u>	<u>7,995</u>

Hong Kong Profits Tax is calculated at the prevailing rate of 17.5% (2003: 16%) on the estimated assessable profits for the year.

6. Dividends

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim dividend of HK1.8 cents per share (2003: HK1.5 cents)	11,544	8,276
Final dividend of HK2.0 cents per share (2003: HK1.5 cents)	16,414	9,463
	<u>27,958</u>	<u>17,739</u>

A final dividend in respect of 2004 of HK2.0 cents per share amounting to approximately HK\$16,414,000 was proposed by the Directors after the balance sheet date. The proposed dividend has not been accounted for until it is approved at the forthcoming Annual General Meeting.

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit attributable to shareholders	<u>80,005</u>	<u>58,199</u>
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	643,510	421,755
Potential dilutive shares		
– share options (in '000)	16	428
– warrants (in '000)	<u>18,158</u>	<u>–</u>
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	<u>661,684</u>	<u>422,183</u>
Basic earnings per share (cents)	<u>12.43</u>	<u>13.80</u>
Diluted earnings per share (cents)	<u>12.09</u>	<u>13.79</u>

REVIEW OF OPERATIONS

The strong foundation stones laid in the past have enabled Peace Mark to achieve continuous year over year growth. Based on a powerful combination of improved manufacturing capabilities and expansion within its global downstream operations, the company is poised to becoming a key player within the international timepiece industry with core competence in design, manufacturing and distribution.

Production

Over the past years, the Group has leveraged its vertically integrated manufacturing setup to ensure that its competitive advantages among its peers can be sustained over the long run. As overall margins and production efficiency continues to improve, we are also putting forward further efforts to upgrade our production facilities. The management of Peace Mark is proud to announce that our upscale components manufacturing and design laboratory located in Longhua, China has been completed and is currently operational. This particular facility is intended to meet the components production standards for the high-end fashion and luxury brand customers and is in line with our plans to move towards upscale timepiece manufacturing. Backed by the latest equipment as well as a strong product design and development team, this production facility features an interactive customer-designer interface system and aims to yield shorter prototype turnaround time. The facility is also positioned to serve a wider customer base and to enhance Peace Mark's competitive advantage among its peers.

Distribution

The Americas

Apart from production, the management of Peace Mark is also closely monitoring the progress of its downstream business around the world. Historically, the United States has been a key market for the Group and will continue to be an important source of revenue in the upcoming years. Other important markets such as the lucrative mass market segment for the Latin America market is also showing strong demands and positive results have been reported across the region. FY2004 has been an important year for our US distribution business as it financially reflects the full year operation results within our US joint venture company – Omni Watch and Clock. Save as the other business lines within the Peace Mark Group, positive financial and operational results were reported from the US joint venture company. The JV contributed HKD167 million of sales and achieved a net margin of 10%. On the operational end, we currently cover over 23,000 points of sales around the US with a presence in major chain stores, drug chain stores, supermarket chains, specialty jewellery stores, truck stop chains and sport chains. Further efforts were also put forward to enhance our abilities to sell direct. Apart of hiring additional experienced sales staff into the US JV, a new office was set up in Bentonville for the purpose of better serving the super customers. All in all, the management of the Group has established a proven success business model for its one stop business solution providing our customers with various timepiece related services ranging from design, manufacturing to distribution.

Asia Pacific

While the Group's manufacturing operation continues to receive strong OEM orders from Japanese customers, the management team is also looking closely into new opportunities within other regions of the Asia Pacific region. In FY2003, we established a sales office in Taiwan and during the period under review, we continued to increase our presence within Asia by establishing sales offices in Thailand and Vietnam. The purpose is to align us with the increasing demands of various international brands and better position the Peace Mark Group to serve its customers within the Asia Pacific Rim. With the increasing popularity of branded fashion and sports ware timepiece products, we are confident that our downstream expansion plans within Asia will experience steady growth.

China

Since FY2003 we saw immense opportunities in the PRC distribution business facilitated by the benefits of CEPA and we have expedited our downstream expansion plans for our China distribution business. During the period under review we acquired 60% equity interest within a PRC based distributor of Citizen watches covering 207 points of sales. The deal was completed in November 2003 and the acquisition has immensely improved our foundations for our China distribution business while creating a first mover advantage for the Peace Mark Group. With the sophisticated management information platform and strong logistic supports, the management is confident that the full year results of this newly acquired business will contribute promising returns in FY2005.

We are currently selling timepiece products in China under various exclusive and non-exclusive contractual arrangements including licensing, agency and sales rights. Our ongoing strategy is to further strengthen our PRC distribution business by increasing the number of points of sales as well as adding more brands within our stores. With our strong distribution network in China we are pleased to see an increasing number of international renowned brands coming into our network benefiting the overall image and awareness of our points of sales. The PRC downstream business is also benefiting our other operations as we are currently in close negotiations with various international brands for simultaneous manufacturing and sales rights for the PRC market.

CEPA

Alongside with the solid manufacturing and distribution base in China, the Group has also implemented strategic measures to fully capture benefits of the CEPA scheme, as we firmly believe that this arrangement will bring about additional manufacturing and distribution rights opportunities for the Group. In November of 2003, we successfully obtained a certificate of Hong Kong Service supplier under the CEPA scheme. A temporary production facility was established and 2 new assembly lines are due to be completed in the upcoming months. The new production facility will increase our production capacity by two million pieces or 17% per annum. We are proud to be the first Hong Kong timepiece company to successfully manufacture and ship “Made in Hong Kong” timepiece under the CEPA arrangement and furthermore, we have also been recognized by the Trade and Industry Department of the HKSAR as a qualified company to provide distribution and wholesale services in the PRC. Our China and Hong Kong team are currently establishing wholly owned foreign enterprise both in Shenzhen and Chongqing for the purpose of aligning with the expansion plans within our PRC timepiece distribution business.

Upscale Timepiece Business

Milus International S.A.

The launch of the new Milus aiming a distinctive presence in the luxury timepieces sector took place during FY2003 and continued to exhibit immense potential during the 2004 World Watch and Jewellery Fair in Basel where international key markets have been launched with named and experienced distribution partners.

The newly formed Milus Germany GmbH has been set up and the retailers within the European Union has been informed that Milus marks its own operational setup within the region. Headed by an experienced sales team, the German distribution office will provide strong support to the Milus expansion plan within existing and new markets such as Austria, Holland, Belgium, Spain and etc. Strong customer commitments were also placed from the Asian market and we expect majority sales contribution to come from the Middle East as well as new prospective markets around the Asia Pacific region.

Bill Blass Timepieces

As the first luxury line created by Omni Watch and Clock, Bill Blass Timepieces enjoyed a successful media launch in June 2003 which brought out editors from almost every major fashion magazine in the United States. As one of the few recognized American based upscale brands, it was only natural for the national advertising campaign of Bill Blass Timepieces to experience strong support from the patriotic celebrities. Coupled by names like Tom Junod and one of the top hockey player Wayne Gretzky, the new line of “Swiss Made” watches will unquestionably be well received in the North and South America market.

FUTURE OUTLOOK AND PROSPECTS

As a provider of quality timepiece products, designs and services, we are committed to grow our business involvement alongside with the ever-changing market trends and demands. From our end consumers to international fashion and luxury brands, we dedicate our time and energy to come up with innovative ideas and services to cater their needs. From the end consumers’ standpoint, we see a growing trend for the demand in timepiece products with functional and design features. We also believe that the ongoing demand for upscale timepiece products to increase in the forthcoming years. To further extend our manufacturing capabilities and to further vertically integrate our manufacturing setup, we recently took a major equity stake within a mechanical movement manufacturing plant. The mechanical movement manufactured by this plant is intended for the higher end timepiece products in the domestic and overseas market.

For the US market, plans to further integrate the operation for better operation efficiency are currently in the pipeline while extra efforts are also focused in further developing the Bill Blass Timepieces business. With the strong presence of an experienced management team in selling direct to the retail chain stores, we target to have 50% of the sales to the US to be distributed by our joint venture company in FY2007 and expect to experience further improvement of the overall profit margins.

FY2004 was a breakthrough year for the Group's business in the PRC market and much of the contribution came from our newly acquired business. Other than the equity stake participation in the Citizen distribution network, we have recently successfully acquired 100% stake within a multi-branded sales channel across China under the trade name of Timezone. After this acquisition, the Peace Mark Group proudly claims that with over 550 points of sales in total, we are currently the largest distributor of international fashion brands in China. Furthermore, with the various exclusive and non-exclusive retail and distribution arrangements with brands such as Citizen, Swatch, Esprit, Casio, Nike, Fila, Umbro, Victorinox, Timex, Morgan, Bally, Fiorucci, Technos and many more, we are also number one in China in terms of the number of brands under our retail and distribution brand portfolio.

This year marks an important year for the Peace Mark Group and the dream of becoming an important player within the timepiece industry is gradually becoming a reality. Backed by solid financial fundamentals and support from our partners, we are in a position to leverage the balance sheet further to pursue new opportunities and to acquire other businesses, in particular, in the China market.

Again, on behalf of the Board of Directors, may I take this opportunity to thank our supporters and strategic partners for another great year of shared success and also take this chance to thank my dedicated and devoted employees while also not forgetting to welcome the new members on board of the global Peace Mark team.

FINANCIAL PERFORMANCE

This year Peace Mark reported a consolidated turnover of HK\$1,434 million representing a year-on-year growth of 28%. The increase was mainly attributable to full year operation of Omni Watch and Clock Co., LLC, Peace Mark's US marketing and distribution arm, commencement of China distribution and retailing business in China for distributing Citizen watches since November 2003 and the retail and distribution of brands like Montana, Pierre Cardin, Fiorucci, Umbro, Victorinox, etc. The manufacturing business also showed strong performance due to volume growth and better product mix.

Regarding margin enhancement, its gross margin has been improved from 17.3% in FY2003 to 24.1% this year. The increase reflects the better margin from our downstream business in US and in China, the result of the cost saving from the higher production efficiency and reduced components outsourcing. The gradual business transformation also gave rise to improved margins.

As a sign of strong operating income and cashflow, earnings before interest, tax, depreciation and amortization ("EBITDA") reached HK\$151.5 million. Given the above positive contributory factors, the combined effect was a profit attributable to shareholders of HK\$80 million. In short, the well-planned business plans execution translated to the surge of bottom line.

PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Pursuant to the placing and subscription agreement dated 30 March, 2004 and supplementary agreement dated 2 April, 2004, A-ONE INVESTMENTS LIMITED and United Success Enterprises Limited, substantial shareholders of the Company, placed 93,500,000 ordinary shares of HK\$0.10 each in the capital of the Company in total at HK\$1.63 per share to some independent professional investors and on 13 April, 2004 subscribed for 126,500,000 new shares in total at HK\$1.63 per share. The net proceeds from subscription of approximately HK\$202 million were used as follows:

- HK\$60 million for expansion of the Group's production facilities;
- HK\$80 million for the development of the Group's distribution network and expansion of its sales channels in the PRC; and
- the remaining balance for the use as the general working capital requirements.

The above placing exercise has further broadened up the Company's shareholder base with the inclusion of more institutional investors.

FUNDING AND TREASURY POLICIES

The Group's treasury policy is to manage the Group's assets and liabilities to reduce its exposure to fluctuation in foreign exchange and interest rates. In the normal course of business, the Company enters into certain derivative contracts to hedge its exposure to fluctuations in interest rates and foreign currencies. These instruments are executed with creditworthy financial institutions. Gains and losses on these contracts are applied to offset fluctuations that would otherwise impact the Company's financial results. Costs associated with entering into such contracts are not material to the Company's financial results. Over 80% of the Group's borrowings were in Hong Kong Dollars with the balance in Renminbi and US Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever there is material financial impact to the Group.

MATERIAL ACQUISITIONS

An agreement dated 30 October, 2003, pursuant to which China Regal Holdings Limited, a wholly-owned subsidiary of the Company agreed in a consideration of RMB30 million to acquire 60% of equity interests of a PRC incorporated company and to participate in the distribution and retailing timepieces business in the PRC carrying Citizen brands.

The Group invested HK\$15.6 million in the equity stake of a Japanese watch company. This company advises and assists Japanese brands in identifying and coordinating with PRC manufacturers, distribution partners and acquisition targets. This company also assists the Group to serve its Japanese customers.

The Group acquired a PRC marketing and distribution company for a consideration of HK\$12 million which assist the Group to further penetrate the PRC distribution network and to provide overall image management and points of sale setup services for the PRC market. The PRC Company also owns the PRC distribution rights of a famous international brand.

EMPLOYEES AND THE REMUNERATION POLICY

As at 31 March, 2004, the Group employed a total of approximately 3,000 employees worldwide. The Group remunerates its employees based on their performance, experience and prevailing industry practices. In addition, the Group has established discretionary bonuses and employee share option schemes, to motivate and reward employees to achieve the Company's business performance targets.

CONTINGENT LIABILITIES

As at 31 March, 2004, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$36.5 million.

The Company has given corporate guarantees to banks in respect of general banking facilities granted to subsidiaries amounting to HK\$1,132.1 million.

DIVIDEND

The Directors have resolved to recommend to Shareholders at the Company's forthcoming annual general meeting the payment of a final dividend of HK2.0 cents per share for the year ended 31 March, 2004 (2003: HK1.5 cents). The final dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Friday, 20 August, 2004, with a scrip alternative allowing Shareholders to elect to receive such final dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash (the "2004 Final Scrip Dividend Scheme"). Mr. Chau Cham Wong, Patrick, Chairman of the Company and his concert parties, together holding 414,314,666 shares (representing approximately 50.5% of the issued share capital of the Company) have indicated to the Directors that they intend to take up their dividend entitlements wholly in shares.

A circular containing details of the 2004 Final Scrip Dividend Scheme will be sent to the shareholders of the Company as soon as practicable. The 2004 Final Scrip Dividend Scheme is subject to the following conditions: (a) the approval of the proposed final dividend at the forthcoming annual general meeting to be held on Friday, 20 August, 2004; and (b) the granting by the Listing Committee of the Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant to the 2004 Final Scrip Dividend Scheme. Dividend warrants and share certificates in respect of the 2004 Final Scrip Dividend Scheme are expected to be despatched to Shareholders on or before 27 September, 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 August, 2004 to Friday, 20 August, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 17 August, 2004.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 20 August, 2004.

PURCHASE, SALES, OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 year ended 31 March, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that Independent Non-Executive Directors are not appointed for a specific term but they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Bye-laws. In the opinion of the Directors, this meets the same objective as the Code of Best Practice.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31 March, 2004. The audit committee comprises four independent non-executive directors of the Company.

PUBLICATION OF ANNUAL RESULTS ON WEBSITE

The financial information required to be disclosed under paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to all our staff, the management team and board members for their hard work and dedication. Their commitment to the Group, along with the support of shareholders, bankers, customers and suppliers, has been crucial to our long-term success.

As at the date of this announcement, the board of Directors comprises five executive Directors, being Mr. Chau Cham Wong, Patrick, Mr. Leung Yung, Mr. Tsang Kwong Chiu, Kevin, Mr. Man Kwok Keung and Mr. Cheng Kwan Ling, and four independent non-executive Directors, being Ms. Susan So, Mr. Kwok Ping Ki, Albert, Mr. Tang Yat Kan and Mr. Wong Yee Sui, Andrew.

On behalf of the Board
Chau Cham Wong Patrick
Chairman

Hong Kong, 8 July, 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Peace Mark (Holdings) Limited (the “Company”) will be held at 4:00 p.m. on 20 August, 2004 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company, the reports of the directors (the “Directors”) and auditors (the “Auditors”) of the Company for the year ended 31 March 2004;
2. To declare a final dividend for the year ended 31 March 2004;
3. To re-elect the Directors and to authorize the board of Directors to fix their remuneration;
4. To re-appoint the Auditors of the Company 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:

ORDINARY RESOLUTIONS

A. “THAT:

- (a) subject to paragraph (c) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional share(s) in the share 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 would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements or options (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 of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and to be issued by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this resolution); (ii) an issue of shares of the Company as scrip dividend or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on the shares in accordance with the bye-laws of the Company; (iii) an issue of shares under the Company’s share option scheme or any similar arrangements for the time being adopted by the Company and/or any of its subsidiaries for the grant or issue of shares or rights to acquire shares of the Company or (iv) an issue of shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue 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 earliest of:

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

- (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 the Companies Act 1981 of Bermuda or any other applicable laws to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by way of ordinary resolution in general meeting of the Company; and

“**Rights Issue**” means an offer of Shares or issue of options to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares (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 recognised regulatory body or any stock exchange in any territory applicable to the Company).”

B. “THAT

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined in resolution 5A(d) above) of all powers of the Company to purchase Shares or warrants of the Company on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares or warrants of the Company may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws, and in accordance with the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on the Stock Exchange or of any stock exchange (as amended from time to time), be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares or warrants of the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the directors of the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution, and the said approval shall be limited accordingly.”

C. “THAT conditional upon the passing of the resolutions 5A and 5B above, the general mandate granted to the directors of the Company for the time being in force to exercise the powers of the Company to allot, issue and deal with new shares pursuant to the resolution 5A be and is hereby extended by the addition to the aggregate nominal amount of share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the resolution 5B above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution.”

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

SPECIAL RESOLUTION

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

- (a) by inserting the following new definition of “associate(s)” in Bye-law 1:

“associate(s)” the meaning attributed to it in the rules of the Designated Stock Exchange.”;

- (b) by re-numbering existing Bye-law 76 as paragraph (1) of Bye-law 76 and inserting thereafter the following new paragraph:

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

(c) by deleting the existing Bye-law 84 in its entirety and substituting the following bye-law 84 therefor:

“84.(1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.

(2) If a Clearing House (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it think fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

(3) Any reference in these Bye-laws to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Bye-law.”

(d) by deleting the word “special” and replacing therewith the word “ordinary” in Bye-la 86(4);

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

“88.No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election, and also a Notice signed by the person to be proposed of his willingness to be elected, shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notice are given, shall be at least seven (7) days. The period of lodgment of such Notice shall commence on 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.”

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

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries (as defined by the rules, where applicable, of any Designated Stock Exchange);
 - (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder 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 five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associate(s) is derived); or
 - (vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associate is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are 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/are 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 that of an associate of a director or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

By Order of the Board
Fong Ho Yan
Company Secretary

Hong Kong, 8 July, 2004

Head office and principal place of business:

Unit 3, 12th Floor
Cheung Fung Industrial Building
23-39 Pak Tin Par Street
Tsuen Wan
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxy to attend and, in the event of the poll 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. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you wish.
3. The register of members of the Company will be closed from Wednesday, 18 August, 2004 to Friday, 20 August, 2004, both dates inclusive, during which period no transfer of shares can be registered.

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