



AEON STORES (HONG KONG) CO., LIMITED

永旺(香港)百貨有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 984)

2003/2004 ANNUAL RESULTS

The Board of Directors of AEON Stores (Hong Kong) Co., Limited (the "Company") (previously known as Jusco Stores (Hong Kong) Co., Limited) is pleased to announce the audited results of the Company and its subsidiaries (the "Group" or "AEON Stores") for the year ended 29 February 2004 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 29 FEBRUARY 2004

	2004 NOTES HK\$'000	2003 (restated) HK\$'000
Turnover	4,608,801	3,961,113
Other operating income	208,195	213,529
Investment income	3,035	4,835
Changes in inventories	(3,404,099)	(2,882,029)
Staff costs	(409,684)	(380,418)
Depreciation	(105,566)	(90,199)
Loss on disposal of property, plant and equipment	(8,510)	(440)
Pre-operating expenses	(1,149)	(14,180)
Other operating expenses	(779,987)	(729,149)
Profit from operations	111,036	83,062
Finance costs	(25)	(23)
Profit from ordinary activities before taxation	111,011	83,039
Income tax expenses	(25,489)	(25,273)
Profit before minority interest	85,522	57,766
Minority interest	322	3,575
Net profit for the year	85,844	61,341
Dividends		
- final	33,800	23,400
- interim	2,600	-
	36,400	23,400
Earnings per share	33.02 cents	23.59 cents

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 FEBRUARY 2004

1. ADOPTION OF STATEMENT OF STANDARD ACCOUNTING PRACTICE

Income taxes

In the current year, the Group has adopted Statement of Standard Accounting Practice (SSAP) 12 (Revised) "Income Taxes". The principal effect of the adoption of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method under which a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly.

As a result of this change in policy, the opening balance on retained profits at 1 March 2003 has been increased by HK\$9,846,000 (1 March 2002: HK\$5,401,000). The profit for the year ended 29 February 2004 has been decreased by HK\$720,000 (2003: increased by HK\$4,445,000).

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC") other than Hong Kong. The locations are the basis on which the Group reports its primary segment information.

Geographical segment information about the business by location of assets and market is presented below:

2004

	Hong Kong HK\$'000	PRC HK\$'000	Consolidated HK\$'000
TURNOVER	3,493,438	1,115,363	4,608,801
RESULT			
Profit from operations	100,125	10,911	111,036
Finance costs	(25)	-	(25)
Profit from ordinary activities before taxation	100,100	10,911	111,011
Income tax expenses	(21,468)	(4,021)	(25,489)
Profit before minority interest	78,632	6,890	85,522

2003

	Hong Kong HK\$'000 (restated)	PRC HK\$'000	Consolidated HK\$'000 (restated)
TURNOVER	3,224,259	736,854	3,961,113
RESULT			
Profit from operations	79,519	3,543	83,062
Finance costs	(23)	-	(23)
Profit from ordinary activities before taxation	79,496	3,543	83,039
Income tax expenses	(15,401)	(9,872)	(25,273)
Profit before minority interest	64,095	(6,329)	57,766

Business segments

No analysis for business segments has been presented by principal activities because the Group is solely engaged in the operation of general merchandise stores.

3. INCOME TAX EXPENSES

	2004 HK\$'000	2003 HK\$'000 (restated)
The charge comprises:		
Current year		
Hong Kong	20,748	19,745
Other regions in the PRC	3,437	7,671
	24,185	27,416
Underprovision in prior years		
Hong Kong	-	101
Other regions in the PRC	584	2,201
	24,769	29,718
Deferred tax charge (credit)		
Current year	1,643	(4,445)
Attributable to change in tax rate	(923)	-
	720	(4,445)
Income tax expenses for the year	25,489	25,273

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. During the year, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 29 February 2004.

PRC income tax is calculated at 33% of the estimated assessable profits of the subsidiaries.

4. DIVIDENDS

The Board of Directors has recommended a final dividend of 13.0 HK cents per share (2003: 9.0 HK cents) to be paid on or before 28 July 2004, subject to shareholders' approval at the forthcoming annual general meeting on 17 June 2004. Together with the interim dividend of 1.0 HK cent distributed in December 2003, this represented, a total dividend of 14.0 HK cents (2003: 9.0 HK cents) per share for the fiscal year.

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the year of HK\$85,844,000 (2003: HK\$61,341,000) and on 260,000,000 (2003: 260,000,000) ordinary shares in issue during the year.

The adjustment to comparative basic earnings per share, arising from the adoption of SSAP 12 (Revised) is as follows:

	HK cents
Reconciliation of 2003 basic earnings per share:	
Reported figure before adjustment	21.88
Adjustment arising from the adoption of SSAP 12 (Revised)	1.71
Restated	23.59

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14 June 2004 to 17 June 2004 (both days inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the annual general meeting for 2004 and the proposed final dividend, all share transfers accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrars, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 11 June 2004.

FINANCIAL REVIEW

Turnover of the Group increased 16% to HK\$4,609 million mainly attributable to our newly opened stores in the PRC and the increase in sales from our existing stores.

Group profit improved primarily due to the increase in sales partially offset by the cost of closing down our Tsz Wan Shan Store. The Group successfully reversed the previously declining trend of profit, with our net profit recording a growth of 40% to HK\$86 million.

Gross margin decreased 1.1% to 26.1% compared to the previous year. It was partially due to the effect of the Severe Acute Respiratory Syndrome ("SARS") epidemic and the change in sales mix, which our food sector accounted for 33% of sales compared to 30% in the preceding year.

The staff costs to turnover ratio decreased from 9.6% to 8.9% while rental costs to turnover decreased from 9.2% to 8.0%.

As at year end, the Group maintained a solid financial position with no bank borrowings and cash on hand of over HK\$830 million as compared to HK\$400 million a year ago.

Capital expenditure during the year amounted to HK\$67 million mainly incurred in the opening of the Zhongshan Store in the PRC and the three JUSCO \$10 Plaza in Hong Kong, and partly incurred in the renovation of some of our existing stores.

The Group will continue to finance its capital expenditure by internal resources and short-term bank borrowings.

Exchange rate fluctuations had no material impact on the Group as less than 5% of the total purchases are settled in foreign currencies.

BUSINESS REVIEW

During the year under review, the global consumer market in the first half of the year was hard hit by the war in Iraq and the outbreak of the SARS epidemic, suppressing general consumer sentiment. These unfortunate events created a challenging business environment and the retail industry was the first to suffer.

Hong Kong Operations

Sales in Hong Kong recorded a growth of 8% to HK\$3,493 million, and profit from operations grew 26% to HK\$100 million. Although the business environment was especially challenging during the SARS period, yet by providing high levels of hygiene in our stores, we gained the confidence of the customers in the safety of the shopping environment. To our customers, our General Merchandise Stores ("GMS") are perceived as clean and hygienic, providing daily necessities at reasonable prices. Our outlets had become one of our customers' very few acceptable shopping areas during the critical SARS period. Our commitment to providing customers with merchandise and a shopping environment that guaranteed "safety", "confidence" and "trust" became our advantage during this difficult period.

After repeated and unsuccessful negotiations with the landlord of our Tsz Wan Shan Store and serious consideration, the management decided not to renew the lease upon expiration. The store was closed in January 2004 and recorded HK\$8 million closure costs. We believe the closure will not generate any material impact on our daily operations and our existing GMS in Hong Kong as we can better allocate the resources to other GMS.

In the past two years, we have successfully developed our JUSCO \$10 Plaza as our new line of business. The potential of this niche market has led us to open three additional JUSCO \$10 Plaza during the year, strategically located in Kowloon City, Yuen Long and Sheung Wan. All these shops are located outside our GMS in high-density residential and commercial areas, providing quality goods at bargain prices.

PRC Operations

The PRC remains our priority during the year. Despite the keen competition in the country, our sales reached HK\$1,115 million with a 51% growth, while profit from operations increased 208% to HK\$11 million. The full year operation of those GMS opened in the last fiscal year together with our new Zhongshan Store opened in July 2003 were mainly attributable to the improvement in sales of the GMS in the PRC, demonstrating the increasing brand recognition of "JUSCO" there. Due to the strategic locations of our GMS, customers had become more familiar with the "JUSCO" brand and perceived that "JUSCO" was the excellent choice in providing daily necessities at reasonable prices. The comfortable shopping environment and diversified quality products make the GMS an ideal place for family shopping, especially during holiday periods. The growing GDP and the general rise in living standards in the PRC were also essential factors that contributed to the satisfactory results during the year.

To better serve the needs of customers, our marketing team conducts surveys in various localities to gauge the needs of the local customers. The Teem Plaza Store underwent renovation and a part of the store was closed for three months. The supermarket was re-designed for satisfying the local demand. It is understood that the growth of the GMS in the PRC shares the same growth driver as in Hong Kong - the supermarket. Therefore, like in Hong Kong, we have strengthened our food sector by providing quality and competitively priced food merchandise. We believe this strategic move will draw our customers to visit other sectors of our GMS, boosting the overall sales of the store.

Human Resources

As at 29 February 2004, the Group employed about 3,000 full-time and 1,800 part-time staff in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing practices in the industry.

PROSPECTS

Hong Kong Operations

Thanks to the relaxation of the travel restriction to mainland travellers under the Individual Traveller Scheme, the overall economy in the second half of the year saw a rebound. Meanwhile, the announcement of the Closer Economic Partnership Arrangement ("CEPA") improved the overall market sentiment and the retail industry in Hong Kong was revitalised. We believe the retail market will continue to be positive in this fiscal year.

In the coming year, the Group will continue to look for sites for opening new GMS that can serve the communities in high-density residential areas to take full advantage of busy customer traffic. This will be one of our criteria in our expansion strategy.

By the end of May 2004, we will resume full operation of our Tseung Kwan O ("TKO") Store after 3-month renovation, providing

a better shopping environment for our customers. TKO is a satellite town with many young families and an abundance of opportunities exist in serving this community. We have expanded and strengthened our TKO supermarket to include a hot and cold delicatessen to cater for the needs of the young working couples with more convenience for home cooking. The supermarket in TKO Store will become the largest one among all of our GMS in Hong Kong. In addition, we intend to provide more modern brands to suit the tastes of younger customers in the TKO service district.

The Group will maintain the momentum of expanding the market share of the JUSCO \$10 Plaza in this niche market. Targeted locations will be highly populated commercial or residential areas along major mass transportation networks.

Our own brand, TOPVALU has long been our competitive strength that distinguishes us from our competitors. This high quality imported brand provides more than 600 items, covering areas of clothing, daily necessities, food and household products, receiving strong supports of our customers. This year is the 10th Anniversary of TOPVALU, and a series of campaign will be implemented to celebrate this event. More distinctive quality items will be introduced to the customers in both Hong Kong and the PRC.

PRC Operations

Although competition in the PRC retail sector is expected to remain intense, the management believes there is abundant room

for the expansion of the PRC operations. We position ourselves as a unique GMS which is different from that of our established competitors, the department store. AEON Stores is the pioneer of GMS operation in the PRC, providing one-stop shopping convenience for customers. We will continue to promote the concept of GMS and expand our operation in the China market.

To differentiate our products from our competitors, our sourcing team is dedicated to developing our quality private brands in different categories of products. Besides, we will also improve the layout of stores and enhance display methods to attract more customers. We will also provide diversified product categories and a comfortable shopping environment that guarantee "safety", "confidence" and "trust" for our customers.

Two GMS, in Foshan and Shenzhen, are to be opened in 2004, aiming to bring one-stop shopping convenience to customers in the regions. In the long run, we aim at establishing our "JUSCO" brand name in the PRC through developing chain-store operations. This will in turn lead to the achievement of economies of scale in logistics and merchandise sourcing. We will continue to conduct market research and maintain regular store monitoring to adapt the store layout, merchandise mix and product display to cater to the needs and demands of local customers, thereby maximising customer satisfaction.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH 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 any part of the year ended 29 February 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE WEBSITE

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

By Order of the Board
Kazumasa ISHII
Managing Director

Hong Kong, 14 May 2004

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of AEON Stores (Hong Kong) Co., Limited (the "Company") will be held at Salon 1-3, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 17 June 2004 at 9:00 a.m. for the following purposes:

- To receive and consider the audited Financial Statements and the Reports of the Directors and Auditors for the year ended 29 February 2004.
- To declare a final dividend for the year ended 29 February 2004.
- To re-elect Directors and authorise the Board of Directors to fix their remuneration.
- To re-appoint Auditors and authorise the Directors to fix their remuneration.
- To consider as special business and, if thought fit, pass with or without amendments, the following resolutions as special and/or ordinary resolutions of the Company (as the case may be):

SPECIAL RESOLUTION

- (A) "THAT the Articles of Association of the Company be and are hereby amended in the following manner:
- by adding the following definition in Article 2 before the definition of "Auditors":
"associate" shall have the meaning ascribed to it under the Listing Rules;
 - by adding the following definition in Article 2 before the definition of "month":
"Listing Rules" shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and any amendments thereto from time to time being in force;
 - by deleting the words "within two months after allotment or lodgement of transfer (or within such other period as the conditions of issue shall provide)" in the 3rd and 4th lines of Article 14 and replacing them with the following:
"within two months after the allotment of any shares or within 10 business days after lodgement of any duly stamped and valid transfer of any shares (or within such other period of time as the conditions of issue shall provide)";
 - by deleting the word "property" in Article 42(v) and replacing it with the word "properly";
 - by renumbering Article 75 as sub-clause (i) of Article 75 and adding the following as sub-clause (ii) of Article 75:
"Where any member, under the Listing Rules, is required to abstain from voting on any particular resolution or is 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.";
 - by deleting the words "special resolution" in the 1st line of Article 86 and replacing it with the words "ordinary resolution";
 - by deleting the comma and words ", at least seven and not more than twenty-eight clear days before the day appointed for the meeting" in the 2nd and 3rd lines of Article 87 and replacing them with the following:
"during a period of not less than seven days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date appointed for the meeting";
 - by adding the following immediately after the last sentence "An alternate Director shall not, save as aforesaid, have power to act as a Director nor shall he be deemed to be a Director for the purposes of these Articles." in the third paragraph of Article 88:
"Without prejudice to the personal liability of an alternate Director for any of his act or omission, the alternate Director shall be deemed to be the agent of or for the Director appointing him. A Director who appoints an alternate Director shall be vicariously liable for any tort committed by the alternate Director while acting in the capacity of alternate Director.";
 - by adding the words "or any of his associates" immediately after the word "he" in the eighth line of Article 95.
 - by deleting Article 96 in its entirety and replacing it with the following:
"96 Notwithstanding that such disclosure is made as aforesaid, a Director shall not be entitled to vote (nor be counted in the quorum) in respect of any contract, arrangement or proposal in which he or any of his associates is materially interested. 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 any of 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, 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 any of his associates as known to such chairman has not been fairly disclosed to the Board."

- by deleting Article 97 in its entirety and replacing it with the following:
"97 Save as otherwise provided by these Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or any other proposal in which to his knowledge he or any of his associates has a material interest, but this prohibition shall not apply to any of the following matters:
(i) the giving of any security or indemnity either:
(a) to the Director or any of his associates 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 any of his associates has 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 any of his associates is or is 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 any of his associates is interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or any of his associates is 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 associates 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 a share option scheme under which he or any of his associates 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, 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 accorded to the class of persons to which such scheme or fund relates;

- any contract or arrangement in which the Director or any of his associates is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue of his or their interest in shares or debentures or other securities of the Company; and
- any contract for the purchase or maintenance for any Director or Directors of insurance against liability."
- by inserting the words "or any of his associates" before the words "is materially interested" in the 14th line of the first paragraph of Article 98.
- by adding the words "or any of his associates" immediately after the word "he" in the 1st line of the second paragraph of Article 98.
- by adding the following immediately after the last sentence "Such appointment may be liable to termination at any time by the Board." of Article 103:
"The appointment of any Director as managing director, joint managing director, deputy managing director, or other executive director shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract between him and the Company."
- by deleting the word "thin" in the 8th line of Article 106 and replacing it with the word "think".
- by deleting the word "it" in the 6th line of Article 107 and replacing it with the word "fit".
- by deleting the word "thin" in the 3rd line of Article 113 and replacing it with the word "think".
- by deleting the word "Three" in the 3rd line of Article 113 and replacing it with the word "Two".
- by deleting the word "mat" appearing twice in the 6th line of Article 128 and replacing them with the word "may".
- by deleting the words "(including any such liability as is mentioned in paragraph (c) of the proviso to Section 165 of the Ordinance)" in the 2nd and 3rd lines of the first paragraph of Article 171 and renumbering such paragraph as sub-clause (i) of Article 171.
- by renumbering the second paragraph of the existing Article 171 as sub-clause (ii) of Article 171.
- by adding the following as sub-clauses (iii), (iv) and (v) of Article 171:
"(iii) The Company may indemnify any Director or any officer of the Company against any liability incurred by him in defending any proceedings, civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under Section 358 of the Ordinance in which relief is granted to him by the court.
(iv) The Company may purchase and maintain for any Director or any officer of the Company:
(a) insurance against any liability to the Company, a related company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to the Company or a related company; and
(b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to the Company or a related company.
(v) For the purpose of this Article 171, "related company" means any company that is the Company's subsidiary or holding company or a subsidiary of that holding company."

ORDINARY RESOLUTIONS

- (B) **“THAT**
- (a) subject to 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 otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such power be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to issue or grant offers, agreements, options and warrants which will or might require the exercise of any 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, shall not exceed 20% 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 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 Articles of Association of the Company or by law to be held; or
 - (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.“Rights Issue” means an offer of Shares or offer or issue of warrants or options to subscribe for Shares open for a period fixed by the Directors of the Company to holders of Shares on the Register of Members of the Company or any class thereof on a fixed record date in proportion to their then holdings of such Shares or class thereof (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).
“Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company.”
- (C) **“THAT**
- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to repurchase Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which any Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases 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 any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of Shares which the Company is authorised to repurchase pursuant to the approval in paragraph (a) above 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 and the said approval 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 Articles of Association of the Company or by law to be held; or
 - (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.“Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares of the Company.”
- (D) **“THAT** conditional upon the passing of the Ordinary Resolutions 5(B) and 5(C) set out in the notice convening this meeting, the general mandate granted to the Directors of the Company to allot, issue and otherwise deal with unissued Shares and to issue or grant offers, agreements, options and warrants which will or might require Shares to be allotted, issued or the exercise of any of such powers pursuant to the Ordinary Resolution 5(B) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the Ordinary Resolution 5(C) set out in the notice convening this meeting, provided that such amount of Shares so repurchased shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution.”

By Order of the Board
Heng Kwo Seng
Company Secretary

Hong Kong, 14 May 2004

Registered Office:
G-4th Floor
Kornhill Plaza (South)
2 Kornhill Road
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the office of the Company's Share Registrars, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the annual general meeting or any adjournment thereof.
- (3) The Register of Members of the Company will be closed from Monday, 14 June 2004 to Thursday, 17 June 2004 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for attending and voting at the annual general meeting and the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's Share Registrars, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Friday, 11 June 2004.
- (4) Further information relating to the proposed amendments to the Articles of Association of the Company and the Directors proposed to be re-elected at the annual general meeting, will be provided in a circular of the Company to be sent to all members together with the Annual Report for the year ended 29 February 2004.
- (5) With reference to the Ordinary Resolutions 5(B) and 5(C) above, the Directors of the Company wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares pursuant to the relevant mandates.
- (6) An explanatory statement containing further details regarding the Ordinary Resolutions 5(B) and 5(C) above will be sent to all members together with the Annual Report for the year ended 29 February 2004.
- (7) If approved, the proposed final dividend will be payable on or before 28 July 2004.
- (8) The Company's Memorandum and Articles of Association is written in the English language and there is no official Chinese translation thereof. In case of any discrepancies between the English version of the proposed amendments to the Company's Articles of Association and its Chinese translation, the English version shall prevail in all circumstances.

As at the date of this notice, the board of Directors of the Company comprises Toshiji TOKIWA, Kazumasa ISHII, Kozo MURATA, Motoya OKADA, Tatsuiichi YAMAGUCHI, SHAO You Bao, LAM PEI Peggy, WONG Mun Yu and LAM Man Tin.