Annual Report 2002

Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

CONTENTS

Time is FORTUNE!

Time is POWER!

Time is ALL!

CORPORATE PROFILE

Founded in 1983 and headquartered in Hong Kong, **PEACE MARK** has been a **leading manufacturer** and **distributor** in the timepiece industry. **PEACE MARK**'s business involves OEM, ODM, customers' private labels, licences and owned trademark. The Group designs, manufactures and distributes timepieces for international brandnames with its major markets in the USA, Europe and Asia. The Group has its production facilities located in Shenzhen, China and Bienne, Switzerland employing more than 1,300 staff in total.

MILESTONES

2002 2001 2000 1999

Obtained ISO 9001 (2000 version)

Commenced Milus manufacturing and distribution

Commenced Pierre Cardin manufacturing and distribution in China

Awarded "Supplier Excellence Award" by a US customer

Awarded "Certificate of Merit in Quality" by Trade and Industry Department

Commenced Montana blu exclusive manufacturing

Awarded "Certificate of Merit in Productivity" by Hong Kong Productivity Council

Obtained ISO 9001 (1994 version)

Commenced Umbro manufacturing and distribution

Peace Mark (Holdings) Limited

Marketing, trading and distribution

- Peace Mark Limited
- Inter Mark Worldwide Limited
- Milus International S.A.

Assembly, parts manufacturing and electroplating

- Capricon Company Limited
- Gar Shun Enterprises Development Limited
- Pure Riches Industries Limited
- Vico Industries Limited

Assets / trademark holding

- Capricon Industrial (Shenzhen) Co., Ltd.
- Fulltop Limited
- Sky Type Limited
- World Grade Industries Limited

1998 — Factory Complex in Xi Xiang in production

1997 — Awarded "the Best Selling Award" by Hong Kong Trade Development Council Design Gallery

1996 — EganaGoldpfeil participated in the capital of Peace Mark

1993 — Listed on the Stock Exchange of Hong Kong Ltd.

1983 — Established in Hong Kong

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chau Cham Wong, Patrick *(Chairman)*
Mr. Leung Yung *(Managing Director)*
Mr. Tsang Kwong Chiu, Kevin
Mr. Man Kwok Keung
Mr. Cheng Kwan Ling

Independent Non-Executive Directors

Sir Oswald Cheung, C.B.E., LL.D., D.Soc.Sc., J.P.
The Honorable Lau Wong Fat, G.B.S., J.P.
Ms. Susan So

COMPANY SECRETARY

Mr. Tsang Kwong Chiu, Kevin, AHKSA, FCCA

PRINCIPAL PLACE OF BUSINESS

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

OTHER OFFICES

Swiss Office
Route de Reuchenette 19
2502 Bienne
Switzerland

China Office
107 Shui Ku Lu
Fenghuang Gang
Xi Xiang Baoan
Shenzhen
PRC

WEBSITE

http://www.peacemark.com

REGISTERED OFFICE

Clarendon House, Church Street
Hamilton HM 11
Bermuda

INVESTOR RELATIONS

The Stock Exchange of Hong Kong Trading Code
0304

PRINCIPAL BANKERS

Bank of China (Hong Kong)
BNP Paribas
China Construction Bank
ING Bank N.V.
Hamburgische Landesbank
HypoVereinsbank
Natexis Banques Populaires
Westdeutsche Landesbank Girozentrale

AUDITORS

Chu and Chu
Certified Public Accountants
Suite 2302-7 ING Tower
308 Des Voeux Road Central
Hong Kong

LEGAL ADVISORS

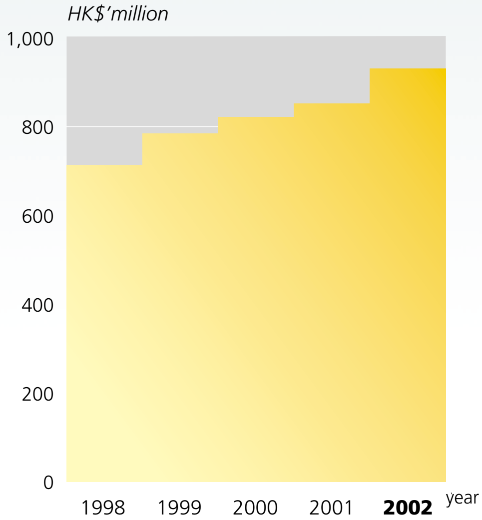
Lovells
23rd Floor Cheung Kong Center
2 Queen's Road Central
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

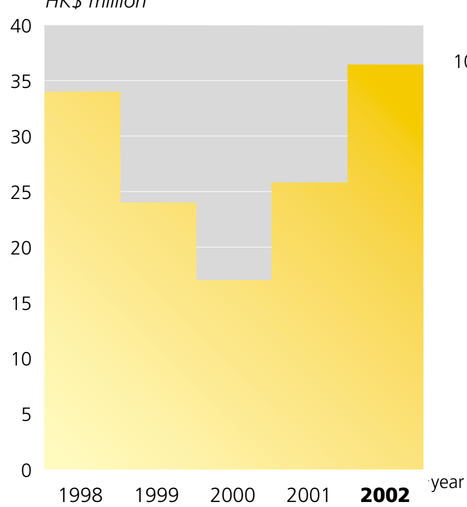
In Hong Kong:
Secretaries Limited
5th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

In Bermuda:
The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

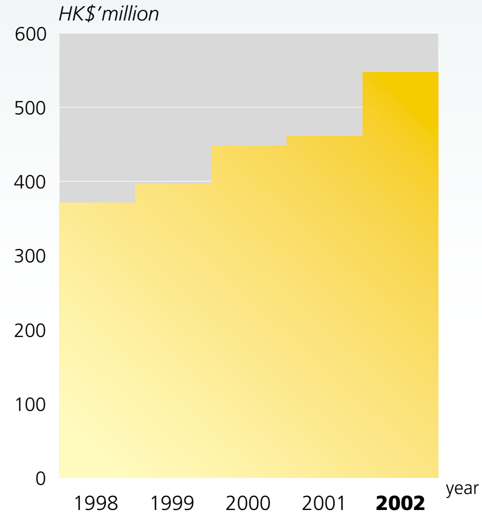
Turnover



Profit Attributable to Shareholders

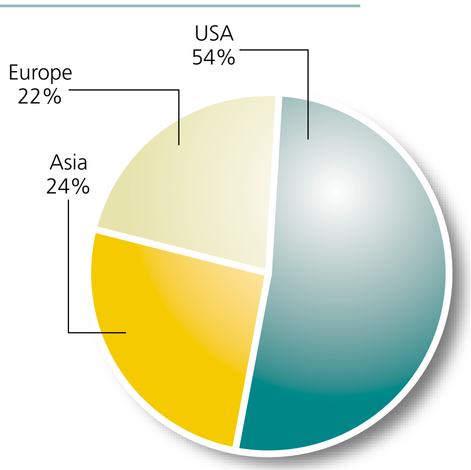


Shareholders' Funds

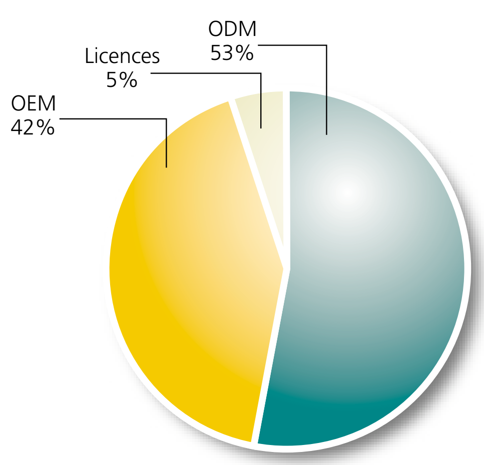


TURNOVER ANALYSIS

Turnover by Geographical Market



Turnover by Business



CHAIRMAN'S STATEMENT

We have become more resilient in the current difficult market climate.

Chau Cham Wong, Patrick
Chairman

We have been facing intense market competition in the midst of the widespread global economic slowdown. However, we have overcome various challenges posed by both depressed consumer demand and increasing pressure on prices. Our performance was a result of team effort which enabled us to relentlessly reposition ourselves and continuously transform our business to cope with the rapidly changing marketplace. By persistently implementing our strategies, we have become more resilient in the current difficult market climate while paving the way for a forward leap once economic recovery comes along.

Consolidated turnover for the year was HK$931.2 million and a profit attributable to shareholders of HK$36.4 million was reported for the year. These figures represent an increase of 9.2% and of 41.1% respectively as compared to last year.

The basic earnings per share was HK cents 19.8 up 39.4% from last year.

Notwithstanding that the Group achieved satisfactory results, the Directors of the Company have resolved not to recommend the payment of a final dividend with a view to reserving adequate cash for planned business expansion.

2002

2001

ISO 9001:2000
- Design and Manufacture of Quartz Analog Mini Clocks & Watches

Major US Customer
- Supplier Excellence Award

Trade & Industry Department
- Merit in Quality

BUSINESS REVIEW

Timepiece Export Industry

Against a background of sluggish consumer markets in major countries, Hong Kong's timepiece exports from HK$44 billion in 2000 to HK$38 billion for the first eleven months of 2001. Exports are expected to be moderate in 2002.

The USA has been the largest market for Hong Kong contributing one-fourth of total timepiece exports, on the back of its mature consumer market. Sales to Japan amounted to HK$3.4 billion as consumers there are increasingly looking for value-for-money products. China, after its accession to WTO, will gradually phase out its import quota restriction and reduce the tariff for watches. Coupled with the liberalisation of the domestic distribution sector this will certainly facilitate Hong Kong companies' exploitation in this potential market.

OUR CORE COMPETENCES

Product Development

Product development is regarded as one of our core competences. Design concept and product engineering processes have been continuously redefined and accommodated each other. Our product development team has been able to deliver products of contemporary design yet at reasonable prices to the customers. In terms of headcount, we currently employ 20 in design and 78 in product engineering. A timepiece design house based in Switzerland is mandated to deliver the best suited designs for high-end products.

Production Management

Pursuing production excellence has always been seen as one of our success factors. Production management together with advanced production facilities are the key drivers for producing our quality products. We were accredited the 2001 Certificate of Merit in Quality by the Hong Kong Trade and Industry Department. This award and the previous award in

Trade & Industry Department
- **Merit in Quality**

Hong Kong Productivity Council
- **Hong Kong Awards for Industry Merit in Productivity**

2000 **1999** **1997**

Hong Kong Productivity Council
- **Hong Kong Awards for Industry Merit In Productivity**

ISO 9001:1994
- **Design and Manufacture of Quartz Analog Mini Clocks & Watches**

Hong Kong Trade Development Council Design Gallery
- **Best Sellers Award**

productivity we received from the Hong Kong Productivity Council demonstrated our achievement in the area of timepiece manufacturing. Without doubt, we are always considered by our customers as their best manufacturing partners. A leading international company in direct selling of women's products, awarded us their "Supplier Excellence Award" recognising our dedicated effort in serving customers. We are proud of our achievements in production management, which have been recognised by various business associates and government authorities.

Production Technologies

Cutting edge technologies in timepiece production have been implemented to ensure that we stay ahead in the area of manufacturing. Upstream parts and components manufacturing is crucial for enhancing and improving the quality of products. A number of CNC molding machines and an ionised electroplating system were installed at our production plant. The capital expenditures are anticipated to be recouped from higher margins on orders and cost advantages gained over the production processes.

Main Factory in China

Whilst the production processes have been increasingly automated, production manpower was increased to over 1,200 staff in China to meet increased order levels and tighter production schedules to satisfy customer requirements. Total output could reach a maximum of 1.3 million pieces monthly.

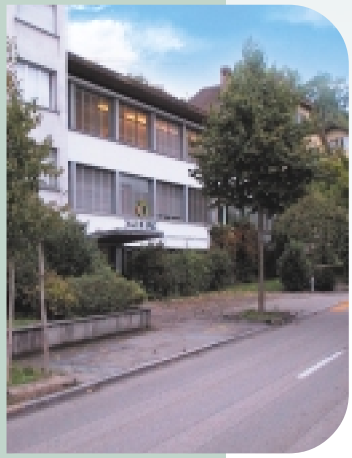
In September 2001, we acquired the remaining 45% interest in a subsidiary through which the main factory land and buildings are held. The purpose of this acquisition was to buy out the minority shareholder and, through the wholly owned subsidiary, to indirectly obtain 100% of production facilities and domestic sale right in China.

In addition to the current set up for mass production, we have been striving to keep pace with the quality standard of our Swiss counterparts from both aesthetic and mechanical perspectives. A workshop located in Bienne, Switzerland has been added to the Group for the furtherance of quality production. This workshop is principally involved in product development and assembling processes.

Business Model

Over the past years, we have persistently exploited ways to improve our profit margins and broaden our revenue streams. The transformation of the business model from OEM to ODM is a step that has already been taken. We are now prepared to further transform to Own Brand Manufacturing (OBM).

Having thoroughly considered the trade-offs between building a brand from scratch against acquiring an established one, we proceeded to acquire Milus, a timepiece brandname which originated in Switzerland in 1919. This strategic move will capitalise on the production expertise and know-how of a high-end brandname as well as the existing sales team and marketing channels of Milus. Milus marked a milestone by moving upmarket and producing an internationally renowned self-owned brand. We foresee that Milus will not contribute significantly in terms of turnover and profit in the near term but will certainly be a valuable asset to the Group in the medium to long term. With its various business models, we will be providing a full range of offering in timepieces enabling us to have a competitive edge over other market players.



Milus Factory in Switzerland

SIGNIFICANT EVENTS

A number of significant events in relation to shareholding, share capital as well as the debt and equity financing of Peace Mark are reported as follows:

Shareholding Structure

In August 2001, Mr. Leung Yung, our Managing Director, acquired a 10.00% interest in the share capital of Peace Mark at a consideration of HK$49.8 million. This was a sign of Mr. Leung's commitment and faith in the future prospects of the Company. The Directors believe that the management buyout has furthered the commitment of the current management to strive for better operating and production efficiency for the benefit of both the Company and its Shareholders. After the transaction, the substantial shareholders of the Company became Mr. Leung and myself. Our shareholdings have since been 10.00% and 10.18% respectively.

Capital Reorganisation

On 24 January, 2002, a resolution approving a proposal for reorganising the then capital structure of the Company was passed at a Special General Meeting (the "Capital Reorganisation").

Our shares had been trading at prices below the par value of HK$0.10 each for more than a year prior to the Capital Reorganisation. Since the Company is prohibited under Bermuda law to issue shares below their par value, this made it impossible for Peace Mark to issue new shares at market price before the Capital Reorganisation.

The Capital Reorganisation has since then enabled Peace Mark to conduct capital fund-raising exercise or other acquisitions by way of allotment or placement of shares without altering any of the underlying assets, business operations or financial performance.

New Share Option Scheme

The Directors consider that in order to attract, retain and motivate employees to strive for the future development of the Group, it is important that the Group should continue to provide them with an additional incentive and encouragement by offering them an opportunity to obtain an ownership interest in the Company and to thereby enjoy the results of the Company attained through their efforts and contributions.

With the newly implemented rules of Chapter 17 of the Listing Rules, a new share option scheme was proposed by the Directors and adopted after the passing of a resolution in the SGM on 24 January, 2002. This was in replacement of the then existing share option scheme.

Syndicated Loan

On 7 November, 2001, we entered into a HK$200 million three-year term loan facility with a group of banks with WestLB as coordinating arranger. The loan was primarily for (i) refinancing the then existing term loan facility; (ii) general working capital and (iii) improvement in production facilities and expansion in our distribution network.

Proposed Rights Issue

On 6 June, 2002, the Directors proposed to issue, by way of rights issue, 367,822,300 shares at HK$0.18 each and will provisionally allot two rights shares for every existing share held by Shareholders (the "Rights Issue").

The net proceeds of the Rights Issue are expected to be about HK$63 million, about HK$24 million is intended to be used for establishing a distribution arm in the United States, about HK$10 million will be used for promoting the Group's licensed products through the distribution arm aforementioned, about HK$20 million will be used for developing the distribution network in the PRC and the remaining balance will be used for general working capital purposes.

The Directors considered that it is in the interests of Peace Mark and its Shareholders to strengthen the Group's capital base and financial position through the Rights Issue.

As a result of various negotiations at arm's length with independent underwriters and demonstrating the shareholders' commitment to facilitate the underwriting arrangement, Mr. Leung Yung and I, through a company, entered into an underwriting agreement whereby this company has to underwrite 78.71% of the total underwritten amount.

The Rights Issue is subject to a number of conditions set out in a circular which is due to be dispatched shortly.

GOING FORWARD

Distribution Capability

Being a leading company in the Hong Kong timepiece industry, we are constantly rethinking our position from a global perspective. We need to expand our distribution presence in the major markets including the USA, Japan, China and Europe in order to maintain our competitiveness in the worldwide timepiece marketplace in the coming years. Strengthening our distribution power could make us more proactive in approaching brandname licences and more downstream customers. This is a way to improve the profit margin of the Group by adding value along the value chain.

In addition to establishing distribution networks in major countries in the Asia Pacific region in the past years, we have planned to establish distribution network and sales channels, as a priority, in both the USA and China in the coming years. These would inevitably involve forming alliances in any form with other business partners to complement the competences and strengths of each other. All forms of synergy including equity participation, mergers or cooperation will be considered in this regard. Negotiations with various distribution business partners are currently underway in an effort to sell directly to the retail level.

China Market

As part of its WTO commitments, China will gradually remove its import quotas and licensing system for watches from 1 January, 2003, which means that the market will be able to accommodate more brands and products of different grades. In view of this situation, we have prepared to tap the growing middle class market in the major affluent cities. This market segment is forecast to grow exponentially given the anticipated economic growth in China in the years to come.

However, as mentioned in the 2001 Annual Report, we will only expand into the China market in a cautious manner given the impediments still prevailing in the market. We will continue to implement our plan to set up after-sale repair and service

centres for high-end watches and explore the domestic sales channels for sport and fashion watches, like *Umbro* and *Pierre Cardin*. Three retail shops in Guangzhou have been acquired as flagship stores for brandname products and after-sale service and repair centres of the Group. Suitable distributors are currently being sought to gain a foothold in major cities and thereby facilitating an efficient expansion in distribution.

US Market

The current economic setback has hindered the growth of this market for the time being. However, Peace Mark still sees this market as a major market for the Group owing not only to the size of this mass market but also as the market intelligence gained is valuable in other parts of the world. Though this is a mature and sophisticated consumer market, business opportunities in timepieces are emerging as many fashion and sport brands are still actively supplementing their core lines with watches. Well-established and integrated watch manufacturers and distributors are their target partners. We will explore more business opportunities in this regard.

Milus

Milus is a watch brand which originated in Switzerland in 1919, Peace Mark together with the existing Milus marketing and design teams, will pool their very best talents in an effort to enhance awareness of the brand globally, particularly in Japan, Europe and the USA. The existing design team will be employed for the continuation of their design concepts. It is anticipated that the brand will take off after a year's groundwork and thereafter contribute to our bottom line.

To conclude, we are prepared to pave the way forward by leveraging Peace Mark's core competences accumulated over the years. The current faltering market conditions will force the industry to consolidate but will also allow competent companies to expand organically and through acquisitions.

The trend for manufacturers to sell directly to the ultimate customers is irreversible. Given our integrated manufacturing set up, we are ready to ride on the trend and capture benefit all along the distribution channels in these markets.

We will form alliances with other enterprises to facilitate growth in a manageable manner. Our management is optimistic that through our commitment to the business, the shareholder value will ultimately be enhanced.

STAFF APPRECIATION

I would like to take this opportunity to express my sincere appreciation to staff, the management team and my fellow board members for their valued contributions throughout the year.

Chau Cham Wong, Patrick
Chairman

Hong Kong,
10 July, 2002

MANAGEMENT DISCUSSION AND ANALYSIS

from left to right:

Mr Kevin Tsang
Finance Director and Company Secretary

Mr Patrick Chau
Chairman

Mr Tommy Leung
Managing Director

FINANCIAL OVERVIEW

Turnover

The turnover of Peace Mark (Holdings) Limited (the "Company") and its subsidiaries (the "Group") is derived primarily from design, manufacture and distribution of timepieces involving OEM, ODM and licence types. For the year ended 31 March, 2002, the Group reported turnover of HK$931.2 million, increased by HK$78.8 million, representing 9.2%, from HK$852.4 million in 2001. This increase was a result of focusing the resources on its core business.

Gross profit

Gross profit remained more or less the same as in 2001 despite an increase of turnover of 9.2%. Gross profit margin dropped slightly from 15.1% in 2001 to 13.9% in 2002. The decrease was mainly due to the pressure on prices because of the global economic downturn.

Other revenue

The increase in other revenue was attributable to the increase in interest income of HK$1.7 million and increase in exchange gain of HK$1.6 million as a result of effective treasury policy adopted by the Group.

Administrative expenses and other operating expenses

The total of administrative expenses and other operating expenses increased 3.5% from HK$73.8 million in 2001 to HK$76.4 million in 2002 which is in line with the business expansion.

Finance costs

The finance costs in 2002 decreased by approximately HK$3.4 million as compared to 2001. This is a result of persistent reduction of interest rate in the market throughout the year and lower cost of borrowings obtained from the banks.

Taxation

The Group's profits tax expenses increased 7.8% from HK$4.2 million in 2001 to HK$4.6 million in 2002. The effective tax rate was 11.4% before restatement of profit in 2001 and the effective tax rate was 11.5% in 2002.

Profit attributable to shareholders

Profit attributable to shareholders reported HK$36.4 million for 2002, compared with a restated profit of HK$25.8 million in 2001. The increase was partly due to the increase in sales.

Assets

The total assets of the Group increased by 29.2% from HK$775.3 million in 2001 to HK$1,001.8 million in 2002. The increase was chiefly attributable to: (i) increase in fixed assets of HK$52.2 million for the improvement of production facilities; (ii) increase in intangible assets of HK$35.9 million; (iii) increase in trade and other receivables of HK$75.7 million due to business growth (iv) increase in inventories of HK$30.3 million and (v) increase in cash and bank balances of HK$57.2 million.

Charge on assets

As at 31 March, 2002, there was no pledge of assets.

SEGMENT INFORMATION

The Group's primary business has been customarily divided into three segments, namely, OEM, ODM and licence base.

For the year under review, the turnover of the OEM segment was HK$338.0 million. Turnover of OEM business represented 41.7% of the Group's turnover.

The turnover of the ODM segment was HK$497.0 million. The ODM business had contributed a major portion for 2002 since the Group has been transforming from OEM manufacturer to ODM manufacturer. Turnover of ODM business represented 53.4% of the Group's turnover.

Licence business turnover was HK$46.2 million, representing 4.9% of the Group's turnover. Licence business is growing gradually since the Group has been securing more licensed brands, namely Umbro, Pierre Cardin and Montana blu. During the financial year under review, the sales results of these licensed brands were up to expectation.

In terms of geographical locations, the United States has been the largest market of the Group. Sales to the United States represented HK$505.3 million, which is comparable to that of 2001. Sales to the United States represented 54.3% of the Group's turnover in 2002, while the sales to the United States was 59.2% of the Group's turnover in 2001. As the United States is the Group's principal source of the income, management intends to secure its current position and to strengthen the Group's presence and market share by establishing a distribution arm in the United States.

Sales to Europe was HK$204.7 million and decreased by 1.6% as compared with 2001. Europe represented 22.0% of the Group's turnover.

Sales to Asia was HK$221.2 million and increased by 58.2% as compared with 2001. Following the gradual recovery of the economy of the Asian region, the Group recorded encouraging increase in the sales to the Asia.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March, 2002, the cash and bank balances of the Group was approximately HK$154.4 million (2001: HK$108.8 million) while the total financial indebtedness was approximately HK$420.6 million (2001: 256.5 million) after a HK$200 million syndicated loan extended to the Company in November 2001.

The total financial indebtedness of approximately HK$420.6 million, comprising of term loans and syndicated loan of approximately HK$263.2 million, trust receipt loans of approximately HK$156.7 million, bank overdrafts of approximately HK$0.4 million and obligations under finance leases of approximately HK$0.3 million.

Among the financial indebtedness, approximately HK$205.8 million are with maturities within one year, HK$125.3 million are with maturities after one year but within two years and HK$89.5 million are with maturities after two years but within five years.

On 7 November, 2001, the Company entered into a HK$200 million facility agreement with a group of banks to arrange a three-year term loan facility available to the Company for refinancing its existing bank debt, general working capital purpose and the improvement in production facilities and expansion in distribution network of the Group.

The current ratio and liquidity ratio increased from 2.1 and 1.6 in 2001 to 2.8 and 2.1 in 2002 respectively due to the increases in accounts receivables, prepayments and other receivables as well as cash and bank balances. The Group's current assets were in excess of its current liabilities by HK$417.0 million which was a healthy sign of short-term liquidity.

The Group's accounts receivable turnover was 50 days as at 31 March, 2002 which is comparable to 49 days as at 31 March, 2001.

The inventory turnover was 54 days as at 31 March, 2001 to 71 days as at 31 March 2002 as a result of increase in inventories level as at year end to meet the orders on hand.

As at 31 March, 2002, the gearing ratio of the Group, measured by reference to the financial indebtedness net of cash and bank balances of HK$266.3 million to shareholders' equity of HK$547.3 million was approximately 48.6% as compared to 34.6% in 2001.

In view of the Group's cash generating operations, available banking facilities and the proposed rights issue, the Directors are of the opinion that the Group has adequate cash resources for working capital requirements and capital expenditure commitment.

CAPITAL STRUCTURE

As at 31 March, 2002, the Group's net assets was financed by internal resources through share capital and reserves. Total equity attributable to shareholders was HK$547.3 million representing an increase of 18.7% over 2001.

In August, 2001, Mr. Leung Yung through United Success acquired 10.00% interests in the share capital of the Company at a consideration of HK$49.8 million. Immediately after the acquisition, the shareholding of Mr. Chau Cham Wong, Patrick, Mr. Leung Yung and EganaGoldpfeil (Holdings) Limited were 10.18%, 10.00% and 6.50% respectively.

During the year, the Company carried out a capital reorganisation (the "Capital Reorganisation") whereby the paid-up capital and nominal value of all the issued shares were reduced from HK$0.10 to HK$0.005 each by cancellation of HK$0.095 paid up capital on each issued share and every 20 issued shares of HK$0.005 were consolidated into one share of HK$0.10 each.

On 6 June, 2002, the Company proposed to raise equity capital by way of rights issue. The net proceeds of the proposed rights issue of HK$63 million are intended to be used as follows:

- about HK$24 million for establishing a distribution arm in the United States;
- about HK$10 million for promoting the Group's licensed products through the distribution arm aforementioned;
- about HK$20 million for developing its distribution network in the PRC; and
- the remaining balance for the use as the general working capital of the Company.

FUNDING AND TREASURY POLICIES

The principle of the Group's treasury policy is to manage the Group's assets and liabilities so as to reduce its exposure to fluctuation in foreign exchange and interest rates.

In the normal course of business, the Company enters into certain derivatives contracts in order 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 90% 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 its financial impact is material to the Group.

As at 31 March, 2002, all of the Group's borrowings were at floating rates with approximately HK$251 million of borrowings were hedged by the interest rate swaps.

The Company had entered into currency-linked deposit contracts to manage its foreign currency risk. As at 31 March, 2002, the US dollar based currency-linked deposits were amounted to US$2.2 million in total. The alternative currency of those contracts is Euro currency. The purposes of entering into these contracts are for both currency hedging and yield enhancement.

MATERIAL ACQUISITION

An agreement dated 18 September, 2001 pursuant to which Peace Mark (B.V.I.) Limited, a wholly-owned subsidiary of the Company agreed to acquire 45% of the issued share capital of Capricon Company Limited (which in turn 100% owns Capricon Industrial (Shenzhen) Company Limited) from Goldpfeil Aktiengesellschaft, a subsidiary of EganaGoldpfeil (Holdings) Limited. After the acquisition, the Group has a 100% equity interests in Capricon Company Limited.

SECURITIES INVESTMENT

As a continuation of strategy in focusing the resources in the core business, the remaining portfolio of investment in securities had been disposed of during the year and a realised loss of HK$10.8 million was included in other operating expenses. There will be no significant impacts on either equity reserve or profit and loss in the following accounting periods as the remaining portfolio investment at the year end date was insignificant.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

Capital expenditure for 2002 amounted to HK$83.8 million which consist primarily of improvement of production facilities, acquisition of plant and machineries and a trademark. The Group will incur more capital expenditure in developing its global distribution network in coming years.

ORDERS ON HAND

Orders on hand of the Group in the course of the year has been approximately 2-3 months which is in line with industry norm.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 31 March, 2002, the Group employed a total of approximately 1,300 employees worldwide.

The Group remunerates its employees based on their performance, experience and prevailing industry practice. In addition, the Group has established discretionary bonus and employees share options scheme which are designed to motivate and reward employees to achieve the Company's business performance targets.

CONTINGENT LIABILITIES

As at 31 March, 2002, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK$179.7 million.

The Company has given corporate guarantees to banks in respect of general banking facilities granted to subsidiaries amounting to HK$816.0 million. The extent of such facilities utilised by the subsidiaries at 31 March, 2002 amounted to approximately HK$195.0 million.

FINANCIAL INSTRUMENTS

The Company had entered into interest rate swaps to manage its interest rate risk. At 31 March, 2002, the total notional amount of such instruments was HK$201 million. The notional amounts of the outstanding interest rate swaps indicate the contract size outstanding at the balance sheet date and do not represent the amount at risk.

The Company had entered into currency-linked deposit contracts to manage its foreign currency risk. As at 31 March, 2002, the US dollar based currency-linked deposits were amounted to US$2.2 million in total. The alternative currency of those contracts is Euro currency.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chau Cham Wong, Patrick, – aged 53, is the Chairman and is responsible for overall strategic planning and business development. Mr. Chau has over 28 years experience in the watch and clock industry. He served as the director of the Hong Kong Watch and Clock Manufacturing Association from 1984 to 1993 and as the co-chairman of the Hong Kong Watch and Clock Fair. He was also the former adviser and the committee member of the Hong Kong Watch and Clock Trade Advisory Council to the Hong Kong Trade Development Council. He has been with the Group for over 11 years.

Mr. Leung Yung – aged 54, is the Managing Director and is responsible for strategic planning, business development, marketing and product research and development. He is a director of the Hong Kong Watch and Clock Manufacturing Association. He joined the Group since it was founded and has over 35 years experience in the timepiece industry.

Mr. Tsang Kwong Chiu, Kevin – aged 35, is the Finance Director and also the Company Secretary and is responsible for the accounting, financial and company secretarial matters of the Group. Mr. Tsang holds a Master Degree from the University of Hull. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Tsang has more than 13 years experience in accounting and finance.

Mr. Man Kwok Keung – aged 55, is the Group's Technical Director and is responsible for product engineering. Mr. Man holds a Bachelor Degree in Civil Engineering from the University of Calgary, Canada and has more than 19 years experience in production management in the timepiece industry. He has been with the Group since it was founded.

Mr. Cheng Kwan Ling – aged 51, is the Director and is responsible for the general management and finance of the Group's operations in the PRC. Mr. Cheng holds a diploma in management studies from the Hong Kong Polytechnic University and the Hong Kong Management Association and is a member of the British Institute of Management. He has over 28 years experience in accountancy and general management and has been with the Group for over 13 years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Sir Oswald Cheung, C.B.E., LL.D., D.Soc.Sc., J.P. – aged 80, has been an honorary steward of The Hong Kong Jockey Club for 10 years and is a former member of the Hong Kong Legislative and Executive Councils. He has been a non-executive Director of the Company since 1993.

The Honorable Lau Wong Fat, G.B.S., J.P. – aged 65, is the Chairman of Wing Tung Yick Investment Limited, a company engaged in real estate development and operation of restaurants. Mr. Lau is currently a member of the H.K.S.A.R. Legislative Council and is also the Chairman of N.T. Heung Yee Kuk and of the Tuen Mun District Board. He has been a non-executive Director of the Company since 1993.

Ms. Susan So – aged 49, is the managing director of Guo Ye Holdings Co., Limited and Guo Ye Enterprises Ltd., the principal activities of which are investment holding and the provision of investment consultancy services covering, among others, telecommunication, media, energy supply in the PRC. Ms. So has extensive management experience in relation to trade and investment projects (including information technology, sales and marketing) in the PRC. She has been a director of a number of listed companies in Hong Kong and a consultant of various companies in USA and PRC.

SENIOR MANAGEMENT

Mr. Leung Chi Shing, Factory Manager – aged 45, is responsible for managing the watch production in Shenzhen, the PRC. Mr. Leung holds a certificate in watch repairing from Lee Wai Lee Technical Institute in Hong Kong. He has over 24 years experience in product management in the watch and clock industry. He has been with the Group for over 17 years.

Mr. Tai Kwan Kong, Terry, Head of Brandname Division – aged 51, is responsible for the business development of the brandname division of the Group. He is a former Director (1992-1995) of The Federation of Hong Kong Watch Traders and Industries Ltd. and is also an organising committee member of HK Watch Q Mark. He has over 31 years experience in the watch industry.

Mr. Yip Chi Hung, Operation Manager – aged 48, is responsible for managing the timepiece operation of the Group. Mr. Yip is also the management representative of ISO 9001 ensuring the Group's continuing compliance of the ISO 9001 standard. He has over 18 years experience in the watch industry and has been with the Group since 1994.

Mr. Chan Wai Pong, Marketing Manager – aged 33, is responsible for the timepiece marketing function, in particular the US market, of the Group. He has over 11 years experience in the watch industry. He has been with the Group for over 7 years.

Mr. Leung King Chak, King, Financial Controller – aged 34, is responsible for the accounting function of the Group. His credentials include a degree of Master of Accountancy from the Chinese University of Hong Kong and fellow membership of the Association of Chartered Certified Accountants. He has over 11 years experience in the accounting profession, both in Hong Kong and Europe.

Jan Edöcs – aged 31, is the Chief Executive Officer of the Group's Swiss operation and is responsible for the business development and marketing of Milus brand. Prior to joining the Group, he was the Sales-Marketing Director (Switzerland) and International Sales Manager for VERSACE S.A..

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of Peace Mark (Holdings) Limited (the "Company") and its subsidiaries (together with the Company hereinafter referred to as the "Group") for the year ended 31 March, 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's segment information is set out in note 4 to the financial statements.

RESULTS

Details of the results of the Group for the year ended 31 March, 2002 are set out in the consolidated income statement on page 32 and the accompanying notes to the financial statements.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

With a view to reserving adequate funds for the Group's business growth and expansion, the Directors have resolved not to recommend the payment of a dividend for the year ended 31 March, 2002.

The Register of Members of the Company will be closed from 28 August, 2002 to 30 August, 2002 (both days inclusive) for the purpose of establishing entitlement of shareholders to vote at the forthcoming Annual General Meeting to be held on 30 August, 2002.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 March, 2002, the reserves of the Company available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$366,209,000. In addition, the share premium of the Company, in the amount of approximately HK$43,255,000, may be distributed in the form of fully paid bonus shares.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years and the assets and liabilities of the Group as at the end of the last five financial years is set out on pages 85 of the Annual Report.

FIXED ASSETS

During the year, the Group spent approximately HK$83.8 million on the acquisition of fixed assets.

Details of the movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

INTANGIBLE ASSETS

Details of the movements in the intangible assets of the Group during the year are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in note 16 to the financial statements.

SHARE CAPITAL

During the year, the Company carried out a capital reorganisation whereby the paid-up capital and nominal value of all the issued shares were reduced from HK$0.10 to HK$0.005 each by cancellation of HK$0.095 paid up capital on each issued share and every 20 issued shares of HK$0.005 were consolidated into one share of HK$0.10 each.

Details of these and other movements in the share capital of the Company during the year are set out in notes 24 to the financial statements.

BORROWINGS

Particulars of the Group's and Company's borrowings and obligations under finance leases are set out in notes 21 and 22 to the financial statements respectively.

RETIREMENT SCHEMES BENEFITS

Details of retirement schemes benefits are set out in note 27 to the financial statements.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group which took place subsequent to 31 March, 2002 and up to the date of the report are set out in note 33 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chau Cham Wong, Patrick *(Chairman)*	
Mr. Leung Yung *(Managing Director)*	
Mr. Tsang Kwong Chiu, Kevin	
Mr. Man Kwok Keung	
Mr. Cheng Kwan Ling	
Mr. Lee Ka Yue, Peter	(resigned on 28 August, 2001)
Mr. Law Shik Chuen	(resigned on 28 August, 2001)

Independent Non-Executive Directors

Sir Oswald Cheung, C.B.E., LL.D., D.Soc.Sc., J.P.	
The Honorable Lau Wong Fat, G.B.S., J.P.	
Ms. Susan So	(appointed on 14 November, 2001)
Mr. Wong Wing Hong, Benny	(resigned on 11 September, 2001)

In accordance with article 86(2) of the Company's Bye-laws, Ms. Susan So appointed by the Board of Directors shall hold office until the forthcoming annual general meeting and, being eligible, offer herself for re-election. Pursuant to articles 87(1) and 87(2) of the Company's Bye-laws, Sir Oswald Cheung shall retire and offer himself for re-election at the forthcoming annual general meeting.

The terms of office of independent non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Group which is not terminable by the Group within one year without payment of compensation, other than normal statutory compensations.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March, 2002, the interests of the Directors and their associates in the securities of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

	Number of Ordinary Shares		
Directors	**Personal interest**	**Corporate interest**	**Number of Share Options**
Mr. Chau Cham Wong, Patrick	18,730,416	–	30,000,000 **
Mr. Leung Yung	–	18,391,500 *	30,000,000 **
Mr. Tsang Kwong Chiu, Kevin	–	–	30,000,000 **
Mr. Lee Ka Yue, Peter (resigned on 28 August, 2001)	–	–	10,000,000 ***
Mr. Law Shik Chuen (resigned on 28 August, 2001)	–	–	10,000,000 ***

* Mr. Leung is deemed to be interested in 18,391,500 shares held by United Success Enterprises Limited ("United Success") by virtue of his interest in United Success.

** All these share options were cancelled on 24 January, 2002.

*** All these share options were lapsed on 27 November, 2001.

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company being held by the Directors in trust for the Company, as at 31 March, 2002, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors and chief executives, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SHARE OPTION SCHEME

On 15 January, 1993, the Company adopted a share option scheme (the "Scheme") under which the Directors of the Company may, at their discretion, grant options to full time employees including Directors of the Company or any of its subsidiaries, to subscribe for shares in the Company at a price being not less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the options or the nominal value of the shares whichever is the higher. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company from time to time.

Pursuant to the Scheme, the Company granted options to certain directors and employees of the Group, details of which are as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price (HK$)	Outstanding as at 1 April, 2001	Number of options cancelled	Number of options lapsed	Outstanding as at 31 March, 2002
Directors							
Chau Cham Wong, Patrick	8 October, 1999	8 April, 2000 to 7 April, 2003	0.10	30,000,000	30,000,000	–	–
Leung Yung	8 October, 1999	8 April, 2000 to 7 April, 2003	0.10	30,000,000	30,000,000	–	–
Tsang Kwong Chiu, Kevin	8 October, 1999	8 April, 2000 to 7 April, 2003	0.10	30,000,000	30,000,000	–	–
Lee Ka Yue, Peter	8 October, 1999	8 April, 2000 to 7 April, 2003	0.10	10,000,000	–	10,000,000	–
Law Shik Chuen	8 October, 1999	8 April, 2000 to 7 April, 2003	0.10	10,000,000	–	10,000,000	–
Employees in aggregate	8 October, 1999	8 April, 2000 to 7 April, 2003	0.10	39,300,000	39,300,000	–	–

During the year, no share options were exercised out of the share options granted.

Pursuant to the resolutions passed at the special general meeting ("SGM") of the Company on 24 January, 2002, the Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted.

Under the New Share Option Scheme, the Directors of the Company may, at their discretion, grant options to Directors and employees of the Group and to other eligible persons (as defined in the New Share Option Scheme) to subscribe for shares in the Company at a price determined by the Directors and shall be the higher of (a) the closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the offer date; and (b) the average closing price of the share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date. Details of the terms are set out in a circular dated 2 January, 2002. The total number of shares in respect of which new share options may be granted shall not exceed 10% of total issued share capital of the Company as at the date of approval of the New Share Option Scheme, unless, the Company obtains new approval from the shareholders to renew the 10% limit, and on the basis that the maximum number of shares in respect of which new share options may be granted under the New Share Option Scheme and any other schemes shall not exceed 30% of the issued share capital of the Company from time to time.

As at the date of this report, no options have been granted under the New Share Option Scheme.

Further details of the Scheme and the New Share Option Scheme and movements in other options of the Company are set out in note 26 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 March, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had interests of 10% or more in the issued share capital of the Company:

Name	Number of Shares	%
Mr. Chau Cham Wong, Patrick	18,730,416*	10.18
United Success Enterprises Limited**	18,391,500*	10.00

* Identical to those disclosed above as Directors' Interests in Securities.

** United Success Enterprises Limited is wholly-owned by Mr. Leung Yung.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March, 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 8 October, 1999, share options under the Scheme to subscribe for 149,300,000 shares in the Company were granted to certain directors and eligible employees, which are exercisable from 8 April, 2000 to 7 April, 2003 at an exercisable price of HK$0.10 per share (subject to adjustment under the terms of the Scheme). However, during the year, all the share options had either lapsed or cancelled.

During the year, no options have been granted under the New Share Option Scheme.

Other than disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangements that enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company nor any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Prior to 28 August, 2001, EganaGoldpfeil was a substantial shareholder of the Company under the Listing Rules. As such, the trading transactions between the Group and EganaGoldpfeil and its subsidiaries had constituted connected transactions under the Listing Rules.

In February 2000, a conditional waiver of strict compliance with the Listing Rules in respect of the trading transactions was granted by the Stock Exchange for the three financial years of the Company commencing from 1 April, 2000.

The details of the transactions made during the year were set out in note 12 to the financial statements according to the Listing Rules. The independent non-executive Directors and the auditors have reviewed the connected transactions as set out in the annual report, and confirmed that those transactions were:

(1) (a) entered into in the ordinary and usual course of business of the Group;
  (b) entered into on normal commercial terms; and
  (c) fair and reasonable so far as the shareholders of the Company are concerned.

(2) the annual aggregate value of sales to EganaGoldpfeil did not exceed 50% of the total sales of the Group for the financial year.

In the opinion of the Directors, the connected transactions as set out in note 12 were conducted on normal commercial terms and in the ordinary and usual course of business of the Group.

On 28 August, 2001, Glorious Concept Limited ("Glorious Concept"), a wholly-owned subsidiary of EganaGoldpfeil agreed to sell, and United Success agreed to purchase 367,830,000 ordinary shares of par value of HK$0.10 for a cash consideration of HK$49,800,000 (the "Transaction"). Immediately following the Transaction, EganaGoldpfeil's interest in the Company decreased from approximately 16.50% to approximately 6.50%.

On 6 June, 2002, A-ONE INVESTMENTS LIMITED ("A-ONE"), an investment holding company owned as to 50.45% by Mr. Chau Cham Wong, Patrick and 49.55% by Mr. Leung Yung, entered into an underwriting agreement (the "Underwriting Agreement") with the Company regarding the proposed rights issue of the Company as stated in the announcement dated 6 June, 2002. Since A-ONE is an associate of both Mr. Chau Cham Wong, Patrick and Mr. Leung Yung who are the substantial shareholders and executive directors of the Company, the Underwriting Agreement is a connected transaction for the Company which is exempted from shareholders' approval requirements pursuant to Rule 14.24(b)(c) of the Listing Rules.

Further details of the proposed rights issue will be set out in a circular and will be despatched in due course.

Save as discussed above, there were no other transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March, 2002, the five largest ultimate customers to whom the goods were exported by the Group together accounted for not more than 50% of the Group's turnover for which the largest ultimate customer accounting for not more than 10%, and the five largest suppliers of the Group accounted for not more than 94.0% of the Group's purchases for which the largest supplier accounting for approximately 43.9%.

Save as disclosed above, none of the Directors, their associates nor any shareholder who, to the knowledge of the Directors own more than 5% of the Company's share capital, had an interest in any of the five largest suppliers or customers.

PROPERTIES

Details of the properties of the Group as at 31 March, 2002 are set out on pages 83 to 84 of this report.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

AUDIT COMMITTEE

Under the Listing Rules and with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants, the Company established an audit committee (the "Audit Committee").

The existing members of the Audit Committee include the three Independent Non-Executive Directors of the Company. The principal missions of the Audit Committee are review of the Group's internal control system, regular meetings with the Executive Directors and considering the nature and scope of the audit.

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, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation at the Annual General Meeting of the Company in accordance with the Company's Bye-laws.

AUDITORS

The financial statements for the year ended 31 March, 2002 were audited by Messrs. Chu and Chu, Certified Public Accountants. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint them as auditors.

On behalf of the Board

Chau Cham Wong, Patrick
Chairman

Hong Kong
10 July, 2002

朱永昌
朱國正 會計師事務所
CHU and CHU
Certified Public Accountants
A Member of AGN International

To the Shareholders of
Peace Mark (Holdings) Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 32 to 82 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March, 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Chu and Chu
Certified Public Accountants

Hong Kong
10 July, 2002

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March, 2002

	Note	2002 HK$'000	2001 HK$'000 (Restated)
Turnover	*(5)*	**931,219**	852,379
Cost of sales		**(801,344)**	(723,596)
Gross profit		**129,875**	128,783
Other revenue	*(5)*	**18,706**	16,375
Distribution costs		**(23,207)**	(21,539)
Administrative expenses		**(64,156)**	(54,530)
Other operating expenses		**(12,247)**	(19,224)
Profit from operations	*(6)*	**48,971**	49,865
Impairment of goodwill	*(2)*	**–**	(9,159)
Finance costs	*(7)*	**(9,264)**	(12,661)
Profit before taxation		**39,707**	28,045
Taxation	*(9)*	**(4,577)**	(4,246)
Profit after taxation		**35,130**	23,799
Minority interest		**1,267**	2,000
Profit attributable to shareholders	*(10)*	**36,397**	25,799
Earnings per share	*(11)*		
Basic (cents)		**19.79**	14.20
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 March, 2002

	Note	2002 HK$'000	2001 HK$'000 (Restated)
Net unrealised holding loss of investments in securities	*(25)*	**–**	(29,379)
Realisation of unrealised holding loss of investments in securities upon disposal	*(25)*	**17,885**	–
Net gain (loss) not recognised in the consolidated income statement		**17,885**	(29,379)
Net profit for the year as previously reported		**36,397**	34,958
Effect of changes in accounting policies on adoption of SSAP 30 and SSAP 31		**–**	(9,159)
Realisation of goodwill on disposal of subsidiary		**32,000**	–
Total recognised gains (losses)		**86,282**	(3,580)
Goodwill arising on acquisition of subsidiaries eliminated against reserves		**–**	(45,264)
Subsequent valuation adjustment to goodwill		**–**	(7,369)
		86,282	(56,213)

CONSOLIDATED BALANCE SHEET

as at 31 March, 2002

	Note	2002 HK$'000	2001 HK$'000 (Restated)
Non-current assets			
Fixed assets	*(13)*	**292,942**	240,713
Intangible assets	*(14)*	**43,851**	7,992
Goodwill	*(15)*	**11,714**	–
Investments in securities	*(17)*	**15**	22,999
Club debentures		**–**	1,499
		348,522	273,203
Current assets			
Inventories	*(18)*	**156,058**	125,798
Trade and other receivables	*(19)*	**342,888**	267,223
Tax recoverable		**–**	269
Pledged fixed deposits at bank		**–**	11,625
Cash and bank balances		**154,380**	97,153
		653,326	502,068
Current liabilities			
Trade and other payables	*(20)*	**28,237**	35,511
Syndicated loan	*(21)*	**–**	34,000
Other interest-bearing borrowings	*(21)*	**205,597**	164,348
Obligations under finance leases	*(22)*	**252**	480
Tax payable		**2,236**	–
		236,322	234,339
Net current assets		**417,004**	267,729
Total assets less current liabilities		**765,526**	540,932
Non-current liabilities			
Syndicated loan – Due after one year	*(21)*	**200,000**	51,000
Other interest-bearing borrowings – Due after one year	*(21)*	**14,766**	6,419
Obligations under finance leases – Due after one year	*(22)*	**25**	277
Deferred taxation	*(23)*	**3,396**	1,743
		218,187	59,439
Minority interest		**–**	20,436
Net assets		**547,339**	461,057

CONSOLIDATED BALANCE SHEET

as at 31 March, 2002

	Note	**2002** HK$'000	2001 HK$'000 (Restated)
Capital and reserves			
Share capital	*(24)*	**18,391**	367,822
Reserves	*(25)*	**528,948**	93,235
Shareholders' funds		**547,339**	461,057

The financial statements on pages 32 to 82 were approved and authorised for issue by the Board of Directors on 10 July, 2002, and are signed on its behalf by:

Chau Cham Wong, Patrick

Chairman

Leung Yung

Managing Director

BALANCE SHEET

as at 31 March, 2002

	Note	2002 HK$'000	2001 HK$'000
Non-current assets			
Interests in subsidiaries	*(16)*	**628,672**	528,240
Current assets			
Cash and bank balances		**183**	190
		183	190
Current liabilities			
Accruals and other payables		**1,000**	233
Syndicated loan	*(21)*	**–**	34,000
		1,000	34,233
Net current liabilities		**(817)**	(34,043)
Total assets less current liabilities		**627,855**	494,197
Non-current liabilities			
Syndicated loan – Due after one year	*(21)*	**200,000**	51,000
Net assets		**427,855**	443,197
Capital and reserves			
Share capital	*(24)*	**18,391**	367,822
Reserves	*(25)*	**409,464**	75,375
Shareholders' funds		**427,855**	443,197

Chau Cham Wong, Patrick
Chairman

Leung Yung
Managing Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March, 2002

	Note	2002 HK$'000	2001 HK$'000 (Restated)
Net cash inflow (outflow) from operating activities	*(28)(a)*	**10,373**	(20,466)
Returns on investments and servicing of finance			
Interest received		**5,090**	3,435
Interest paid on term loans, syndicated loan and bank overdrafts		**(9,084)**	(12,260)
Finance charges in respect of finance leases		**(180)**	(401)
Dividend income		**–**	1,574
Net cash outflow from returns on investments and servicing of finance		**(4,174)**	(7,652)
Taxation			
Hong Kong profits tax (paid) refunded		**(419)**	2,871
Tax (paid) refunded		**(419)**	2,871
Investing activities			
Payments to acquire fixed assets		**(83,834)**	(120,304)
Proceeds from disposal of fixed assets		**202**	231
Payments to acquire intangible assets		**(39,208)**	(34,000)
Proceeds from disposal of intangible assets		**–**	54,000
Acquisition of a subsidiary	*(28)(b)*	**–**	(34,000)
Payments to increase interests in subsidiaries		**(31,500)**	(12,815)
Purchases of investments in securities		**–**	(34,453)
Proceeds from disposal of investments in securities		**30,046**	32,326
Net cash outflow from investing activities		**(124,294)**	(149,015)
Net cash outflow before financing		**(118,514)**	(174,262)
Financing	*(28)(c)*		
Placement of new shares		**–**	59,650
Drawdown of term loans		**62,574**	15,155
Trust receipt loans with maturity over 90 days		**33,484**	–
Syndicated loan raised		**200,000**	85,000
Repayments of term loans and other loans		**(19,001)**	(3,072)
Repayment of syndicated loan		**(85,000)**	–
Contribution from minority shareholder		**–**	2,000
Repayments of obligations under finance leases		**(480)**	(3,421)
Net cash inflow from financing		**191,577**	155,312
Increase (Decrease) in cash and cash equivalents		**73,063**	(18,950)
Cash and cash equivalents at the beginning of the year		**(42,338)**	(23,388)
Cash and cash equivalents at the end of the year	*(28)(e)*	**30,725**	(42,338)

(1) GENERAL

Peace Mark (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

(2) ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company and its subsidiaries (the "Group") have adopted the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants.

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 14 (Revised)	Leases
SSAP 17 (Revised)	Property, plant and equipment
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects of those SSAPs on the Group's accounting policies and on the amounts disclosed in the financial statements are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The disclosure requirements under the SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are set out in notes 22 and 31(b) respectively.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

(2) ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

SSAP 29 prescribes the accounting treatment for intangible assets that are not dealt with specifically in another SSAP. This statement requires an enterprise to recognise an intangible asset if, and only if, certain criteria are met. The statement also specifies how to measure the carrying amount of intangible assets and requires certain disclosures about intangible assets. Comparative amounts have been restated in order to achieve a consistent presentation.

SSAP 30 prescribes the accounting treatment for business combination. Goodwill / Negative goodwill arising on acquisition of subsidiaries was previously eliminated against consolidated reserves, and was realised and released to the consolidated income statement upon disposal of such subsidiaries.

Following the adoption of SSAP 30, goodwill is capitalised as an asset and amortised over its estimated useful life of not exceeding 20 years. Negative goodwill is presented in the consolidated balance sheet as a deduction from assets in the same consolidated balance sheet classification as goodwill and recognised as income by reference to any identifiable future losses and expenses and / or the fair values of the identifiable non-monetary assets acquired. The Group has adopted the transitional provision as permitted under SSAP 30. However, any impairment loss in respect of such goodwill is recognised retrospectively in the period when such impairment loss occurred in accordance with the requirements of SSAP 31.

SSAP 31 prescribes the procedures that an enterprise applies to ensure that its assets are carried at no more than their recoverable amounts. SSAP 31 also specifies when an enterprise should reverse an impairment loss and prescribe certain disclosures for impaired assets.

In accordance with the requirements of SSAP 31 and the transitional provisions for SSAP 30, an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against available reserves. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies". Accordingly, goodwill in the amount of approximately HK$9,159,000 which was impaired in prior periods' retained profits as brought forward at 1 April, 2001 and this also results in a decrease in the Group's profit attributable to shareholders for the year ended 31 March, 2001 of approximately HK$9,159,000.

The adoption of other new and revised SSAPs as outlined above does not have material impact on results reported in the current or prior year, though the terminology used and certain disclosures have been revised in line with the new requirements.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, modified with respect to the measurement of investments in securities and leasehold properties, as further explained in the respective accounting policies below. A summary of the significant accounting policies adopted by the Group is set out below:

(a) Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries. A subsidiary is a company whose financial and operating policies are under the Company's control, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders' interests, representing the interests of outside shareholders, are shown separately in the Group's balance sheet and income statement, respectively.

Intragroup balances and transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intragroup transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

In the Company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment loss. The results of the subsidiaries are included in the income statement to the extent of dividends received and receivable.

(b) Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets and liabilities of the subsidiaries at the date of acquisition. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is capitalised and amortised on a straight-line basis over the shorter of its estimated useful life of 20 years. The amortisation charge for each period is recognised as an expense.

Goodwill arising from transactions completed prior to 1 April, 2001 is written off directly against reserves and is reduced by impairment losses. Any impairment loss identified is recognised as an expense.

On disposal of an interest in a subsidiary, the attributable amount of goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Negative goodwill

Any excess, as at the date of the transaction, of the Group's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, should be recognised as negative goodwill.

Negative goodwill is recognised in the income statement as follows:

(a) to the extent that negative goodwill relates to expected future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, that portion of negative goodwill is recognised as income when the future losses and expenses are recognised.

(b) the amount of negative goodwill not exceeding the fair values of acquired identifiable non-monetary assets is recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable / amortisable assets.

(c) the amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognised as income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

(d) Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debts securities that the company has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as securities for trading purposes and other securities.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in securities (Continued)

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

(e) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 (Revised) "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, surplus arising on the revaluation of these assets was credited to the revaluation reserve. Any future deficit in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or valuation of fixed assets over their estimated useful lives using the straight-line method. The annual rates used are as follows:

Freehold land	Nil
Leasehold land	Over the term of lease
Buildings	2% – 4%
Leasehold improvements	2% – 20%
Other assets	20%

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed assets and depreciation (Continued)

The useful lives of assets and depreciation method are reviewed periodically.

The gain or loss arising on the disposal or retirement of a fixed asset recognised in the income statement is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Properties under construction are stated at cost less accumulated impairment losses. This includes cost of construction, plant and equipment and other direct costs.

Properties under construction are not depreciated until such time as the assets are completed and ready for their intended use.

(f) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and can be measured and attributed to the asset reliably in which case it will be added to the cost of the intangible asset.

After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment loss.

Intangible assets mainly comprise the following:

(i) *Technical know-how*

The costs of acquiring technical know-how in connection with product development for the licensed products manufactured by the Group are capitalised and amortised on a straight-line basis over the terms of the relevant licences.

(ii) *Licences*

The cost of licences represents the upfront cost payable and is amortised on a straight-line basis from the date of commencement of its economic use to the end of the terms of the licences.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (Continued)

(iii) *Trademark*

Trademark is stated at acquisition cost and is amortised on a straight-line basis over its expected future economic life of 20 years.

The amortisation period and the amortisation method are reviewed annually at each financial year end.

(g) Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that fixed assets, intangible assets and investments in subsidiaries have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the net selling price and value in use of an asset. The net selling price is the amount that could be obtained from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the use of the asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at revalued amount, in which case the impairment loss is firstly charged against the related revaluation reserve to the extent of the amount held in the revaluation reserve with any excess recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Deferred taxation

Deferred taxation is provided under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

(j) Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Provisions and contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(l) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of goods have been transferred to the customers.

(ii) Rendering of services

Service income is recognised as services are rendered.

(iii) Rental income

Rental income is recognised on a straight-line basis over the respective terms of the leases.

(iv) Interest income

Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

(v) Sale of investments in securities

Sale proceeds of investments in securities are recognised on a trade-date basis when contracts are executed.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leases

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

The Group recognises finance leases as assets and liabilities in the balance sheet at amounts equal, at the inception of the lease, to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

Operating leases

An operating lease is a lease other than a finance lease.

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Off balance sheet financial instruments

Off balance sheet financial instruments arise from swap transactions undertaken by the Group in the interest rate markets.

The accounting for these instruments is dependent upon whether the transactions are undertaken for trading purposes or to hedge risk.

Transactions undertaken for trading purposes are marked to market and the gains or losses arising are recognised in the income statement. Transactions designated as hedges are valued on an equivalent basis to the assets, liabilities or net positions that they are hedging. Any profits or losses are recognised in the income statement on the same basis as those arising from the related assets, liabilities or net positions.

Unrealised gains on transactions which are marked to market are included in "Trade and other receivables" in the balance sheet. Unrealised losses on transactions which are marked to market are included in "Trade and other payables".

(o) Retirement benefits schemes

The Group provides defined contribution plans based on local laws and regulations. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate.

(p) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(q) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Segments

A segment is a distinguishable component of the Group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, segment expenses and segment performance include transfers between segments. Such inter-segment pricing is based on similar terms as those available to unaffiliated customers for similar products. Those transfers are eliminated upon consolidation.

Segment capital expenditure represents the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets and liabilities, interest-bearing loans, borrowings and corporate and financing expenses.

(4) SEGMENT INFORMATION

In accordance with its internal financial reporting policy, the Group has determined that business segments should be presented as primary reporting format. However, business segments are not presented because the Group's turnover and operating profit were contributed solely by manufacture and trading of timepieces products.

Geographical segments are presented as secondary reporting format, segment revenue is based on the final destination of goods sold. There are no sales between the segments.

Segment assets and capital expenditure are based on the geographical location in which the assets are located at the balance sheet date.

	2002			
	Turnover HK$'000	Segment Results HK$'000	Segment Assets HK$'000	Capital Expenditure HK$'000
United States of America	**505,282**	**57,878**	**108,886**	**–**
Europe	**204,726**	**23,451**	**78,739**	**39,208**
Asia	**221,211**	**25,339**	**617,580**	**83,834**
	931,219	**106,668**	**805,205**	**123,042**
Other revenue		**18,706**		
Unallocated expenses		**(76,403)**		
Finance costs		**(9,264)**		
Profit before taxation		**39,707**		
Unallocated assets			**196,643**	
Total assets			**1,001,848**	

(4) SEGMENT INFORMATION (Continued)

	2001			
		Segment	Segment	Capital
	Turnover	Results	Assets	Expenditure
	HK$'000	HK$'000	HK$'000	HK$'000
United States of America	504,608	63,488	67,442	–
Europe	207,980	26,168	27,797	–
Asia	139,791	17,588	385,194	154,304
	852,379	107,244	480,433	154,304
Other revenue		16,375		
Unallocated expenses		(73,754)		
Finance costs		(12,661)		
Impairment of goodwill		(9,159)		
Profit before taxation		28,045		
Unallocated assets			294,838	
Total assets			775,271	

(5) TURNOVER AND OTHER REVENUE

(a) Turnover

Turnover represents the amounts received and receivable for goods sold, less discounts and returns, by the Group to outside customers during the year.

(b) Other revenue

	2002	2001
	HK$'000	HK$'000
Rental income	**1,252**	872
Interest income	**5,090**	3,435
Dividend income from investments in securities	**–**	1,574
Handling service income	**5,791**	–
Gain on disposal of intangible assets	**–**	7,400
Gain on disposal of fixed assets	**37**	–
Exchange gain	**2,917**	1,346
Sundry income	**3,619**	1,748
	18,706	16,375

(6) PROFIT FROM OPERATIONS

	2002 HK$'000	2001 HK$'000 (Restated)
Profit from operations has been arrived at after charging the following:		
Depreciation		
– Owned assets	**29,060**	20,942
– Assets under finance leases	**2,380**	2,381
Amortisation of intangible assets	**3,344**	10,845
Amortisation of goodwill	**617**	–
Impairment of goodwill	**–**	9,159
Auditors' remuneration		
– Current year	**762**	742
– Underprovision in prior years	**50**	–
Loss on disposal of investments in securities	**10,823**	6,674
Loss on disposal of fixed assets	**–**	52
Staff costs, including directors' emoluments	**40,877**	33,222
Write-off of current assets	**6,640**	10,866

(7) FINANCE COSTS

	2002 HK$'000	2001 HK$'000
Interest on:		
Term loans, syndicated loan and bank overdrafts wholly repayable within five years	**9,084**	12,260
Obligations under finance leases	**180**	401
	9,264	12,661

(8) DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the Directors' and the five highest paid employees' emoluments are as follows:

(a) Directors' emoluments

	2002	2001
	HK$'000	HK$'000
Directors' fees:		
– Executive	**–**	–
– Non-executive	**190**	150
	190	150
Other emoluments (Executive Directors):		
Salaries and other benefits	**3,744**	4,170
Pension scheme contributions	**156**	198
	3,900	4,368
	4,090	4,518

The emoluments of the Directors are within the following bands:

	2002	2001
	Number of Directors	Number of Directors
Nil to HK$1,000,000	**10**	10
HK$1,000,001 to HK$1,500,000	**1**	–
	11	10

(8) DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

During the year ended 31 March, 2002, the five highest paid individuals included four Directors (for the year ended 31 March, 2001, the five highest paid individuals included three Directors) details of whose emoluments are set out in note 8(a) to the financial statements above. The emoluments of the remaining individual for the year are as follows:

	2002 HK$'000	2001 HK$'000
Salaries and other benefits	**650**	919
Pension scheme contributions	**12**	38
	662	957

The emoluments of this individual are in the range of Nil to HK$1,000,000.

(9) TAXATION

Taxation in the consolidated income statement represents:

	2002 HK$'000	2001 HK$'000
Hong Kong Profits Tax		
Current year	**2,868**	2,526
Underprovision in prior year	**56**	–
Deferred taxation	**1,653**	1,720
	4,577	4,246

Hong Kong Profits Tax is calculated at the prevailing rate of 16% (2001: 16%) on the estimated assessable profits for the year.

Details of deferred taxation are set out in note 23 to the financial statements.

(10) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders, a loss of HK$15,342,000 (2001: HK$1,781,000) has been dealt with in the financial statements of the Company.

(11) EARNINGS PER SHARE

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

		2002	2001 (Restated)
(a)	*Basic earnings per share*		
	Profit attributable to shareholders (in HK$'000)	**36,397**	25,799
	Weighted average number of shares (in '000)	**183,911**	181,705
	Basic earnings per share (cents)	**19.79**	14.20
(b)	*Diluted earnings per share*		
	Profit attributable to shareholders (in HK$'000)	**36,397**	25,799
	Weighted average number of shares (in '000)	**183,911**	181,705
	Potential dilutive shares (in '000)	**–**	–
	Adjusted weighted average number (in '000)	**183,911**	181,705
	Diluted earnings per share	**N/A**	N/A

(12) RELATED PARTY AND CONNECTED TRANSACTIONS

On 28 August, 2001, EganaGoldpfeil has reached an agreement with United Success Enterprises Limited ("United Success"), a company wholly owned by Mr. Leung Yung, for the sale of 367,830,000 shares (or equivalently 18,391,500 shares after the share consolidation on 25 January, 2002 whereby every 20 issued shares were consolidated into 1 consolidated share) of par value of HK$0.10 each which represents approximately 10% of the share capital of the Company at a consideration of HK$49,800,000.

Upon completion of the sale of said shares in the issued share capital of the Company by EganaGoldpfeil to United Success, the shareholding held by EganaGoldpfeil and its associates (as defined in the Listing Rules) in the Company was decreased from approximately 16.5% to approximately 6.5%. Thereafter, that is effective from 28 August, 2001, EganaGoldpfeil ceased to be a connected party to the Company under the Listing Rules and the trading transactions between the Group and EganaGoldpfeil do not constitute connected transactions of the Group.

Pursuant to SSAP 20, parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. After the sale of the shares by EganaGoldpfeil to United Success, EganaGoldpfeil was ceased to be related party to the Company, also on 28 August, 2001.

In February 2000, a conditional waiver from strict compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") in respect of the trading transactions has been granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for three financial years of the Company starting from the year commencing 1 April, 2000.

(12) RELATED PARTY AND CONNECTED TRANSACTIONS (Continued)

During the year, the Group had the following material transactions with its related parties as defined in note 3:

	Note	**2002 HK$'000**	2001 HK$'000
Sale of goods to EganaGoldpfeil and its subsidiaries	*(i)*	**6,462**	20,056
Purchase of raw materials from EganaGoldpfeil and its subsidiaries	*(i)*	**48**	3,104
Rental income from a subsidiary of EganaGoldpfeil	*(ii)*	**347**	833

Notes:

(i) *Sale and purchase transactions with EganaGoldpfeil and its subsidiaries were in relation to timepiece related transactions and were effected on normal commercial terms.*

(ii) *The rental income is in relation to the letting of the factory premises of the Group in the PRC for the production activities of EganaGoldpfeil's leather business. The rental income was negotiated at arm's length.*

(13) FIXED ASSETS

	The Group						
	Properties under con-struction	Freehold and leasehold properties	Leasehold improve-ments	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation							
As at 1 April, 2001	26,312	106,164	65,255	14,329	90,155	4,814	307,029
Additions	9,265	5,352	2,525	2,069	64,356	267	83,834
Disposals	–	–	–	(166)	(176)	(90)	(432)
As at 31 March, 2002	35,577	111,516	67,780	16,232	154,335	4,991	390,431
Comprising							
At valuation	–	14,000	–	–	–	–	14,000
At cost	35,577	97,516	67,780	16,232	154,335	4,991	376,431
	35,577	111,516	67,780	16,232	154,335	4,991	390,431
Depreciation							
As at 1 April, 2001	–	6,952	11,386	10,025	35,506	2,447	66,316
Provided for the year	–	2,284	6,023	1,951	20,233	949	31,440
Eliminated on disposals	–	–	–	(47)	(130)	(90)	(267)
As at 31 March, 2002	–	9,236	17,409	11,929	55,609	3,306	97,489
Net book value							
As at 31 March, 2002	35,577	102,280	50,371	4,303	98,726	1,685	292,942
As at 31 March, 2001	26,312	99,212	53,869	4,304	54,649	2,367	240,713

One of the leasehold properties of the Group was revalued as at 31 March, 1995, on an open market value basis by Messrs. Jones Lang Wootton Limited, independent registered surveyors.

As at 31 March, 2002, had the leasehold properties of the Group been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$93,723,000 (2001: HK$90,321,000).

The net book value of the leasehold properties includes an amount of approximately HK$43,267,000 (2001: HK$43,893,000) in respect of an industrial waste management system implemented in an electroplating factory of the Group.

(13) FIXED ASSETS (Continued)

The carrying value of properties held by the Group comprises:

	The Group	
	2002	2001
	HK$'000	HK$'000
Leasehold properties:		
Held in Hong Kong, medium-term lease	**16,343**	16,675
Held in the People's Republic of China, medium-term lease	**83,902**	82,537
Freehold properties:		
Held outside Hong Kong	**2,035**	–
	102,280	99,212

As at 31 March, 2002, the net book value of the Group's fixed assets held under finance leases was approximately HK$776,000 (2001: HK$1,259,000).

(14) INTANGIBLE ASSETS

During the year, the Group acquired a trademark, the market value of which was valued at approximately HK$48,500,000 by Sallmanns (Far East) Limited, an independent valuer.

	The Group				
	2002				2001
	Technical know-how	**Licence**	**Trademark**	**Total**	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Cost					
As at 1 April, 2001	**7,145**	**15,000**	**–**	**22,145**	54,745
Addition	**–**	**–**	**39,208**	**39,208**	34,000
Disposal	**(5)**	**–**	**–**	**(5)**	(66,600)
As at 31 March, 2002	**7,140**	**15,000**	**39,208**	**61,348**	22,145
Amortisation					
As at 1 April, 2001	**4,814**	**9,339**	**–**	**14,153**	23,308
Provided for the year	**846**	**2,498**	**–**	**3,344**	10,845
Eliminated on disposal	**–**	**–**	**–**	**–**	(20,000)
As at 31 March, 2002	**5,660**	**11,837**	**–**	**17,497**	14,153
Net book value					
As at 31 March, 2002	**1,480**	**3,163**	**39,208**	**43,851**	7,992
As at 31 March, 2001	**2,331**	**5,661**	**–**	**7,992**	31,437

(15) GOODWILL

During the year, SSAP 30 was adopted as detailed in note 2 to the financial statements. The amount of the goodwill arising on the acquisition of subsidiaries is as follows:

	The Group	
	2002	2001
	HK$'000	HK$'000
Cost		
As at 1 April, 2001	**–**	–
Acquisition of subsidiaries	**12,331**	–
As at 31 March, 2002	**12,331**	–
Amortisation		
As at 1 April, 2001	**–**	–
Provided for the year	**617**	–
As at 31 March, 2002	**617**	–
Net book value		
As at 31 March, 2002	**11,714**	–
As at 31 March, 2001	**–**	–

As detailed in note 2 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January, 2001 to remain eliminated against consolidated reserves.

(16) INTERESTS IN SUBSIDIARIES

	The Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**51,398**	51,398
Amount due from subsidiaries	**577,275**	476,843
Amount due to a subsidiary	**(1)**	(1)
	628,672	528,240

(16) INTERESTS IN SUBSIDIARIES (Continued)

The balances with subsidiaries are unsecured, interest-free and not repayable within the next twelve months.

As at 31 March, 2002, the underlying value of interests in subsidiaries is, in the opinion of the Directors, not less than the carrying value in the books of the Company.

Details of the Company's principal subsidiaries at 31 March, 2002 are as follows:

Name of subsidiary	Place of incorporation / registration	Issued and fully paid capital / registered capital	Percentage of equity interest held by the Company		Principal activities
			Direct %	Indirect %	
Capricon Company Limited	British Virgin Islands	US$100 Ordinary	–	100	Investment holding
Capricon Industrial (Shenzhen) Co., Ltd.	The People's Republic of China	HK$10,849,000	–	100	Property investment
Fulltop Limited	British Virgin Islands	US$1 Ordinary	–	100	Trademark and property holding
Gar Shun Enterprises Development Limited	Hong Kong	HK$400,000 Ordinary	–	51	Electroplating
Inter Mark Worldwide Limited	Hong Kong	HK$100 Ordinary	–	100	Timepiece distribution
Peace Mark (B.V.I.) Limited	British Virgin Islands	HK$10,000 Ordinary	100	–	Investment holding

(16) INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation / registration	Issued and fully paid capital / registered capital	Percentage of equity interest held by the Company		Principal activities
			Direct	Indirect	
			%	%	
Peace Mark Limited	Hong Kong	HK$100 Ordinary HK$10,000 Non-voting deferred*	–	100	Timepiece trading and marketing
Peace Mark (Switzerland) Enterprises Limited	British Virgin Islands	US$1 Ordinary	–	100	Provision of after sales service and timepiece components
PM Company Limited	British Virgin Islands	HK$1 Ordinary	–	100	Subcontracting
Pure Riches Industries Limited	Hong Kong	HK$2,760,000 Ordinary	–	100	Manufacturing of timepiece components
Sky Type Limited	Hong Kong	HK$10,000 Ordinary	–	100	Asset holding
Vico Industries Limited	Hong Kong	HK$100 Ordinary	–	100	Manufacturing of timepiece components
World Grade Industries Limited	Hong Kong	HK$10,000 Ordinary	–	100	Property investment

* The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.

(16) INTERESTS IN SUBSIDIARIES (Continued)

The above table listed the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

All subsidiaries operate in their respective places of incorporation / registration except for that Capricon Company Limited, Gar Shun Enterprises Development Limited, Pure Riches Industries Limited and Vico Industries Limited operate in the People's Republic of China and that Fulltop Limited operates in Switzerland.

None of the subsidiaries had any loan capital outstanding at the year end, nor at any time during the year.

(17) INVESTMENTS IN SECURITIES

	The Group	
	2002	2001
	HK$'000	HK$'000
Equity securities:		
Listed in Hong Kong, at cost	**37**	40,906
Unrealised holding loss	**(22)**	(17,907)
At market value	**15**	22,999

(18) INVENTORIES

	The Group	
	2002	2001
	HK$'000	HK$'000
Raw materials	**7,720**	44,713
Work-in-progress	**16,053**	33,342
Finished goods	**132,285**	47,743
	156,058	125,798

As at 31 March, 2002 and 2001, all inventories were stated at cost.

(19) TRADE AND OTHER RECEIVABLES

The Group has extended an average credit period of 90-120 days to its trade customers. Included in trade and other receivables are debtors (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2002	2001
	HK$'000	HK$'000
Trade receivables:		
0 – 90 days	**113,400**	101,004
91 days – 180 days	**9,964**	12,918
Over 180 days	**4,424**	–
	127,788	113,922
Trade deposits	**70,077**	42,000
Other deposits, prepayments and other receivables	**145,023**	111,301
	342,888	267,223

(20) TRADE AND OTHER PAYABLES

Included in trade and other payables are creditors with the following ageing analysis:

	The Group	
	2002	2001
	HK$'000	HK$'000
Trade payables:		
0 – 90 days	**9,231**	19,342
91 days – 180 days	**3,324**	4,536
Over 180 days	**8,424**	–
	20,979	23,878
Accruals and other payables	**7,258**	11,633
	28,237	35,511

(21) SYNDICATED LOAN AND OTHER INTEREST-BEARING BORROWINGS

	The Group	
	2002	2001
	HK$'000	HK$'000
Syndicated loan and other interest-bearing borrowings comprise:		
– Term loans	**63,224**	19,651
– Syndicated loan, unsecured	**200,000**	85,000
– Trust receipt and import loans	**156,758**	146,267
– Bank overdrafts	**381**	4,849
	420,363	255,767
Analysed as:		
– Secured	**–**	6,240
– Unsecured	**420,363**	249,527
	420,363	255,767
The syndicated loan and other interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	**205,597**	198,348
– More than one year, but not exceeding two years	**125,302**	36,357
– More than two years, but not exceeding five years	**89,464**	21,062
	420,363	255,767
Less: Amount shown under current liabilities		
– Syndicated loan	**–**	(34,000)
– Other interest-bearing borrowings	**(205,597)**	(164,348)
	214,766	57,419
Analysed as:		
– Syndicated loan	**200,000**	51,000
– Other interest-bearing borrowings	**14,766**	6,419
	214,766	57,419

(21) SYNDICATED LOAN AND OTHER INTEREST-BEARING BORROWINGS (Continued)

	The Company	
	2002	2001
	HK$'000	HK$'000
Syndicated loan and other interest-bearing borrowings comprise:		
– Syndicated loan, unsecured	**200,000**	85,000
The syndicated loan and other interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	**–**	34,000
– More than one year, but not exceeding two years	**114,286**	34,000
– More than two years, but not exceeding five years	**85,714**	17,000
	200,000	85,000
Less: Amount shown under current liabilities		
–Syndicated loan	**–**	(34,000)
	200,000	51,000

(22) OBLIGATIONS UNDER FINANCE LEASES

As at 31 March, 2002, the Group had obligations under finance leases repayable as follows:

	The Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**298**	562
More than one year, but not exceeding two years	**24**	298
More than two years, but not exceeding five years	**10**	34
	332	894
Less: finance charges	**(55)**	(137)
	277	757
Representing finance lease obligations:		
Current portion	**252**	480
Non-current portion	**25**	277
	277	757

(23) DEFERRED TAXATION

	The Group	
	2002	2001
	HK$'000	HK$'000
As at 1 April, 2001	**1,743**	23
Provided for the year	**1,653**	1,720
As at 31 March, 2002	**3,396**	1,743

As at the balance sheet date, the major components of the provision for deferred taxation are as follows:

	Liability provided		Net potential liabilities (assets) unrecognised	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Tax effect of timing differences attributable to:				
Excess of depreciation allowances over depreciation charged in the financial statements	**3,442**	1,789	**3,687**	1,019
Revaluation deficit on the Group's investment properties situated in the People's Republic of China	**(46)**	(46)	**–**	–
Tax losses	**–**	–	**(4,306)**	(3,133)
	3,396	1,743	**(619)**	(2,114)

Deferred tax has not been provided on the revaluation surplus arising on the valuation of properties in Hong Kong as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus does not constitute a timing difference for tax purposes.

(24) SHARE CAPITAL

	Number of shares	Par value HK$	Amount HK$'000
Authorised:			
As at 1 April, 2001 and 31 March, 2002	6,000,000,000	0.10	600,000
Issued and fully paid:			
As at 1 April, 2001	3,678,223,019	0.10	367,822
Capital Reduction whereby the nominal value of the shares was reduced to HK$0.005 each by cancellation of HK$0.095 paid-up capital for each issued share	–	(0.095)	(349,431)
	3,678,223,019	0.005	18,391
Capital Consolidation whereby every 20 new issued shares with nominal value of HK$0.005 each in the capital of the Company following the Capital Reduction was consolidated into 1 consolidated share	(3,494,311,869)	0.095	–
As at 31 March, 2002	183,911,150	0.10	18,391

Pursuant to a special resolution passed on 24 January, 2002, the shareholders approved a capital reorganisation ("Capital Reorganisation") involving, among others, a reduction ("Capital Reduction") and consolidation ("Share Consolidation") of the issued share capital. The Capital Reorganisation has become effective on 25 January, 2002.

(24) SHARE CAPITAL (Continued)

Pursuant to the Capital Reorganisation:

1. the paid-up capital and nominal value of all the issued shares were reduced from HK$0.10 to HK$0.005 each by cancellation of HK$0.095 paid up capital on each issued share;

2. every 20 issued new shares were consolidated into 1 consolidated share; and

3. the credit of HK$349,431,187 arising from the Capital Reduction on the basis of 3,678,223,019 shares in issue transferred to the contributed surplus account of the Company, which may be used in future for such purposes as the Board may direct subject to the Companies Act and Bye-laws.

Before the Capital Reduction, the authorised share capital of the Company was HK$600,000,000 divided into 6,000,000,000 shares of which HK$367,822,302 divided into 3,678,223,019 shares were issued and credited as fully paid. Immediately upon the Capital Reorganisation becoming effective and on the basis that 3,678,223,019 shares were issued immediately prior to the Capital Reduction becoming effective, the authorised share capital of the Company was HK$600,000,000 divided into 6,000,000,000 consolidated shares of which HK$18,391,115 divided into 183,911,150 consolidated shares were issued and credited as fully paid, and a credit of HK$349,431,187 arising from the Capital Reorganisation was transferred to the contributed surplus account of the Company as mentioned above. The Share Consolidation stipulated that every 20 issued new shares were consolidated into 1 consolidated share.

(25) RESERVES

	The Group							
	Share premium HK$'000	Merger deficit HK$'000	Capital reserve (Goodwill) HK$'000	Contributed surplus HK$'000	Leasehold property revaluation reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 April, 2000	43,255	(11,988)	23,846	–	5,466	11,472	68,238	140,289
Subsequent valuation adjustment to goodwill	–	–	(7,369)	–	–	–	–	(7,369)
Goodwill arising on acquisition of subsidiaries eliminated	–	–	(45,264)	–	–	–	–	(45,264)
Net unrealised holding loss of investments in securities	–	–	–	–	–	(29,379)	–	(29,379)
Profit for the year	–	–	–	–	–	–	34,958	34,958
As at 31 March, 2001 as previously reported	43,255	(11,988)	(28,787)	–	5,466	(17,907)	103,196	93,235
Effect of changes in accounting policies on adoption of SSAP 30 and SSAP 31	–	–	9,159	–	–	–	(9,159)	–
As at 31 March, 2001 as restated	43,255	(11,988)	(19,628)	–	5,466	(17,907)	94,037	93,235
Realisation of goodwill on disposal of subsidiary	–	–	32,000	–	–	–	–	32,000
Realisation of unrealised holding loss of investments in securities upon disposal	–	–	–	–	–	17,885	–	17,885
Credit arising on Capital Reduction	–	–	–	349,431	–	–	–	349,431
Profit for the year	–	–	–	–	–	–	36,397	36,397
As at 31 March, 2002	43,255	(11,988)	12,372	349,431	5,466	(22)	130,434	528,948

(25) RESERVES (Continued)

The Company

	Share premium	Merger deficit	Capital reserve (Goodwill)	Contributed surplus	Leasehold property revaluation reserve	Other reserve	Accumu-lated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April, 2000	43,255	–	–	39,399	–	–	(5,498)	77,156
Loss for the year	–	–	–	–	–	–	(1,781)	(1,781)
As at 31 March, 2001	43,255	–	–	39,399	–	–	(7,279)	75,375
Credit arising on Capital Reduction	–	–	–	349,431	–	–	–	349,431
Loss for the year	–	–	–	–	–	–	(15,342)	(15,342)
As at 31 March, 2002	43,255	–	–	388,830	–	–	(22,621)	409,464

The capital reserve (goodwill) represents the total of the share premium of a subsidiary prior to becoming a member of the Group in a merger and the amount arising from the excess or shortfall of the purchase consideration over the fair value of the Group's share of the separable net assets of the subsidiaries acquired.

The merger deficit represents the excess of the nominal value of the shares in the Company issued as consideration over the nominal value of the subsidiaries' shares transferred to the Company.

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries acquired by the Company and the nominal amount of the Company's shares issued for the acquisition.

The other reserve represents the amount of unrealised holding gain (loss) from the investments in securities.

(25) RESERVES (Continued)

Under the Companies Act 1981 of Bermuda, the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, the Company's reserves available for distribution to shareholders were as follows:

	2002	2001
	HK$'000	HK$'000
Contributed surplus	**388,830**	39,399
Accumulated losses	**(22,621)**	(7,279)
	366,209	32,120

(26) SHARE OPTION SCHEMES

On 24 January, 2002, the share option scheme adopted by the Company on 15 January, 1993 (the "Old Share Option Scheme") was terminated and a replacing share option scheme (the "New Share Option Scheme") was adopted by the shareholders of the Company on the same date to comply with the new amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") regarding the share option schemes of a company. As a result, the Company may no longer grant any further options under the Old Share Option Scheme. Out of all the share options to subscribe for 149,300,000 shares in the Company granted to certain directors and employees on 8 October, 1999 under the Old Share Option Scheme which are exercisable from 8 April, 2000 to 7 April, 2003 at an exercise price of HK$0.10 per share, share options to subscribe for 20,000,000 shares in the Company were lapsed on 27 November, 2001 due to, on 28 August, 2001, the resignations of Mr. Lee Ka Yue, Peter and Mr. Law Shik Chuen who are Executive Directors of the Company before the resignations. The remaining share options to subscribe for 129,300,000 shares in the Company were cancelled, and hence lapsed, on 29 November, 2002. No options have been granted under the New Share Option Scheme since the date of its adoption.

The purpose of the New Share Option Scheme is to advance the interests of the Company and its shareholders by providing to:

(i) the directors and employees of the Group with a performance incentive to reward them for their continued and improved services with the Group and to further encourage them by offering them an opportunity to obtain an ownership in the Company; and

(ii) the eligible persons (other than the directors and employees of the Group) with an incentive through ownership in the Company in order to motivate them to optimise their performance and efficiency for the benefit of the Group and / or to attract, retain or otherwise maintain their on-going business relationships with the Group which are or will be beneficial to the Group's success.

(26) SHARE OPTION SCHEMES (Continued)

Eligible persons of the New Share Option Scheme include

(i) any director of the Group;

(ii) any employee (whether part time or full time) of the Group;

(iii) any consultant or professional adviser who, at the offer date ("Offer Date") of the grant of an option or options and during the option period ("Option Period"), which means a period to be notified by the board of directors ("Board") to each grantee of the option or options which the Board may in its absolute discretion determine save that such period of time shall not exceed a period of 10 years commencing on the commencement date of the option or options, in respect of any options granted to such consultant or professional adviser, is mandated by the Group for the provision of services;

(iv) any supplier or customer of the Group who, during the six-month period immediately prior to the offer date and any such time during the Option Period in respect of any options granted to such supplier or customer, has entered into business transactions with the Group the aggregate value of all of which shall have exceeded HK$10,000,000; and

(v) any person who, at the Offer Date and during the Option Period in respect of any options granted to such person, is appointed by the Group as an authorised agent of the Group.

The New Share Option Scheme became effective on 24 January, 2002 and unless otherwise terminated by the Company or the Directors, it shall be valid and effective for 10 years commencing on the adoption date on 24 January, 2002. After such period no further share options will be granted but in all other respects the provisions of the 2002 Scheme shall remain in full force and effect.

Pursuant to the New Share Option Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30 percent of the shares of the Company in issue from time to time. No options may be granted under the New Share Option Scheme if such grant would result in the above 30 percent limit being exceeded. The total number of shares available from issue under the options which may be granted under the New Share Option Schemes and any other share options schemes of the Company must not, in aggregate, exceed 10 percent of the issued share capital of the Company as at the date of approval of the New Share Option Scheme by the shareholders of the Company on 24 January, 2002 unless shareholders' approval has been obtained.

(26) SHARE OPTION SCHEMES (Continued)

Subject to the terms of the New Share Option Scheme and the requirements of the Listing Rules, the Board shall be entitled at any time, within 10 years after the adoption date on 24 January, New Share Option of the New Share Option Scheme to make an offer of the grant of an option or options to any eligible person as the Board may in its absolute discretion select to subscribe for such number of shares as the Board may determine at the subscription price.

The subscription price shall be a price determined by the Board and notified to an eligible person and shall be the higher of the closing price of the share of the Company as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited on the Offer Date, which must be a business day; and the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited for the five business days immediately preceding the offer date.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

A summary of the movements of share options granted under the above schemes is as follows:

	New Share Option Scheme	Old Share Option Scheme
As at 1 April, 2001	–	149,300,000
Cancelled during the year	–	(129,300,000)
Lapsed during the year	–	(20,000,000)
As at 31 March, 2002	–	–

(27) RETIREMENT BENEFITS SCHEMES

The Group operates both a defined contribution pension scheme (the "Scheme") and a defined contribution Mandatory Provident Fund (the "MPF") since 1 December, 2000 for all eligible employees including Directors of the Company. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The cost charged to the income statement represents contributions payable to the Scheme (2002: HK$810,000; 2001: HK$606,000) and the MPF (2002: HK$186,000; 2001: HK$16,000) by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

During the year, contributions of approximately HK$73,000 (2001: nil) were forfeited which are available to reduce the contributions payable in the future years.

(28) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow (outflow) from operating activities

	2002	2001
	HK$'000	HK$'000
Profit before taxation	**39,707**	28,045
Interest income	**(5,090)**	(3,435)
Interest expenses on bank loans, syndicated loan and bank overdrafts	**9,084**	12,260
Finance charges in respect of finance leases	**180**	401
Dividend income	**–**	(1,574)
Impairment of goodwill	**–**	9,159
Amortisation of goodwill	**617**	–
Loss (Gain) on disposal of intangible assets	**5**	(7,400)
Depreciation of fixed assets	**31,440**	23,323
Amortisation of intangible assets	**3,344**	10,845
Loss on disposal of investment securities	**10,823**	6,674
(Gain) Loss on disposals of fixed assets	**(37)**	52
Loss on disposal of club debenture	**1,499**	–
Increase in inventories	**(30,260)**	(2,253)
Increase in trade and other receivables	**(43,665)**	(90,742)
Decrease in trade and other payables	**(7,274)**	(5,821)
Net cash inflow (outflow) from operating activities	**10,373**	(20,466)

(28) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Acquisition of a subsidiary

	2002 **HK$'000**	2001 HK$'000
Net assets of the subsidiary acquired	**–**	–
Goodwill arising on consolidation	**–**	34,000
Satisfied by:		
Cash consideration paid	**–**	34,000

Analysis of net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary:

	2002 **HK$'000**	2001 HK$'000
Cash consideration paid	**–**	(34,000)
Net outflow of cash and cash equivalents in respect of the acquisition of the subsidiary	**–**	(34,000)

(28) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Analysis of changes in financing during the year

	Share capital and share premium	Interest-bearing borrowings	Obligations under finance leases	Minority interest
	HK$'000	HK$'000	HK$'000	HK$'000
As at 1 April, 2000	351,427	7,568	4,178	21,987
Drawdown of term loans raised	–	15,155	–	–
Repayment of obligations under finance leases	–	–	(3,421)	–
Placement of new shares	59,650	–	–	–
Acquisition of initial interests in subsidiary	–	–	–	1,960
Acquisition of further interests in subsidiary	–	–	–	(1,511)
Syndicated loan raised	–	85,000	–	–
Repayment of term loans and other loans	–	(3,072)	–	–
Share of loss for the year	–	–	–	(2,000)
As at 31 March, 2001	411,077	104,651	757	20,436
Drawdown of term loans	–	62,574	–	–
Repayment of obligations under finance leases	–	–	(480)	–
Credit arising on Capital Reduction	(349,431)	–	–	–
Trust receipt loans with maturity over 90 days	–	33,484	–	–
Syndicated loan raised	–	200,000	–	–
Repayment of syndicated loan	–	(85,000)	–	–
Repayment of term loans and other loans	–	(19,001)	–	–
Share of loss for the year	–	–	–	(1,267)
Acquisition of further interests in subsidiaries	–	–	–	(19,169)
As at 31 March, 2002	61,646	296,708	277	–

(28) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Disposal of a subsidiary

	2002	2001
	HK$'000	HK$'000
Net assets disposed of:	**–**	–

	2002	2001
	HK$'000	HK$'000
Satisfied by:		
Other receivables	**34,000**	–
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary:		
Cash received	**–**	–

During the year, the Group disposed of a subsidiary (the "Disposal") with a patent registered in Japan in connection with a technology for downloading Internet data for personal computers to wrist watches through infrared communication (the "Technology") for HK$34,000,000. The Disposal enabled the Group to recoup additional cash resources for better business opportunities. The market value of the Technology was HK$32,000,000 as valued by Sallmanns (Far East) Ltd., an independent valuer.

The subsidiary disposed of during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit for the year.

This represents the Group's only major non-cash transaction during the year.

(28) NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Analysis of the balances of cash and cash equivalents

	2002	2001
	HK$'000	HK$'000
Cash and bank balances	**154,380**	97,153
Pledged fixed deposit at bank	**–**	11,625
Trust receipt loans	**(123,274)**	(146,267)
Bank overdrafts	**(381)**	(4,849)
Cash and cash equivalents at the end of the year	**30,725**	(42,338)

(29) CONTINGENT LIABILITIES

As at 31 March, 2002, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK$179,740,000 (2001: HK$165,210,000).

The Company has given corporate guarantees to banks in respect of general banking facilities granted to subsidiaries amounting to HK$816,000,000 (2001: HK$584,900,000). The extent of such facilities utilised by the subsidiaries as at 31 March, 2002 amounted to approximately HK$195,000,000 (2001: HK$151,000,000).

(30) FINANCIAL INSTRUMENTS

The Company had entered into interest rate swaps to manage its interest rate risk. As at 31 March, 2002, the total notional amount of such instruments was HK$201,000,000. The notional amounts of the outstanding interest rate swaps indicate the contract size outstanding at the balance sheet date and do not represent the amount at risk.

The Company had entered into currency-linked deposit contracts to manage its foreign currency risk. As at 31 March, 2002, the total US dollar based currency-linked deposits were amounted to US$2,200,000. The alternative currency of those contracts is Euro currency.

(31) CAPITAL AND LEASE COMMITMENTS

(a) Capital commitments outstanding as at 31 March, 2002 not provided for in the financial statements are as follows:

	The Group	
	2002	2001
	HK$'000	HK$'000
Contracted for	**628**	5,557

(b) As at 31 March, 2002, the total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings are payable as follows:

	The Group	
	2002	2001
	HK$'000	HK$'000
		(Restated)
– Within 1 year	**935**	932
– After 1 year but within 5 years	**3,707**	3,715
– After 5 years	**5,746**	6,672
	10,388	11,319

(32) PLEDGE OF ASSETS

As at 31 March, 2002, no assets of the Group were pledged.

As at 31 March, 2001, fixed bank deposits of HK$11,625,000 and leasehold properties with carrying value of HK$16,729,000 had been pledged to secure banking facilities for a subsidiary in the PRC and mortgage loans respectively.

(33) SUBSEQUENT EVENTS

On 6 June, 2002, the Directors announced that the Company proposed to issue, by way of rights, 367,822,300 rights shares at HK$0.18 each ("Rights Issue"). The Company will provisionally allot two right shares in nil-paid form for every one existing share held by the qualifying shareholders on the record date. The Rights Issue is not available to the overseas shareholders.

The net proceeds of the Rights Issue are expected to be about HK$63 million, about HK$24 million of which is intended to be used for establishing a distribution arm in the United States, about HK$10 million of which will be used for promoting the Group's licensed products through the distribution arm aforementioned, about HK$20 million of which will be used for developing its distribution network in the PRC and the remaining balance will be used as its general working capital.

The Rights Issue is conditional upon certain events as described in the announcement.

SUMMARY OF PROPERTIES

	Location	Lease expiry	Gross floor area (square metre)	Type	Category	Stage of completion	Group interest
1.	Unit 3 together with air conditioning plant room on 7th Floor of High Block Cheung Fung Industrial Building Nos. 23-39 Pak Tin Par Street Tsuen Wan New Territories	2047	933.11	Industrial	Own use / partial letting	Existing	100%
2.	Unit 3 together with air conditioning plant room on 12th Floor and car parking space no. P5 on 1st Floor of High Block Cheung Fung Industrial Building Nos. 23-39 Pak Tin Par Street Tsuen Wan New Territories	2047	933.11	Industrial	Own use	Existing	100%
3.	Lands and various buildings and structures located at Heba Industrial Zone in front of Fenghuang Gang area Xi Xiang Baoan County Shenzhen, PRC	2041	33,312.56	Industrial / partial lease	Own use	Existing	100%

SUMMARY OF PROPERTIES

	Location	Lease expiry	Gross floor area (square metre)	Type	Category	Stage of completion	Group interest
4.	Units A001, A019 and A125 on Level 1 Wang Jiao Horological Plaza No. 1 Bai Xing Street West Road of Guangzhou City Station Guangzhou City Guangdong Province, PRC	2040	137.4	Retail	Own use	Existing	100%
5.	19 Reuchenettestrasse 2502 Bienne Switzerland	Freehold	526	Industrial	Own use	Existing	100%

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

Year ended 31 March,

	1998	1999	2000	(Restated) 2001	**2002**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	713,902	784,062	821,155	852,379	**931,219**
Profit from operations	41,732	44,243	69,943	49,865	**48,971**
Impairment of goodwill	–	–	–	(9,159)	**–**
Finance costs	(9,044)	(11,589)	(10,375)	(12,661)	**(9,264)**
Other expenses	–	(7,575)	(43,230)	–	**–**
Share of profit (loss) of associate	3,207	(3,496)	–	–	**–**
Profit before taxation	35,895	21,583	16,338	28,045	**39,707**
Taxation	(1,703)	(1,327)	(1,385)	(4,246)	**(4,577)**
Profit after taxation	34,192	20,256	14,953	23,799	**35,130**
Minority interest	(30)	3,817	2,271	2,000	**1,267**
Profit attributable to shareholders	34,162	24,073	17,224	25,799	**36,397**

ASSETS AND LIABILITIES

As at 31 March,

	1998	1999	2000	(Restated) 2001	**2002**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Fixed assets	105,669	111,616	144,015	240,713	**292,942**
Intangible assets	46,516	16,622	31,437	7,992	**43,851**
Goodwill	–	–	–	–	**11,714**
Interests in associate	11,740	8,245	–	–	**–**
Investments in securities	–	48,761	64,295	22,999	**15**
Club debentures	1,499	1,499	1,499	1,499	**–**
Net current assets	222,517	241,122	235,898	267,729	**417,004**
	387,941	427,865	477,144	540,932	**765,526**
Long-term liabilities	(12,044)	(9,003)	(6,673)	(57,696)	**(214,791)**
Deferred taxation	(23)	(23)	(23)	(1,743)	**(3,396)**
Minority interest	(4,966)	(22,747)	(21,987)	(20,436)	**–**
Net assets	370,908	396,092	448,461	461,057	**547,339**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting of Peace Mark (Holdings) Limited (the "Company") will be held at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 30 August, 2002 at 4:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements of the Company, the report of the directors of the Company and the report of the auditors of the Company for the year ended 31 March, 2002;

2. To re-elect the directors of the Company (the "Directors") and to authorise the Directors to fix their remuneration;

3. To re-appoint the auditors of the Company (the "Auditors") for the ensuing year and to authorise the Directors to fix their remuneration; and

4. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as ordinary resolutions:

    (A) "**THAT**

    (a) subject to paragraph (c) of this resolution, and without prejudice to resolution 4(B) set out in the Notice of this Meeting, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal in shares of HK$0.10 each in the capital of the Company (the "Shares") and to make or grant offers, agreements and options 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 during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such power after the end of the Relevant Period;

    (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval given in paragraph (a) of this resolution, otherwise than pursuant to:

    (i) a Rights Issue (as defined in paragraph (d) of this resolution);

    (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Bye-laws of the Company; or

(iii) an issue of Shares under the Company's share option scheme or any similar arrangements for the time being in force for the grant or issue to employees or directors of the Company and / or any of its subsidiaries of Shares or rights to acquire Shares;

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of 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;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

(iii) the date upon 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 open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their holdings of such Shares (subject to such exclusions or other arrangements as the Directors 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 outside Hong Kong)."

(B) "**THAT**

(a) subject to paragraph (b) of this resolution, the exercise by the Directors during the Relevant Period (as defined in resolution 4(A)(d) set out in the Notice of this Meeting) of all the powers of the Company to purchase Shares of the Company on The Stock Exchange of Hong Kong Limited or on any other exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, 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 of Hong Kong Limited be and the same is hereby generally and unconditionally approved; and

(b) the approval in paragraph (a) of this resolution shall, in addition to any other authorisation given to the Directors, authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its own Shares at a price to be determined by the Directors; and

(c) the aggregate nominal amount of the Shares of the Company to be purchased or agreed conditionally or unconditionally to be purchased by the Directors 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 this Resolution, and the said approval shall be limited accordingly."

(C) "**THAT**

conditional upon the passing of the resolutions 4(A) and 4(B) set out in the notice of this Meeting, the aggregate nominal amount of the Shares in the Company which are repurchased by the Company pursuant to and in accordance with the said resolution 4(B) shall be added to the aggregate nominal amount of the shares in the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally by the Directors pursuant to and in accordance with the said resolution 4(A)."

By Order of the Board
Tsang Kwong Chiu, Kevin
Company Secretary

Hong Kong, 10 July, 2002

Registered Office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Note:

1. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend the meeting and, on a poll, to vote instead of him. 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 notarially certified copy of such power or authority, must be deposited at the Company's principal office in Hong Kong, Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, 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 28 August to 30 August, 2002, both days inclusive, for the purpose of establishing entitlement of shareholders to vote at the forthcoming Annual General Meeting.