



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Websites: <http://www.peacemark.com> and <http://www.irasia.com/listco/hk/peacemark>)

INTERIM RESULTS 2002

The board of directors (the "Directors") of Peace Mark (Holdings) Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2002 together with the comparative figures for the corresponding period as follows:

CONSOLIDATED INCOME STATEMENT (CONDENSED)

	Note	Six months ended 30th September,	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	2	501,151	476,884
Cost of sales		(421,472)	(403,211)
Gross profit		79,679	73,673
Other revenue		5,435	8,089
Distribution costs		(24,935)	(13,548)
Administrative expenses		(23,170)	(30,026)
Other operating expenses		(1,831)	(13,974)
Profit from operations		35,178	24,214
Share of loss of a jointly controlled entity		(1,961)	-
Finance costs		(6,331)	(4,723)
Profit before taxation	2, 3	26,886	19,491
Taxation	4	(2,936)	(3,401)
Profit after taxation		23,950	16,090
Minority interest		-	1,267
Profit attributable to shareholders		23,950	17,357
Interim dividend	5	8,276	-
Earnings per share	6		
Basic (cents)		8.65	8.67
Diluted (cents)		8.50	7.15

CONSOLIDATED BALANCE SHEET (CONDENSED)

	Note	As at	
		30th September, 2002 (Unaudited) HK\$'000	31st March, 2002 (Audited) HK\$'000
Non-current assets			
Fixed assets		338,468	292,942
Intangible assets		41,192	43,851
Goodwill		11,406	11,714
Interests in a jointly-controlled entity		920	-
Investments in securities		9	15
		391,995	348,522
Current assets			
Inventories		255,330	156,058
Trade and other receivables	7	296,722	342,888
Short term bank deposits		129,702	-
Cash and bank balances		49,569	154,380
		731,323	653,326
Current liabilities			
Trade and other payables	8	31,655	28,237
Syndicated loan	9	57,143	-
Other interest-bearing borrowings	9	201,993	205,597
Obligations under finance leases	10	107	252
Tax payable		4,467	2,236
		295,365	236,322
Net current assets		435,958	417,004
Total assets less current liabilities		827,953	765,526
Non-current liabilities			
Syndicated loan - Due after one year	9	142,857	200,000
Other interest-bearing borrowings - Due after one year	9	47,188	14,766
Obligations under finance leases - Due after one year	10	16	25
Deferred taxation		3,635	3,396
		193,696	218,187
Net assets		634,257	547,339
Capital and reserves			
Issued capital	11	55,173	18,391
Reserves		579,084	528,948
		634,257	547,339

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONDENSED)

For the six months ended 30th September, 2002

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger deficit (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold property revaluation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1st April, 2002	18,391	43,255	(11,988)	12,372	349,431	5,466	(22)	130,434	547,339
Rights issue of two shares for every share held	36,782	29,426	-	-	-	-	-	-	66,208
Offset rights issue expenses	-	(3,233)	-	-	-	-	-	-	(3,233)
Unrealized holding loss of investments in securities	-	-	-	-	-	-	(7)	-	(7)
Profit for the period	-	-	-	-	-	-	-	23,950	23,950
At 30th September, 2002	55,173	69,448	(11,988)	12,372	349,431	5,466	(29)	154,384	634,257
Balance as at 1st April, 2001 as previously reported	367,822	43,255	(11,988)	(28,787)	-	5,466	(17,907)	103,196	461,057
Effect of adopting SSAP 30 and SSAP 31	-	-	-	9,207	-	-	-	(9,207)	-
Balance as at 1st April, 2001 as restated	367,822	43,255	(11,988)	(19,580)	-	5,466	(17,907)	93,989	461,057
Realisation of unrealized holding loss of investments in securities upon disposal	-	-	-	-	-	-	17,882	-	17,882
Profit for the period	-	-	-	-	-	-	-	17,357	17,357
At 30th September, 2001	367,822	43,255	(11,988)	(19,580)	-	5,466	(25)	111,346	496,296

CONSOLIDATED CASH FLOW STATEMENT (CONDENSED)

	Six months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited, restated) HK\$'000
Net cash (used in) from operating activities	(17,018)	98,328
Net cash used in investing activities	(71,023)	(68,508)
Net cash from (used in) financing activities	113,306	(6,953)
Increase in cash and cash equivalents	25,265	22,867
Cash and cash equivalents at 1st April	153,999	103,929
Cash and cash equivalents at 30th September	179,264	126,796
Analysis of cash and cash equivalents:		
Cash and bank balances	179,271	126,871
Bank overdrafts	(7)	(75)
	179,264	126,796

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim accounts (the "Interim Accounts") of the Group are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation used in the preparation of the Interim Accounts are the same as those adopted in the annual financial statements for the year ended 31st March, 2002, except that the following new or revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of these new or revised SSAPs has no material impact on the Group's financial statements.

2. Segmental 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.

	Turnover For the six months ended 30th September,		Segment results For the six months ended 30th September,	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
United States of America	279,141	261,673	29,664	32,623
Europe	109,752	104,842	10,925	13,219
Asia	112,258	110,369	12,193	14,283
	501,151	476,884	52,782	60,125
Other revenue			5,435	8,089
Unallocated expenses			(25,000)	(44,000)
Finance costs			(6,331)	(4,723)
Profit before taxation			26,886	19,491

3. Profit before taxation

	For the six months ended 30th September,	
	2002 HK\$'000	2001 HK\$'000
Profit before taxation is arrived at after charging (crediting):		
Depreciation of tangible fixed assets	20,693	12,211
Amortisation of intangible assets	2,967	1,985
Interest expenses	6,331	13,822
Loss on disposal of investments in securities	-	14,723
Interest income	(1,227)	(2,820)

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rate of taxation prevailing in the countries in which the Group operates.

5. Interim dividend

The Board has resolved to declare an interim dividend of 1.5 HK cents in cash (2001: nil) per share for the six months ended 30th September, 2002. The interim dividend will be payable on Monday, 17th February, 2003 to shareholders whose names appear on the register of members of the Company on Tuesday, 24th December, 2002, with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. A-ONE INVESTMENTS LIMITED, Chau Cham Wong, Partick and United Success Enterprises Limited, altogether holding 277,835,148 shares, representing approximately 50.4% of the issued share capital of the Company, have indicated to the Board that they intend to take up their dividend entitlements wholly in shares.

A circular containing details of the scrip dividend scheme together with an election form will be sent to shareholders of the Company as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto.

6. Earnings per share

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

	For the six months ended 30th September, 2002		2001 (Restated)	
(a) Basic earnings per share				
Profit attributable to shareholders (HK\$'000)	23,950	17,357		
Weighted average number of shares	277,027,342	200,186,473		
Basic earnings per share (cents)	8.65	8.67		
(b) Diluted earnings per share				
Profit attributable to shareholders (HK\$'000)	23,950	17,357		
Weighted average number of shares	277,027,342	200,186,473		
Potential dilutive shares	4,713,652	42,622,438		
Adjusted weighted average number of shares	281,740,994	242,808,911		
Diluted earnings per share (cents)	8.50	7.15		

The earnings per share and diluted earnings per share for the six months ended 30th September, 2001 have been adjusted to take into account of the effects of

- (a) the capital reorganisation involving a reduction of the issued share capital of the Company 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, and consolidation of the issued share capital of the Company 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 consolidated share which became effective on 25th January, 2002; and
- (b) the rights issue of 367,822,300 rights shares of HK\$0.10 each per rights share on the basis of two rights shares for every one share held which became unconditional on 22nd August, 2002.

7. Trade and other receivables

The Group allows an average credit period of 90-120 days to its trade customers. An aged analysis of the trade receivables (net of provisions for bad and doubtful debts) as at 30th September, 2002, based on the invoice date, is as follows:

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
0 – 90 days	85,881	113,400
91 – 180 days	10,796	9,964
Over 180 days	2,175	4,424
	<u>98,852</u>	<u>127,788</u>
Trade deposits	65,030	70,077
Other deposits, prepayments and other receivables	132,840	145,023
	<u>296,722</u>	<u>342,888</u>

8. Trade and other payables

An aged analysis of the trade payables as at 30th September, 2002, based on the invoice date, is as follows:

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
0 – 90 days	11,623	9,231
91 – 180 days	4,727	3,324
Over 180 days	6,732	8,424
	<u>23,082</u>	<u>20,979</u>
Accruals and other payables	8,573	7,258
	<u>31,655</u>	<u>28,237</u>

9. Maturity analysis of syndicated loan and other interest-bearing borrowings

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
Within one year	259,136	205,597
After one year but within two years	126,023	125,302
After two year but within five years	64,022	89,464
	<u>449,181</u>	<u>420,363</u>

At 30th September, 2002, the syndicated loan and other interest-bearing borrowings were as follows:

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
Bank overdrafts		
– unsecured	7	381
Syndicated loan and other interest-bearing borrowings		
– unsecured	449,174	419,982
	<u>449,181</u>	<u>420,363</u>

10. Maturity analysis of obligations under finance leases

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
Within one year	118	298
More than one year, but not exceeding two years	25	24
More than two years, but not exceeding five years	–	10
	<u>143</u>	<u>332</u>
Less: finance charges	(20)	(55)
	<u>123</u>	<u>277</u>
Representing finance lease obligations:		
Current portion	107	252
Non-current portion	16	25
	<u>123</u>	<u>277</u>

11. Share capital

	Number of shares	Par value HK\$	Amount HK\$'000
Authorised:			
As at 1st April, 2001, 31st March, 2002 and 30th September, 2002	6,000,000,000	0.10	600,000
Issued and fully paid:			
As at 1st 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 31st March, 2002	183,911,150	0.10	18,391
Rights issue of two rights shares for every one share held	367,822,300	0.10	36,782
As at 30th September, 2002	551,733,450	0.10	55,173

On 6th June, 2002, the Company proposed to issue, by way of rights, 367,822,300 rights shares at HK\$0.18 each. The rights issue closed and became unconditional on 22nd August, 2002.

12. Contingent liabilities

At 30th September, 2002, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$144,635,000 (31st March, 2002: HK\$179,740,000).

The Company has given guarantees to banks in respect of general banking facilities granted to subsidiaries amounting to HK\$761,000,000 at 30th September, 2002 (31st March, 2002: HK\$816,000,000). The extent of such facilities utilized by the subsidiaries at 30th September, 2002 amounted to approximately HK\$173,000,000 (31st March, 2002: HK\$195,000,000).

13. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

FINANCIAL REVIEW

The Group recorded profit attributable to shareholders of approximately HK\$23,950,000 for the six months ended 30th September, 2002, representing an increase of 38% compared with the corresponding period last year. Basic earnings per share amounted to 8.65 HK cents (2001: 8.67 HK cents).

The satisfactory results during the period under review were mainly due to margin enhancement as a result of improved efficiency and better cost-control from a higher degree of vertically integrated manufacturing. Moreover, the Group has further expanded the distribution business of Montana and Umbro.

On 5th August, 2002, the Group issued 367,822,300 rights shares on the basis of two rights shares for every one then existing share at HK\$0.18 each and the rights issue became unconditional and completed on 22nd August, 2002. Approximately HK\$60 million were raised through the rights issue and the proceeds were intended for use in the expansion of the distribution networks in both the United States (the "US") and the People's Republic of China (the "PRC").

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 1.5 HK cents (2001: nil) per share for the six months ended 30th September, 2002. The interim dividend will be payable on Monday, 17th February, 2003 to shareholders whose names appear on the register of members of the Company on Tuesday, 24th December, 2002, with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. A-ONE INVESTMENTS LIMITED, Chau Cham Wong, Patrick and United Success Enterprises Limited, altogether holding 277,835,148 shares, representing approximately 50.4% of the issued share capital of the Company, have indicated to the Board that they intend to take up their dividend entitlements wholly in shares.

A circular containing details of the scrip dividend scheme together with an election form will be sent to the shareholders of the Company as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of the Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto.

BUSINESS REVIEW

Marketing

The Group's business model continues to transform mainly from OEM and ODM to OBM and license business. This transformation of business model was a consequence of the change of emphasis in the business development of the Group, given the OBM and the license business could bring forth a higher profit margin to the Group.

During the period under review, the Group's OEM business remained relatively stable while the turnover of the ODM business had generally increased. Due to the increase in the number of brands acquired, the license and OBM business have both experienced a growth of turnover compared to the corresponding period last year.

As a step forward in developing the downstream business of the Group in the US, on 31st July, 2002, the Group entered into an agreement of establishing a joint venture with Omni Quartz Limited for distribution in the US market. The US distributors would further raise the Group's profit margin. Through the joint venture, the Group gained over 17,000 sales points coupled with an experience sales team. The sales points cover major chain stores and drug-chain stores in the US, which serve as a well-established distribution network and a nationwide logistic set-up for the Group.

For the PRC market, which was in an initial development stage, the Group opened 2 outlets in Guangzhou in October 2002 for after-sale services as well as a showroom displaying the brands that the Group owns and possesses licenses.

As for the European market, the Group had appointed distribution representatives in major countries to maintain market exposure within these markets. Furthermore, the Group's workshop in Switzerland underwent a renovation during the period so as to better prepare for the production demand for the upcoming high-end market of the Milus brand.

The United Kingdom (the "UK") used to be the largest market for the Group within Europe. However, after the acquisition of Milus and taking advantage of its already established networks, the Group's strength will spread to Switzerland and Germany, with merchandizes available in France, Italy and Austria.

Brand Names

The Group acquired the brand Milus in March 2002, which mainly targeted the high-end market. Apart from this, the Group owned Sergio Valente through its investment in the aforementioned joint venture in the US and had included in the portfolio 3 additional licensed brands, namely Bill Blass, Aspen and Beverly Hills Polo Club.

In addition, being part of its business strategy, the Group has secured the license of brands including: Pierre Cardin (PRC market), Umbro (Worldwide manufacturing and distribution except distribution in the UK and Duty Free Shops), Fiorucci (Far East), Aerostar (Worldwide) and Cornell (Worldwide).

Production

During the period under review, the Group has purchased additional ionized plating machines to improve the product quality and increase the production volume, installed additional components-making machines to automate the production process which were designed and developed in-house, and accommodated computer-controlled mould-making machines to improve the turnaround for prototyping. To better manage the electroplating factory, the Group has reorganized it as a jointly controlled entity since 30th September, 2002.

PROSPECTS

Looking forward, the Group will continue to move along its value chain with greater global presence as its business strategy. The Group believes that through expanding both horizontally and vertically by cooperating with business partners dominating at their respective market could bring forth ample opportunities, especially during times of economic slowdown.

Moreover, the Group will keep establishing its distribution network and sales channels in order to sell its products directly up to the retail level in a bid to capture the profit from distribution business. On the other hand, forming alliances with other business partners, through equity participation, mergers or cooperation, will be the most effective means in achieving this goal. In particular, the Group plans to extend its distribution network in the UK, Taiwan and Japan.

With respect to product category, the Group will not only focus on fashion and sports watches, but will also allocate part of its resources to move to the upscale market through the newly acquired Milus brand with a view to further enhancing the profit margin of the Group. A new series of Milus is scheduled to roll out in the coming Basal Fair. A new collection for Pierre Cardin is being developed and will be launched in the first quarter of 2003 in the PRC.

To further develop the PRC market, the Group is in the initial stage of selecting appropriate distributors to strengthen and widen its distributing network, with a target to have over 200 sales points in the PRC in two years time.

For the development of after-sales service centers, the Group is planning to open additional service centers in major cities in the PRC, such as Shenzhen, Beijing and Shanghai. A training school will open in the first quarter of 2003, for the professional training of timepiece repairing. The Group plans to introduce and launch a franchise system in the PRC for the qualified.

The management is optimistic in the development plans as mentioned above and believe that these plans will materialize in the years to come.

FINANCIAL POSITION

The Group has maintained a stable financial position. As at 30th September, 2002, the gearing ratio of the Group, measured by reference to the financial indebtedness net of cash and bank balances to shareholders' equity, was approximately 42.7%.

In view of the Group cash generating operations, the Directors are of the opinion that the Group has adequate cash resources for business development requirements and capital expenditure commitment.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2002, the Group employed a total of approximately 1,500 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.

OTHER DISCLOSURE

Apart from above, other areas which are required to be disclosed under the requirements of paragraph 46 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") either have no material changes from the information disclosed in the annual report of the Company for the year ended 31st March, 2002 or are considered not significant to the Group's operations, and hence no additional disclosure has been made in this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20th December, 2002 to Tuesday, 24th December, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 19th December, 2002. The dividend warrants and certificates for the new shares to be issued pursuant to the scrip dividend scheme will be distributed on or about Monday, 17th February, 2003.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the six months ended 30th September, 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial statements.

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 six months ended 30th September, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting of the Company in accordance with the Company's Bye-laws.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Chau Cham Wong, Patrick
Chairman

Hong Kong, 4th December, 2002