



Peace Mark (Holdings) Limited  
宜進利(集團)有限公司  
(Incorporated in Bermuda with limited liability)



# Contents

Annual Report 2004

1

<b>2</b>	Corporate Profile
<b>3</b>	Peace Mark Business Model
<b>4</b>	Core Group Structure
<b>6</b>	Events Calendar
<b>8</b>	Financial Highlights
<b>9</b>	China Presence
<b>10</b>	Global Presence
<b>12</b>	Chairman's Statement
<b>16</b>	Review of Operations
<b>22</b>	Management Discussion and Analysis
<b>30</b>	Directors and Senior Management Profiles
<b>41</b>	Directors' Report
<b>51</b>	Auditors' Report
<b>53</b>	Consolidated Income Statement
<b>54</b>	Consolidated Balance Sheet
<b>56</b>	Balance Sheet
<b>58</b>	Consolidated Statement of Changes in Equity
<b>59</b>	Consolidated Cash Flow Statement
<b>62</b>	Notes to the Financial Statements
<b>114</b>	Summary of Properties
<b>116</b>	Five-Year Financial Summary
<b>118</b>	Corporate Information

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**,

management and distribution of **licensed** and **own**

**brand names**, and **after-sales services**.



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 Hong Kong, Shenzhen, Shanghai, China and Bienne, Switzerland employing more than 3,600 staff in total.

# Peace Mark Business Model

Annual Report 2004

3



1

• Design and product engineering



2

• Components manufacturing

• After-sales services and repair



3

• Assembly

5

• Sales and distribution



2

• Logistics support



# Core Group Structure

Peace Mark (Holdings) Limited

## Marketing, Trading and Distribution

### WORLDWIDE

Peace Mark Limited

Inter Mark Worldwide Limited

Montana Timepieces International Limited

### ASIA PACIFIC

Eastern Group (Asia) Limited

Epoch World Co. Limited

Mutual Century Limited

### CHINA

Guangzhou Goldsmith Timepieces Co. Limited

Shenzhen Dayuan Watches Co. Limited

Shenzhen Times Trading Co. Limited

Mega Chains (China) Limited

Shenzhen Winning Time Trading Co. Limited

Guangzhou Imarsion Trading Co. Limited

Peace Mark Timepiece (Shenzhen) Co. Limited

### THE AMERICAS

Omni Watch & Clock Co., LLC.

BB Time Products, LLC.

Bensonic International Limited

### EUROPE

Milus International S.A.

Milus Germany GmbH

## Production

### ASSEMBLY

Capricon Industrial (Shenzhen) Co., Ltd

Peace Mark Limited

### ELECTROPLATING AND IONIZED PLANTING

Gar Shun Enterprises

Development Limited

### METAL COMPONENTS

Pure Riches Industries Limited

### STAINLESS STEEL COMPONENTS

Timetech Industrial Limited

Vico Industries Limited

**Trademark & License Holding**

**After-sales Services**

**WORLDWIDE**

Aerostar Timewear International Limited  
Cornell Worldwide International Holdings Limited

Guangzhou Watchsmith  
Timepieces Servicing Co. Limited

**ASIA PACIFIC**

Fiorucci Timewear (Far-East) Limited  
Eastco Business Limited

**CHINA**

Chinatop Limited  
PM License Management Limited



# Events Calendar

6

Peace Mark (Holdings) Limited

Jun • 04 11

- Residential Seminar "Commitment"
- Opening of advanced components manufacturing facility in Longhua, China
- Obtained licence from the Swiss made brand Technos for manufacturing and PRC and Hong Kong distribution rights (Valid in Jul 2004)
- Mr. Leung Yung, Director of Hong Kong Watch Manufacturer's Association Limited ("HKWMA") also became Vice President of HKWMA
- Acquired majority stake of a mechanical movement manufacturer in China

May • 04 10

- US investors roadshow
- Acquisition of multi-brand sales channel "TimeZone", covering 170 points in China



Apr • 04 9

- Share Placement Scheme to provide working capital for future expansion
- Participated in Basel Fair 2004 in Switzerland
- Europe and Asia investors roadshow
- Milus International S.A. debuts 3 new series and announces appointment of 2 image ladies
- Participated in Watch, Jewellery & Gift Fair in Shenzhen, China



Mar • 04 8

- First HK timepiece company to ship goods under the CEPA arrangements
- Awarded CEPA Certificate of Hong Kong Service Supplier for Wholesale and Distribution Services in China
- Obtained Morgan licence for the manufacturing and Asia distribution rights (Valid in Jul 2004)
- Participated in Hong Kong Jewellery Show
- Participated in Style Hong Kong, in Beijing, China



Feb • 04 7

- Sole sponsor of SCMP's "Fund Manager of the Year 2003 Award"



Events Calendar



### 1 Aug • 03

- Obtained the PRC distribution rights for the world-renowned brand Victorinox Swiss Army



### 2 Sep • 03

- Awarded "Prominent Manufacturer Award 2003" for product development and industry contribution by Global Sources Publication
- Participated in Hong Kong Watch and Clock Fair 2003
- A presentation of the new Milus collection of luxury timepieces at Grand Hyatt Hotel



### 3 Oct • 03

- Entered into a HK\$380 million 3.5-year term loan facility with BNP Paribas



### 4 Nov • 03

- Europe investors roadshow
- Recognized as "Hong Kong Services Supplier" under the CEPA Scheme Industry Department of the HKSAR
- Press Conference of Swiss Army brand Victorinox in Shanghai, China
- Highly recommended Grand Prix for Best Overall IR by a small or mid-cap company by IR Magazine
- Featured in the TV program "Mythos Hong Kong" by well-known German TV station N-TV
- Acquired 60% equity stake in local distributor of Citizen watches in China covering 200 points

### 5 Dec • 03

- Appointed Mr. Tang Yat Kan as Independent Non-executive Director
- Appointed Mr. Wong Yee Sui, Andrew as Independent Non-Executive Director



### 6 Jan • 04

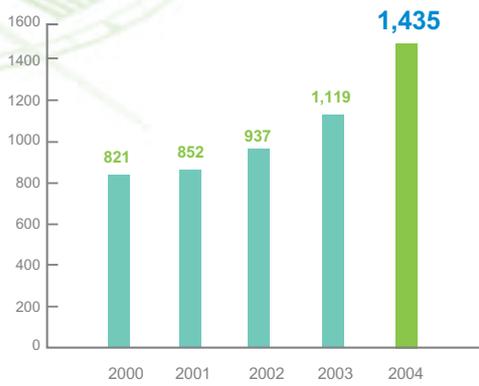
- Grand opening of the timepiece technical training school in Xixiang, China

# Financial Highlights

Peace Mark (Holdings) Limited

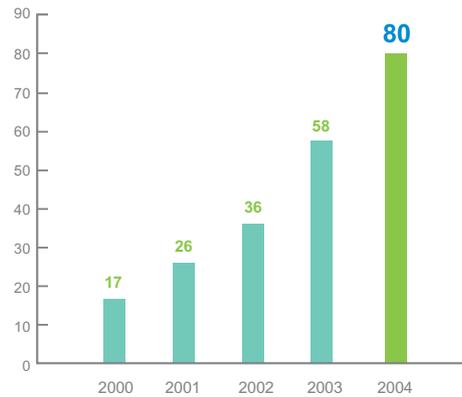
## Turnover

HK\$ Million



## Profit Attributable to Shareholders

HK\$ Million



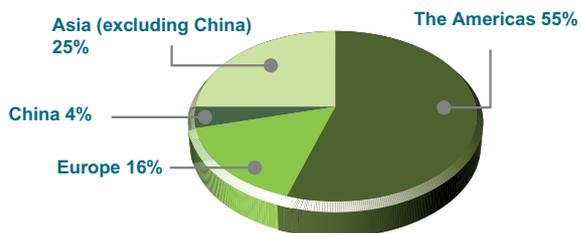
## Shareholders' Funds

HK\$ Million

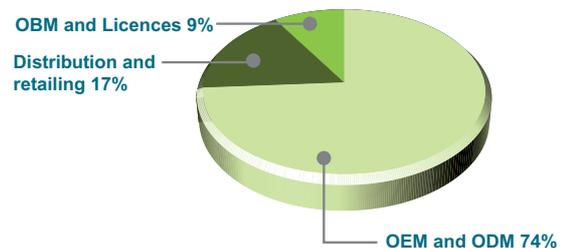


## Turnover Analysis

### Turnover by Geographical Market



### Turnover by Business



# China Presence



## China Distribution Points of Sale

Province	Points of Sale (POS)	Province	Points of Sale (POS)
Hebei	53	Guangxi	9
Shanxi	13	Hainan	1
Inner Mongolia	7	Henan	6
Liaoning	31	Hubei	15
Jilin	18	Hunan	28
Heilongjiang	25	Sichuan	50
Jiangsu	120	Guizhou	6
Zhejiang	37	Yunnan	12
Jiangxi	7	Shanxi	6
Shandong	5	Gansu	1
Anhui	9	Qinghai	2
Fujian	23	Xinjiang	2
Guangdong	70	<b>Total</b>	<b>556</b>

## Sales Agents & Distribution Offices

### The Americas

Canada  
United States  
Mexico  
Panama  
Peru  
Chile

### Europe

UK  
France  
Germany  
Switzerland  
Russia

# Global Presence

10

Peace Mark (Holdings) Limited



### Citizen Distribution Offices

Beijing • Harbin • Liaoning • Changchun  
• Shanxi • Zhejiang • Shanghai • Hubei  
• Hunan • Yunan • Sichuan • Chongqing  
• Guangxi • Fuzhou • Xiamen • Xinjiang  
• Shanxi

### TimeZone Distribution Offices

Shanghai • Beijing • Shenyang • Chengdu  
• Wuhan • Dongguan

### Imarsion Distribution Office

Guangzhou

 Sales Agent

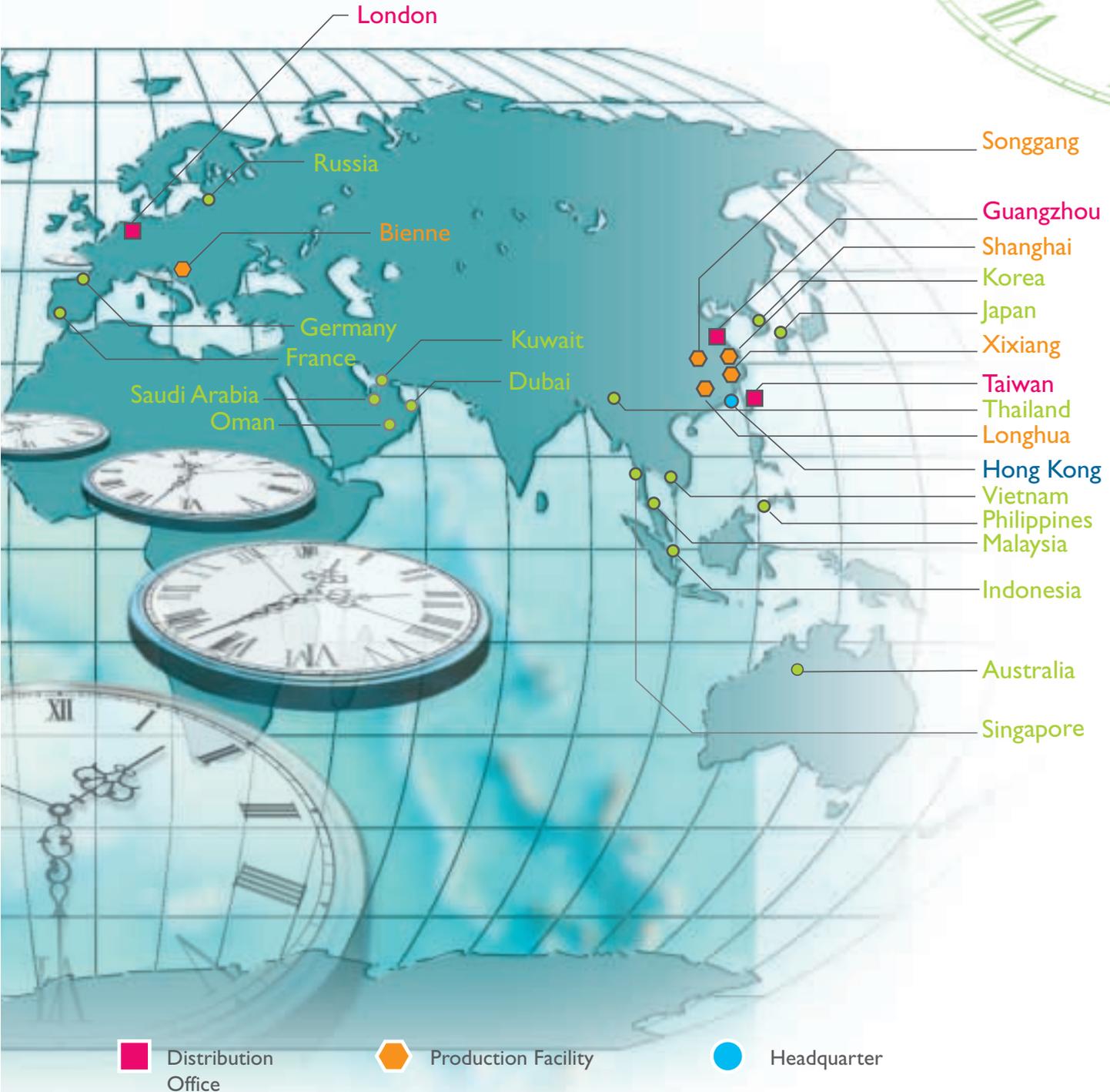
### Asia & Australia

China  
Hong Kong  
Japan  
Korea  
Malaysia  
Philippines

Singapore  
Taiwan  
Thailand  
Vietnam  
Indonesia  
Australia

### Middle East

Dubai  
Kuwait  
Oman  
Saudi Arabia



12

# Chairman's Statement

Peace Mark (Holdings) Limited



Mr. Chau Cham Wong, Patrick  
**Chairman**



Financial Year 2004 adds another **impressive** and **exciting** chapter to the record book of the Peace Mark Group.

While successes and positive accomplishments were reported throughout the Group, further efforts were also planned to ensure that **continuous growth** would be achieved in the coming years.





We are proud of a scorecard that marks another year of strong accomplishments, and our results were not accidental. Instead, the impressive growth is a direct result of a carefully mapped out long-term strategic plan, which is guided by the close supervision of our experienced global management team. As a reputable manufacturer in the timepiece industry, we were able to grow our existing OEM and ODM manufacturing businesses. Further progress was also achieved in strengthening our capabilities as a vertically integrated manufacturer. We are proud to announce that we have recently enlarged our manufacturing abilities by adding a watch movement manufacturing facility. Moreover, to achieve outstanding products, a new state of the art components manufacturing facility equipped with strong upscale design support was established. All in all, the aforementioned developments enable Peace Mark to better serve upscale or high end timepiece customers worldwide. These impressive achievements, however, do not simply end at this point.

As a distributor of timepieces, we have successfully gained a strong foothold in our downstream business and extended our number of points of sale to over 23,000 worldwide. Meanwhile, we are also pleased to announce that as of May 2004, we have successfully become the single largest timepiece distributor in the PRC by having over 550 points of sale. All in all, we have solidified our position as a timepiece company with a global perspective whilst expanding our abilities to provide a one-stop solution to our valued customers and strategic partners.



### Key message and future outlook

Our outlook for the FY2005 and onwards is robust and we expect top and bottom line growth driven by the continuous increase in our manufacturing operations as well as our expansion into the global downstream distribution business.

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

The Peace Mark Group has all the key fundamentals and foundation stones to realize its mission and our dedicated management team is confident that these goals will be realized in the years to come.

16

# Review of Operations

Peace Mark (Holdings) Limited

Mr. Leung Yung, Tommy  
**Managing Director**



*“Peace Mark is closely monitoring the progress of our vertical integration strategy. Streamlining operating efficiencies between our manufacturing plants and downstream operations have enabled us to provide our existing and potential customers with unmatched one-stop service.”*

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

## **Production**

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

## **DISTRIBUTION**

### **The Americas**

Apart from production, the management of Peace Mark is also closely monitoring the progress of its downstream businesses around the world. Historically, the United States has been a key market for the Group and will continue to be an important source of revenue in the upcoming years. Other important markets such as the lucrative mass market segment for the Latin American market is also showing strong demand and positive results have been reported across the region. FY2004 has been an important year for our US distribution business as it financially reflects



the full year operation results within our US joint venture company – Omni Watch & Clock Co., LLC. Similar to the other business lines within the Peace Mark Group, positive financial and operational results were reported from the US joint venture company. The JV contributed HK\$167.1 million sales and achieved a net margin of 10%. At the operational end, we currently cover over 23,000 points of sale around the US with a presence in major chain stores, drug chain stores, supermarket chains, specialty jewellery stores, truck stop chains and sports chains. Further efforts were also undertaken to enhance our abilities to sell direct. Apart from hiring additional experienced sales staff into the US JV, a new office was set up in Bentonville for the purpose of better serving our super customers. All in all, the management of the Group has established a proven successful business model for its one-stop business solution providing our customers with various timepiece related services ranging from design and manufacturing to distribution.

## Asia Pacific

While the Group's manufacturing operation continues to receive strong OEM orders from Japanese customers, the management team is also looking closely into new opportunities within other areas of the Asia Pacific region. In FY 2003, we established a sales office in Taiwan and during the period under review, we continued to increase our presence within Asia by establishing sales offices in Thailand and Vietnam. The purpose is to align us with the increasing demands of various international brands and better position the Peace Mark Group to serve its customers within the Asia Pacific Rim. With the increasing popularity of branded fashion and sports wear timepiece products, we are confident that our downstream expansion plans within Asia will experience steady growth.

## China

Since FY2003 we anticipated immense opportunities in the PRC distribution business facilitated by the benefits of CEPA and we have expedited our downstream expansion plans for our China distribution business. During the period under review we acquired a 60% equity interest in a PRC based distributor of Citizen watches covering 207 points of sale. The deal was completed in November 2003 and the acquisition has immensely improved the foundations for our China distribution business while creating a first mover advantage for the Peace Mark



Group. With a sophisticated management information platform and strong logistical support, the management is confident that this newly acquired business will contribute promising returns in the coming years.

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

## CEPA

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



## UPSCALE TIMEPIECE BUSINESS

### Milus International S.A.

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

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

### Bill Blass Timepieces

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

## FUTURE OUTLOOK AND PROSPECTS

As a provider of quality timepiece products, designs and services, we are committed to grow our business involvement responding to the ever-changing market trends and demands. From our end consumers to international fashion and luxury brands, we dedicate our time and energy to come up with innovative ideas and services to cater their needs. From the end consumers' standpoint, we



see a growing trend for demand in timepiece products with functional and design features. We also believe that the ongoing demand for upscale timepiece products will increase in the coming years. To further extend our manufacturing capabilities and to further vertically integrate our manufacturing setup, we recently took a major equity stake in a mechanical movement manufacturing plant in China. The mechanical movements manufactured by this plant is intended for higher end timepiece products for the domestic and overseas market.

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

FY2004 was a breakthrough year for the Group's business in the PRC market and much of the contribution came from our newly acquired business. Other than the equity stake participation in the Citizen distribution network, we have recently successfully acquired a 90% stake in a multi-branded sales channel across China under the trade name of TimeZone. After this acquisition, the Peace Mark Group proudly claims that with over 550 points of sale in total, we are currently the largest distributor in China. Furthermore, with various exclusive and non-exclusive retail and distribution arrangements with brands such as Citizen, Swatch, Esprit, Casio, Nike, Fila, Umbro, Victorinox Swiss Army, Timex, Morgan, Bally, Fiorucci, Technos and many more, we are also number one in China in terms of the number of brands in our retail and distribution brand portfolio.

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

# Management Discussion and Analysis

Peace Mark (Holdings) Limited



Mr. Tsang Kwong Chiu, Kevin  
**Finance Director**



## FINANCIAL PERFORMANCE

This year Peace Mark reported a consolidated turnover of HK\$1,434.5 million representing a year-on-year growth of 28%. The increase was mainly attributable to full year operation of Omni Watch & Clock Co., LLC., the Group's marketing and distribution arm in USA, commencement of China distribution and retail businesses for Citizen watches since November 2003 and the other brands such as Montana, Pierre Cardin, Fiorucci, Umbro and Victorinox Swiss Army. The manufacturing business also showed strong performance due to volume growth and better product mix.

Regarding margin enhancement, its gross margin has been improved from 17% in FY2003 to 24% this year. The increase reflects the better margin from our downstream business in USA and in China, the result of the cost saving from the higher production efficiency and reduced components outsourcing. The gradual business transformation also gave rise to improved margins.

As a sign of strong operating income and cashflow, earnings before interest, tax, depreciation and amortization ("EBITDA") reached HK\$151.5 million. Given the above positive contributory factors, the combined effect was a profit attributable to shareholders of HK\$80.0 million. In short, the well-planned business plans execution translated to the surge of bottom line.

## SEGMENT INFORMATION

To facilitate the analysis of its business model, the business was divided into three main segments, namely, OEM and ODM; OBM and licences; and distribution and retailing.



The proportion of manufacturing and retail and distribution contribution to the Group's turnover were 83% and 17% respectively for FY2004 and 97% and 3% respectively for FY2003.

Within the manufacturing business, the proportion of OEM and ODM and OBM and Licences are 74% and 9% respectively.

The increase in distribution and retailing business was mainly attributable from the full year operation of Omni Watch & Clock Co., LLC., our distribution arm in USA.

In terms of geographical segment, the Americas market, representing 55% of the turnover, was the largest market of Peace Mark. For this market, Peace Mark's target segment was mass market merchandize. Its products were sold to major retail and drug chains stores. US direct sales turnover represents 21% of the total US sales.

Turnover in Asia included OEM orders from Japanese customers and sales of licensed products through over 10 appointed distributors and distribution subsidiaries across the region. Sales in the China market contributed approximately HK\$61.0 million in FY2004. Although its contribution was insignificant in this year, the potential of this market should not be ignored. The Group has substantially set up the infrastructure and the logistics support for the distribution and retail operation for the fashion brand agreement after the year end. This market will be a significant market of the Group in the years to come. The management will exercise strict operational and financial controls in order to reap the benefits of selling in this market while monitoring the execution risk at its lowest level.



## PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

Pursuant to the placing and subscription agreement dated 30 March, 2004 and supplementary agreement dated 2 April, 2004, A-ONE INVESTMENTS LIMITED and United Success Enterprises Limited, substantial shareholders of the Company, placed 93,500,000 ordinary shares of HK\$0.10 each in the capital of the Company in total at HK\$1.63 per share to some independent institutional investors and on 13 April, 2004 subscribed for 126,500,000 new shares in total at HK\$1.63 per share. The net proceeds from subscription of approximately HK\$202.0 million were used as follows:

- HK\$60.0 million for expansion of the Group's production facilities;
- HK\$80.0 million for the development of the Group's distribution network and expansion of its sales channels in the PRC; and
- the remaining balance for the use as the general working capital requirements.

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

## FINANCIAL POSITION

Property, plant and equipment increased from HK\$357.1 million in FY2003 to HK\$383.7 million in FY2004. Peace Mark had further improved its production facilities in Bienne, Switzerland and China. A new factory was established in Longhua, China for the purpose of better serving upscale customers including but not limited to international fashion and luxury brands.

The Group's inventories stood at HK\$309.9 million as at 31 March, 2004, the inventory level increased by 36% when compared to the inventories of HK\$227.7 million as at 31 March, 2003. This year, inventories of the distribution business were consolidated into the Group at the year end. The inventory turnover increased from 90 days in FY2003 to 104 days in FY2004.

The increase was a result of longer production cycle arising from vertical by integrated set up and higher level of inventory for distribution.

Trade and other receivables, net of provisions, were HK\$397.5 million as at 31 March, 2004, increased by 16% when compared to HK\$342.5 million last year in which HK\$37.6 million was deposit paid for the acquisition of a watch movement factory and additions of new production facilities in the PRC. The trade and other receivables turnover was 92 days which was shorten by 20 days than last year. The improvement in trade receivables was due to stronger credit control over the customers.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The cash and bank balances of the Group maintained at approximately HK\$467.5 million (FY2003: HK\$207.6 million) while total financial indebtedness was approximately HK\$809.9 million (FY2003: HK\$463.5 million). The total financial indebtedness was approximately HK\$809.9 million, consisted of term loans and a syndicated loan of approximately HK\$641.7 million, trade and other facilities of approximately HK\$161.8 million and obligations under finance leases of approximately HK\$6.4 million. Regarding the maturity of this financial indebtedness, approximately HK\$385.2 million will mature within one year, HK\$189.8 million after one year but within two years and HK\$234.9 million will mature after two years but within five.

As at 31 March, 2004, the gearing ratio of the Group, calculated by dividing the financial indebtedness (excluding the acquisition deposit of HK\$37.6 million) net of cash and bank balances over shareholders' equity, was approximately 39%, increased of from 38% in FY2003.

Taking into account the placement of new shares on April 2004, the gearing ratio was improved to approximately 13%.

During FY2004, the Group recorded net cash inflow from operating activities of HK\$96.5 million (FY2003: HK\$115.4 million) and cash generated from operations of HK\$104.0 million (FY2003: HK\$118.1 million).

The current ratio of the Group as at 31 March, 2004 was 2.2 (FY2003: 2.0). The increase in the ratio shows a health liquidity position of the Group.

In view of the Group's ability to generate operating cash flow, the level of internally generated funds and available banking facilities, the Directors are of the opinion that the Group has adequate cash resources for working capital requirements and its capital expenditure commitments.

#### **FUNDING AND TREASURY POLICIES**

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

## **MATERIAL ACQUISITIONS**

An agreement dated 30 October, 2003, pursuant to which China Regal Holdings Limited, a wholly-owned subsidiary of the Company agreed in a consideration of RMB30.0 million to acquire 60% of equity interests of a PRC incorporated company and to participate in the distribution and retailing timepieces business in the PRC carrying Citizen brands.

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

The Group acquired a PRC marketing and distribution company for a consideration of HK\$12.0 million which assist the Group to further penetrate the PRC distribution network and to provide overall brand management and points of sale set-up services for the PRC market. The PRC Company also owns the PRC distribution rights of a famous international brand.

## **EMPLOYEES AND THE REMUNERATION POLICY**

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

## **CONTINGENT LIABILITIES**

As at 31 March, 2004, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$19.4 million.

The Company has given corporate guarantees to banks in respect of general banking facilities granted to subsidiaries amounting to HK\$1,483.2 million.

## Directors



### Mr. Chau Cham Wong, Patrick 1 2 3 4 5

Mr. Chau Cham Wong, Patrick – aged 55, is the Chairman and is responsible for overall strategic planning and business development. Mr. Chau has over 30 years experience in the timepiece 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 advisor 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 12 years.

### Mr. Leung Yung 1 2 3 4 5

Mr. Leung Yung – aged 56, is the Managing Director and is responsible for strategic planning, business development, marketing and product research and development. He is the Vice President of the Hong Kong Watch Manufacturers Association Limited. He joined the Group since it was founded and has over 37 years experience in the timepiece industry.

### Mr. Tsang Kwong Chiu, Kevin 1 2 3 4 5

Mr. Tsang Kwong Chiu, Kevin – aged 37, is the Finance Director and is responsible for the accounting and financial matters of the Group. Mr. Tsang holds a Master of Business Administration degree from the University of Hull and a MSc in Electronic Commerce and Internet Computing from the University of Hong Kong. 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 15 years experience in accounting and finance.

**Mr. Man Kwok Keung** 1 2 3 4 5

Mr. Man Kwok Keung – aged 57, 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 21 years experience in production management in the timepiece industry. He has been with the Group since it was founded.

**Mr. Cheng Kwan Ling** 1 2 3 4 5

Mr. Cheng Kwan Ling – aged 53, is a 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 Association and is a member of the British Institute of Management. He has over 30 years experience in accountancy and general management and has been with the Group for over 15 years.

## Independent Non-Executive Directors

### 1. Ms. Susan So

Ms. Susan So – aged 51, 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.

### 2. Mr. Kwok Ping Ki, Albert

Mr. Kwok Ping Ki, Albert – aged 70, is a former Director of the Electrical and Mechanical Services of the HKSAR Government and retired in 1993. Mr. Kwok served as the Secretary and Director General of Hong Kong Institution of Engineers until February in 2002. He holds a Master in Business Administration degree. He has extensive experience in business administration and in engineering professional practice.

### 3. Mr. Tang Yat Kan

Mr. Tang Yat Kan – aged 54, is a partner of Messrs. King & Co., a firm of Solicitors & Notaries in Hong Kong and has been a Notary Public since 1991. He is a Solicitor of the Supreme Court of England and Wales, the Supreme Court of Hong Kong and the Supreme Court of Singapore. He has been in general legal practice for over 20 years and is experienced in the fields of conveyancing and civil litigation.

### 4. Mr. Wong Yee Sui, Andrew

Mr. Wong Yee Sui, Andrew – aged 55, is a partner of W. M. Sum & Co., a firm of Certified Public Accountants in Hong Kong. Mr. Wong holds a Master of Business Administration degree and is a Chartered Accountant and a fellow member of Hong Kong Society of Accountants. Mr. Wong has extensive experience in the auditing and finance field in Hong Kong and overseas. He is also an independent non-executive director and chairman of the audit committee of Lai Fung Holdings Limited, a company listed in Hong Kong.



## Associate Directors

### CHINA

#### 1. Mr. Chong Ko Fong, Jonathan

Mr. Chong Ko Fong, Jonathan – aged 37, is the Regional Assistant General Manager, is responsible for managing and developing new business opportunities for the Group's China retail operations. He is also responsible for the development of the group's POS information system. Mr. Chong holds a BA in Commerce from Saint Mary's University. He began his career as a financial analyst with Revlon, and then joined the Esprit Group to develop the Red Earth brand in Hong Kong. Prior to joining the group, he was with Le Saunda Group to develop a new cosmetic brand in China and was responsible for image building and product sourcing to the retail operation.

#### 2. Mr. Cheung Wai Hung

Mr. Cheung Wai Hung – aged 47, is the CEO of the Group's subsidiary, which operates a China watch distribution network covering over 200 points of sale distributing and selling Citizen timepiece products. Mr. Cheung has extensive experience and exposure in distribution and logistic management of timepiece products in China.

#### 3. Mr. Ma Xiao Di

Mr. Ma Xiao Di – aged 53, is the CEO of the Group's subsidiary in Chongqing, China and is responsible for managing and developing new business opportunities for the group's retail operations within the western China markets. Mr. Ma graduated from South Western University of China and has a degree in Finance and Economics. He is a member of the 15th and 16th National People's Congress representative in the Yu Chong District and also serves in numerous business and government related councils and organizations in the Yu Chong District.



## Associate Directors

### USA

#### 4. Mr. Schneck, Robert

Mr. Schneck, Robert – aged 56, is the President and Chief Executive Officer of Omni Watch & Clock Co., LLC. He is responsible for the overall business development for the U.S. subsidiary. Mr. Schneck has over 36 years experience in the timepiece importing and distribution industry and was the recipient of several “Vendor of the Year” Awards. He also serves as the Chairman of the United States Watch Council Membership Committee.

### EURO

#### 5. Mr. Edöcs, Jan

Mr. Edöcs, Jan – aged 33, is the Chief Executive Officer of Milus International S.A. and is responsible for the business development and marketing of the Milus brand. Prior to joining the Group, he was the Sales-Marketing Director (Switzerland) and International Sales Manager of VERSACE S.A..

#### 6. Mr. de Jaillon, Hugues

Mr. de Jaillon, Hugues – aged 48, is the Vice President for the Group’s representative office in France. He is responsible for developing and managing new businesses within the EU region as well as other new markets. He holds a Bachelor’s degree in Commerce and Law and has over 24 years experience in China trade, and headed numerous operations related to import-export and manufacturing.



## Senior Management

### CORPORATE SUPPORT

#### 1. Mr. Leung King Chak, King

Mr. Leung King Chak, King, Financial Controller – aged 36, is responsible for the accounting and banking relationship functions of the Group. His credentials include a Master of Accountancy degree from the Chinese University of Hong Kong and fellow membership of the Association of Chartered Certified Accountants; and over 13 years experience in the accounting profession in Hong Kong and Europe.

#### 2. Mr. Chang Ka Wai, Eddy

Mr. Chang Ka Wai, Eddy, Corporate Budgetary Controller – aged 39, is responsible for the budgetary control function of the Group. Mr. Chang holds a Bachelor of Business degree and a Graduate Diploma in Financial Management. He is a Certified Practising Accountant member of the CPA Australia and an associate member of the Hong Kong Society of Accountants. Mr. Chang was appointed as a Justice of the Peace by Western Australia. He has more than 14 years experience in accounting and commerce.

#### 3. Ms. Fong Ho Yan, Sams

Ms. Fong Ho Yan, Sams, Company Secretary and Corporate Finance Manager – aged 29, is responsible for the Group's corporate finance functions. Prior to joining the Company, Ms. Fong worked for an international accounting firm. She graduated from the Hong Kong Polytechnic University with a Bachelor's degree in Accounting. Ms. Fong is a member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

#### 4. Mr. Gewirtz, Jonah

Mr. Gewirtz, Jonah – aged 49, is the CFO of Omni Watch & Clock Co., LLC. He graduated on the deans list, summa cum laude from Queen College with BA in Accounting. Prior to joining the group, he was the controller of the Cuyahoga Petroleum Group. He is a member of the American Institute of Certified Public Accountants.

#### 5. Mr. Huang, Bernard

Mr. Huang, Bernard – aged 42, is the Chief Financial Officer of the Taiwanese subsidiary company. He is responsible for accounting matters and developing retail operation. He has 15 years experience in retail operation in Los Angeles and Mexico and has 6 years experience in timepiece retail operations in Taiwan.



## CORPORATE SUPPORT

### 6. Mr. Triebold, Oliver

Mr. Triebold, Oliver – aged 38, is the Director of Milus International S.A. and is responsible for the legal and compliance matters of the Group’s Swiss operation. He holds a Doctor’s degree in law, M.C.J. from New York University. He is also the Attorney at law admitted to the Bar of Zurich.

### 7. Mr. Chau, Quinton

Mr. Chau, Quinton, Head of Corporate Communications – aged 24, is responsible for developing internal and external communications strategy and the implementation of corporate campaigns. He is also responsible for managing the Group’s corporate image and investors’ relation activities. He graduated *deans list, cum laude* from the University of San Francisco with a BA in Finance. He is the son of the Chairman.

### 8. Ms. Lai Ying Wa, Cherry

Ms. Lai Ying Wa, Cherry, Corporate Communications Manager – aged 30, is responsible for media relations activities as well as developing the Group’s corporate image. Prior to joining the Group, she worked as a financial reporter for a Hong Kong based financial newspaper. She holds a Master degree in Marketing from Stirling University.

### 9. Mr. Ng Lai Wo, Bernie

Mr. Ng Lai Wo, Bernie, Group Human Resources Manager – aged 38, is responsible for all the human resources management of the Group. Mr. Ng holds a Master of Science (Human Resources Management) degree from the Hong Kong Polytechnic University and has more than 10 years experience in Hong Kong and China human resources management. Mr. Ng is the member of the Hong Kong Institute of Human Resources Management.



## MARKETING & DISTRIBUTION

### 1. Mr. Chan Wai Pong, Gary

Mr. Chan Wai Pong, Gary, Head of Marketing – aged 35, is responsible for the timepiece marketing function, in particular the US market, of the Group. He has over 13 years experience in the timepiece industry. He has been with the Group for over 9 years.

### 2. Mr. Fung Ka Hoi, Charles

Mr. Fung Ka Hoi, Charles, Vice President of Marketing – aged 39, is responsible for the timepiece marketing function, in particular the Japanese and European market, of the Group. He has over 22 years experience in the timepiece industry and 11 years experience in the field of timepiece production engineering.

### 3. Ms. Chan Ying Shan, Priscilla

Ms. Chan Ying Shan, Priscilla, Assistant to Managing Director – aged 41, is responsible for formulating and executing strategic marketing plans for business development. Ms. Chan holds a Master of Business Administration degree from Murdoch University. She has more than 19 years experience in sales and marketing gained from several multi-national conglomerates and was managing a wide spectrum of fast moving consumer goods around the Asia Pacific region.

### 4. Mr. Tai Kwan Kong, Terry

Mr. Tai Kwan Kong, Terry, Head of Brandname Division – aged 53, 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 organizing committee member of HK Watch Q Mark. He has over 33 years experience in the timepiece industry.

### 5. Ms. Yim Yuen, Jenny

Ms. Yim Yuen, Jenny, Sales Manger of Retail Operation – aged 52, is responsible for the Group's China sales and distribution development. She has over 26 years expertise in timepiece production management and retail development. Prior to joining the Group, Ms. Yim was the Chief factory manager of a state owned enterprise namely 上海手錶二廠.

### 6. Ms. Linard, Elisabeth

Ms. Linard, Elisabeth, Marketing Engineer – aged 31, is responsible for the business development of Peace Mark in Europe. She also represents Peace Mark towards its European customers and subsidiaries and ensures the interface between Peace Mark and its contacts in Europe. Prior to joining the Group, she was the New Products Project Manager for Concord, the luxury watch brand of the Movado Group in Bienne, Switzerland. She holds a French postgraduate engineering degree.



## MARKETING & DISTRIBUTION

### 7. Mr. Rosenbaum, Louis

Mr. Rosenbaum, Louis, Executive Vice President of Omni Watch & Clock Co., LLC. – aged 53, his field of expertise includes marketing, product development and finance. For the past 26 years he has been a top executive in both the fashion and timepiece industries. Mr. Rosenbaum is a Chartered Accountant and is a member of the United States Watch Council.

### 8. Mr. Dix, Douglas L.

Mr. Dix, Douglas L., Vice President of Sales of Omni Watch & Clock Co., LLC. – aged 55, is in charge of sales and marketing operation for the retail chain outlets in the North America region. Mr. Dix served 18 years with a major mass-market retailer both in store management and merchandising management and has over 16 years industry experience. Prior to joining the Group, he was a Division President of Advance Watch Company.

### 9. Ms. Sieber, Barbara

Ms. Sieber, Barbara, Marketing Director of Milus International S.A. – aged 37, is responsible for developing brand positioning and marketing strategies for the brand. Prior to joining the Group, she was the Marketing Director of Flik Flak – Swatch Group and Visual Marketing Manager of Swarovski.

### 10. Mr. Kohlermann, Philipp

Mr. Kohlermann, Philipp, Director of Milus Germany GmbH – aged 39, is responsible for the business development and brand positioning of Milus in Germany and Austria. Prior to joining the Group, he was CEO of Luxury Brand International and Sales Director for Charriol Watches and D'Arsty in Germany, Austria, Benelux and Scandinavia.

### 11. Mr. Hsieh Yuan Teng, Stephen

Mr. Hsieh Yuan Teng, Stephen, Chief Executive Officer of the Group's Taiwanese subsidiary – aged 46, is responsible for the brand name and retail outlets development of the Taiwanese subsidiary. He has 21 years experience in brand development and wholesale distribution. He also has over 5 years experience in developing retail outlets.



## DESIGN, MANUFACTURING AND OPERATION

### 1. Mr. Leung Chi Shing, Winson

Mr. Leung Chi Shing, Winson, Chief Factory Manager – aged 47, is responsible for managing the watch production and the development of our watch repair school in Shenzhen, the PRC. Mr. Leung holds a certificate in watch repairing from Lee Wai Lee Technical Institute in Hong Kong. He has over 25 years experience in product management in the timepiece industry. He has been with the group for over 18 years.

### 2. Mr. Takehiko, Emi

Mr. Takehiko, Emi, Production Engineer – aged 60, is in charge of managing quality control issues and operational issues for the assembly plant in China. He is also responsible for technical support and staff training. Mr. Takehiko is a certified 2nd class radio operator and also holds an electrical and mechanical engineering degree from Kagoshima University. He has over 36 years of experience in production management and over 15 years related experience in the timepiece industry. He has been with the group for over 6 years.

### 3. Mr. Yip Chi Hung, Samuel

Mr. Yip Chi Hung, Samuel, Operation Manager – aged 50, 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 20 years experience in the timepiece industry and has been with the Group for over 10 years.

### 4. Mr. Chan Kwok Keung, Anthony

Mr. Chan Kwok Keung, Anthony, Assistant Operation Manager – aged 33, is responsible for the improvement of the quality management system. Mr. Chan monitors and co-ordinates the daily operation of marketing, purchasing, production and logistics departments. He holds a master's degree in urban planning and has been with the group for over 7 years.

### 5. Mr. Leung Shue Man, David

Mr. Leung Shue Man, David, School Supervisor for the Watchsmith Technical Training School – aged 61, is also responsible for overseeing the service center network. Having worked over 20 years in one of the world's largest watch group, he brings on board experience in different sectors of the watch industry including technical training, marketing and manufacturing of watches and movements. His past credentials includes VP of Hong Kong Watch Manufacturers' Association and Permanent Honorary Director of Federation of Hong Kong Watch Clock industry.

# Directors and Senior Management Profiles

Peace Mark (Holdings) Limited



## DESIGN, MANUFACTURING AND OPERATION

### 6. Mr. Junod, Paul

Mr. Junod Paul, Independent Design Consultant of Milus International S.A. – aged 47, is a ETS Micro-technical Engineer and creates and develops very outstanding and innovative watch collections. Mr. Junod’s designs have won numerous awards and stand for uncompromising creativity.

### 7. Mr. Liu Tsz Kit, Ken

Mr. Liu Tsz Kit, Ken, Chief Designer – aged 30, is responsible for the Group’s product design development, management and training for the OEM/ODM design division. He graduated in Commercial Design from Hong Kong Vocational Training Centre and also holds various certificates relating to jewellery and timepiece design, appraisal, and production. His designs and creations has won the Group numerous awards and recognitions. Mr. Liu has over 12 years experience in the trade and product exhibition, jewellery and timepiece design development and has been with the Group for over 8 years.

### 8. Mr. Wong Wai Kuen, Ronald

Mr. Wong Wai Kuen, Ronald, Senior Designer – aged 32, is responsible for the Group’s product design development projects. He holds a BSc (Hons) in Product Design and Analysis as well as a BA in Arts and Design. Prior to joining the group, he worked in the timepiece design consultant field and as a toys and electronic product designer. He has over 10 years experience in the product design development.

### 9. Mr. Lee Kei Hong, Sandy

Mr. Lee Kei Hong, Sandy, Chief Creative Designer of Research and Development Division – aged 28, is responsible for new product development for various brand names. Mr. Lee holds a BSc in Industrial design from the Royal Melbourne Institute of Technology University. He has received numerous awards from Hong Kong, China and Australia design competitions, during both his academic and professional career.

# Directors' Report

Annual Report 2004

41

*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, 2004.*

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the Group's principal subsidiaries are set out in note 17 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 AND APPROPRIATION

Details of the results of the Group for the year ended 31 March, 2004 are set out in the consolidated income statement on page 53 and the accompanying notes to the financial statements. Particulars of dividends proposed and paid during the year are set out in note 11 to the financial statements.

## CLOSURE OF REGISTER OF MEMBERS

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

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March, 2004, the reserves of the Company available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$436.8 million. In addition, the share premium of the Company, in the amount of approximately HK\$113.4 million, 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 116 to 117 of the Annual Report.

## **CHARITABLE DONATIONS**

Charitable donations made by the Group during the year amounted to HK\$0.9 million.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately HK\$68.9 million on the acquisition of property, plant and equipment. Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 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 15 to the financial statements.

## **SUBSIDIARIES**

Particulars of the principal subsidiaries of the Company are set out in note 17 to the financial statements.

## **SHARE CAPITAL**

Details of the movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

## **BORROWINGS**

Particulars of the Group's and Company's borrowings and obligations under finance leases are set out in notes 25 and 26 to the financial statements respectively.

## **RETIREMENT SCHEME BENEFITS**

Details of retirement scheme benefits are set out in note 3(r) (ii) to the financial statements.

## **SUBSEQUENT EVENTS**

Details of the subsequent events of the Group which took place subsequent to 31 March, 2004 and up to the date of the report are set out in note 38 to the financial statements.

## 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

### *Independent Non-Executive Directors*

Sir Oswald Cheung, C.B.E., LL.D., D. Soc. Sc., J.P.  
(*deceased on 10 December, 2003*)  
Ms. Susan So  
Mr. Kwok Ping Ki, Albert  
Mr. Tang Yat Kan  
(*appointed on 18 December, 2003*)  
Mr. Wong Yee Sui, Andrew  
(*appointed on 18 December, 2003*)

In accordance with article 86(2) of the Company's Bye-laws, Mr. Tang Yat Kan and Mr. Wong Yee Sui, Andrew, who were appointed by the Board of Directors, shall hold office until the forthcoming Annual General Meeting and, being eligible, offer himself for re-election. Pursuant to articles 87(1) and 87(2) of the Company's Bye-laws, Mr. Tsang Kwong Chiu, Kevin 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' AND SENIOR MANAGEMENT PROFILES

Biographical details of the Directors of the Company and of the senior management of the Group are set out on pages 30 to 40 of this report.

## 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 determinable by the Group within one year without payment of compensation, other than normal statutory obligations.

**DIRECTORS' INTERESTS IN SECURITIES**

As at 31 March, 2004, the interests and short positions of the directors of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

**A. Directors' interest in the Company**

The table below sets out the aggregate long positions in the shares and underlying shares of each director of the Company.

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total interests	Percentage of total issued share capital
Mr. Chau Cham Wong, Patrick	64,621,369	-	266,088,487	82,512,159 (note 1)	-	413,222,015 (note 1)	59.82
Mr. Leung Yung	-	-	348,600,646	64,621,369 (note 2)	-	413,222,015 (note 2)	59.82
Mr. Tsang Kwong Chiu, Kevin	5,948,353	-	-	-	1,150,000 (note 3)	7,098,353	1.03
Mr. Cheng Kwan Ling	243,106	-	-	-	47,000 (note 4)	290,106	0.04
Mr. Tang Yat Kan	-	60,000 (note 5)	-	-	-	60,000	0.00

*Notes:*

1. A Placing and Subscription Agreement was entered into on 30 March, 2004, pursuant to which Cazenove Asia Limited agreed to place a maximum of 93,500,000 shares held by Mr. Chau Cham Wong, Patrick and other entities controlled by him and Mr. Leung Yung, namely, A-ONE INVESTMENTS LIMITED ("A-ONE") and United Success Enterprises Limited ("United Success") (collectively referred to the "Vendors") to independent placees, and the Company agreed to allot new shares upon subscription to the Vendors (the "Placing and Top Up"). As at the end of placing on 30 March, 2004, Mr. Chau Cham Wong, Patrick was deemed to be interested in 82,512,159 shares for the purposes of section 317 of the SFO, representing the deemed interests of the other Vendors, United Success in respect of its holdings pursuant to the Placing and Top Up. As a result of the foregoing, Mr. Chau Cham Wong, Patrick was deemed to be interested in a total of 413,222,015 shares of the Company.

2. Mr. Leung Yung has 49.55% voting control of A-ONE and 100% voting control of United Success, both of which are the Vendors acting in concert with him in the Placing and Top Up. As a result, he was deemed to be interested in 64,621,369 shares of the Company for the purposes of section 317 of the SFO. Consequently, Mr. Leung Yung was deemed to be interested in a total of 413,222,015 shares of the Company.
3. Mr. Tsang Kwong Chiu, Kevin's interests in 1,150,000 shares of the Company arose through holding warrants of the Company.
4. Mr. Cheng Kwan Ling's interests in 47,000 shares of the Company arose through holding warrants of the Company.
5. Mr. Tang Yat Kan was deemed interested in 60,000 shares of the Company as these shares are held by his spouse (who was not a director of the Company).

## B. Short Positions

Name of director	Personal short positions	Family short positions	Corporate short positions	Other short positions	Total short positions	Percentage of total issued share capital
Mr. Chau Cham Wong, Patrick	-	-	-	32,512,752 (note 6)	32,512,752	4.70
Mr. Leung Yung	-	-	-	93,500,000 (note 7)	93,500,000	13.54

### Notes:

6. Under the Placing and Top Up, one of the Vendors, A-ONE (which is 50.45% controlled by Mr. Chau Cham Wong, Patrick) is obligated to place certain shares to independent placees before the allotment and subscription of new shares. As such, Mr. Chau Cham Wong, Patrick was deemed to have a short position of 32,512,752 shares of the Company by virtue of his control of A-ONE.
7. As mentioned in note 2. above, Mr. Leung Yung has interests in two entities which are the Vendors in the Placing and Top Up, which were both obligated to place certain shares to independent placees before the allotment and subscription of new shares. As such, Mr. Leung Yung was deemed to have a short position of 93,500,000 shares of the Company by virtue of his control of A-ONE that held 254,613,398 shares and United Success that held 60,987,248 shares.

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, 2004, none of the Directors of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and during the year ended 31 March, 2004, none of the Directors of the Company, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right by any of them, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### SHARE OPTION SCHEME

Share options are granted to the Directors, employees and other eligible persons under the Share Option Scheme of the Company (the "Scheme") adopted on 24 January, 2002. Details of the Scheme are set out in note 30 to the financial statements.

### SUBSTANTIAL SHAREHOLDERS

As at 31 March, 2004, the following persons (other than Directors of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

#### A. Interests in the Company

Name of substantial shareholder	Number of shares in which interested	Percentage of issued share capital
United Success Enterprises Limited	413,222,015 ( <i>note 1</i> )	59.82
A-ONE INVESTMENTS LIMITED	413,222,015 ( <i>note 2</i> )	59.82
Arisaig Greater China Fund ("Arisaig")	44,553,964 ( <i>note 3</i> )	6.45
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	44,553,964 ( <i>note 4</i> )	6.45
Cooper Lindsay William Ernest ("Mr. Cooper")	44,553,964 ( <i>note 5</i> )	6.45

Notes:

1. United Success was wholly-owned by Mr. Leung Yung. United Success holds 60,987,248 shares directly before the Placing and Top Up. Further, United Success was one of the parties acting in concert under the Placing and Top Up, and so was deemed to be interested in 413,222,015 shares of the Company pursuant to section 317 of the SFO. See also note 2 under the section "Directors' Interest in the Company".

2. Mr. Chau Cham Wong, Patrick controlled 50.45% of A-ONE and Mr. Leung Yung controlled 49.55% of A-ONE. A-ONE holds 254,613,398 shares directly before the Placing and Top Up. Further, A-ONE was one of the parties acting in concert under the Placing and Top Up, and was deemed to be interested in 413,222,015 shares of the Company pursuant to section 317 of the SFO. See also note 2 and note 6 under the section "Directors' Interest in the Company".
3. This represented a direct holding by Arisaig of the shares of the Company.
4. Arisaig Mauritius was the investment manager of Arisaig. This represent an interest in and the shares arising by virtue of Arisaig Mauritius acting as discretionary investment manager of Arisaig pursuant to the SFO.
5. Mr. Cooper was deemed interested through his indirect 33.33% beneficial interest in Arisaig Mauritius.

## B. Short Positions

Name of substantial shareholder	Number of shares in which interested	Percentage of issued share capital
United Success Enterprises Limited	60,987,248 (note 6)	8.82
A-ONE INVESTMENTS LIMITED	32,512,752 (note 7)	4.70

### Notes:

6. United Success, as one of the parties acting in concert in the Placing and Top Up was deemed to have a short position of 60,987,248 shares, representing the obligation to deliver these shares of the Company pursuant to the Placing and Top Up.
7. A-ONE, as one of the parties acting in concert in the Placing and Top Up, was deemed to have a short position of 32,512,752 shares, representing the obligation to deliver these shares of the Company pursuant to the Placing and Top Up.

Save as disclosed above, the Company has not been notified of any other person (other than directors of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31 March, 2004.

### **PRACTICE NOTE 19 OF THE LISTING RULES**

In accordance with the disclosure requirements of paragraph 3.7.1 of Practice Note 19 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 14 October, 2003 relating to a 3.5-year term loan facility of HK\$380 million (the "Facility") made available to the Company (the "Facility Agreement").

The Facility Agreement contains certain events of default including:

- (a) if Mr. Chau Cham Wong, Patrick ceases at any time during the subsistence of the Facility Agreement to be the Chairman of the Company and the Group; and
- (b) if Mr. Chau Cham Wong, Patrick and Mr. Leung Yung collectively are no longer the single largest shareholder of the Company, holding beneficially (direct or indirect) more than 35% of the voting share capital of the Company; or no longer control the Board of the Company.

Upon the occurrence of an event of default under the Facility Agreement and so long as it is continuing, BNP Paribas Hong Kong Branch as agent may, inter alia, upon instructions from the majority lenders declare that all or part of the Facility, together with accrued interest, and all other amounts accrued under the finance documents as referred to under the Facility Agreement be immediately due and payable.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from the share option scheme as disclosed above, at no time during the year was the Company or any of its 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

There was no connected transactions recorded in this year.

In respect of last year, 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 then proposed rights issue of the Company on 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(6)(b)(c) of the old Listing Rules. Save as disclosed 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, 2004, the five largest ultimate customers to whom the goods were sold 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 90% of the Group's purchases for which the largest supplier accounting for approximately 40%.

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, 2004 are set out on pages 114 to 115 of this report.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## 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 "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 four independent non-executive Directors of the Company. Amongst the committee's principal duties are to conduct regular meetings with the executive Directors in order to review the Company's financial reporting process and internal controls as well as to consider the scope and nature of the audit.

## CODE OF BEST PRACTICE

None of the Directors of the Company are aware of any information that would reasonably indicate that the Company is not, or was not for the year ended 31 March, 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the 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, 2004 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 reappoint them as auditors.

On behalf of the Board



**Chau Cham Wong, Patrick**  
*Chairman*

Hong Kong  
8 July, 2004

# Auditors' Report

Annual Report 2004

51

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 53 to 113 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 financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **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.

# Auditors' Report

Peace Mark (Holdings) Limited

## 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, 2004 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

8 July, 2004

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2004

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	5	<b>1,434,492</b>	1,119,099
Cost of sales		<b>(1,089,082)</b>	(925,476)
Gross profit		<b>345,410</b>	193,623
Other revenue	5	<b>11,639</b>	19,668
Distribution costs		<b>(118,012)</b>	(43,979)
Administrative expenses		<b>(114,101)</b>	(70,351)
Other operating expenses		<b>(16,646)</b>	(5,332)
Profit from operations	6	<b>108,290</b>	93,629
Share of profit of an associate		<b>321</b>	-
Share of loss of a jointly controlled entity		<b>(2,998)</b>	(6,194)
Finance costs	7	<b>(18,155)</b>	(13,407)
<b>Profit from ordinary activities before taxation</b>		<b>87,458</b>	74,028
Income tax	9	<b>(206)</b>	(7,995)
<b>Profit after taxation</b>		<b>87,252</b>	66,033
Minority interest		<b>(7,247)</b>	(7,834)
<b>Profit attributable to shareholders</b>	10	<b>80,005</b>	58,199
<b>Dividends</b>	11	<b>27,958</b>	17,739
<b>Earnings per share</b>	12		
Basic (HK cents)		<b>12.43</b>	13.80
Diluted (HK cents)		<b>12.09</b>	13.79

The notes on pages 62 to 113 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH, 2004

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	14	383,668	357,070
Intangible assets	15	56,532	60,912
Goodwill	16	60,052	19,381
Interest in an associate	18	65,680	29,738
Interest in a jointly controlled entity	19	10,922	9,535
Investments in securities	20	15,600	11
Other financial assets	21	29,225	29,225
Deferred tax assets	27	12,272	46
		<b>633,951</b>	505,918
<b>Current assets</b>			
Inventories	22	309,909	227,715
Trade and other receivables	23	397,473	342,478
Cash and bank balances		467,491	207,568
		<b>1,174,873</b>	777,761
<b>Current liabilities</b>			
Trade and other payables	24	142,451	90,471
Interest-bearing borrowings	25	382,016	286,168
Obligations under finance leases	26	3,233	773
Tax payable		8,969	4,204
		<b>536,669</b>	381,616
<b>Net current assets</b>		<b>638,204</b>	396,145
<b>Total assets less current liabilities</b>		<b>1,272,155</b>	902,063

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Interest-bearing borrowings			
– Due after one year	25	421,450	175,200
Obligations under finance leases			
– Due after one year	26	3,209	1,390
Deferred tax liabilities	27	9,419	6,802
		<b>434,078</b>	183,392
<b>Minority interest</b>		<b>60,178</b>	43,149
<b>Net assets</b>		<b>777,899</b>	675,522
<b>Capital and reserves</b>			
Share capital	28	69,075	63,090
Reserves	29	708,824	612,432
		<b>777,899</b>	675,522

The notes on pages 62 to 113 form part of these financial statements.

Approved and authorized for issue by the Board of Directors on 8 July, 2004, and signed on its behalf by:



**Chau Cham Wong, Patrick**  
*Chairman*



**Leung Yung**  
*Managing Director*

# BALANCE SHEET

AS AT 31 MARCH, 2004

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Interest in subsidiaries	17	1,057,461	737,718
<b>Current assets</b>			
Other receivables		100	50
Cash and bank balances		12,452	1,017
		12,552	1,067
<b>Current liabilities</b>			
Accruals and other payables		727	665
Interest-bearing borrowings	25	45,350	114,286
		46,077	114,951
<b>Net current liabilities</b>		<b>(33,525)</b>	<b>(113,884)</b>
<b>Total assets less current liabilities</b>		<b>1,023,936</b>	<b>623,834</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings			
– Due after one year	25	(404,650)	(85,714)
<b>Net assets</b>		<b>619,286</b>	<b>538,120</b>

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	28	<b>69,075</b>	63,090
Reserves	29	<b>550,211</b>	475,030
		<b>619,286</b>	538,120

The notes on pages 62 to 113 form part of these financial statements.

Approved and authorized for issue by the Board of Directors on 8 July, 2004, and signed on its behalf by:



**Chau Cham Wong, Patrick**  
*Chairman*



**Leung Yung**  
*Managing Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH, 2004

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Shareholders' equity at the beginning of the year</b>		<b>675,522</b>	547,339
Unrealized holding loss on investments in securities	20	-	(4)
Exchange differences on translation of the financial statements of foreign entities		<b>782</b>	86
Net gains not recognized in the consolidated income statement		<b>782</b>	82
Net profit for the year		<b>80,005</b>	58,199
Dividends declared or approved during the year		<b>(21,035)</b>	(8,276)
<b>Movements in share capital and share premium:</b>			
Shares issued under rights issue		-	36,782
Shares issued under share option scheme		<b>198</b>	5,543
Shares issued under warrants conversion	28	<b>4,328</b>	-
Shares issued under scrip dividend scheme	28	<b>1,459</b>	2,474
Shares repurchased and cancelled		-	(100)
Net share premium received		<b>36,640</b>	33,479
		<b>42,625</b>	78,178
<b>Shareholders' equity at the end of the year</b>		<b>777,899</b>	675,522

The notes on pages 62 to 113 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2004

	2004	2003
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating activities</b>		
Profit from ordinary activities before taxation	87,458	74,028
Adjustments for:		
Depreciation of property, plant and equipment	38,698	36,311
Amortization of goodwill	2,825	719
Realization of negative goodwill	-	(4,101)
Amortization of intangible assets	4,380	5,399
Interest expenses	18,155	13,407
Interest income	(4,761)	(5,128)
Loss on disposal of a jointly controlled entity	1,764	-
Gain on partial disposal of a jointly controlled entity	-	(63)
Share of loss of a jointly controlled entity	2,998	6,194
Share of profit of an associate	(321)	-
Loss (Gain) on disposal of property, plant and equipment	4,046	(80)
Realized gain on disposal of other investments	(600)	-
Loss on write-down of inventories to net realizable value	4,398	-
Write-off of current assets	-	442
	<b>159,040</b>	127,128
Operating profit before changes in working capital	<b>159,040</b>	127,128
Increase in inventories	(65,259)	(28,118)
(Increase) Decrease in trade and other receivables	(87,064)	15,073
Increase in trade and other payables	48,861	47,403
Increase (Decrease) in trust receipt loans	48,430	(43,384)
	<b>104,008</b>	118,102
Cash generated from operations	<b>104,008</b>	118,102

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2004

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax paid			
Hong Kong profits tax paid		(7,509)	(2,667)
<b>Net cash from operating activities</b>		<b>96,499</b>	115,435
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		(68,861)	(75,475)
Proceeds from disposal of property, plant and equipment		248	211
Payment for acquisition of investment securities		(15,600)	-
Advance to a jointly controlled entity		(6,149)	(15,348)
Advance to an associate		-	(6,338)
Repayment from an associate		6,338	-
Repayment from a jointly controlled entity		-	1,589
Payment for purchase of subsidiaries, net of cash acquired	31	(52,890)	(54,872)
Net cash inflow from incorporation of subsidiaries		-	222
Payment for investment in an associate		-	(23,400)
Payment for acquisition of other investments		(6,376)	-
Proceeds from disposal of other investments		6,768	-
Proceeds from disposal of a subsidiary, net of cash disposed of		-	122
Loan to minority shareholders		-	(2,328)
Repayment from minority shareholders		278	-
Exchange realignment		841	-
Other financial assets		-	(29,225)
Interest received		4,761	5,128
<b>Net cash used in investing activities</b>		<b>(130,642)</b>	(199,714)

		2004	2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financing activities</b>			
Capital element of finance lease rentals paid		(2,141)	(704)
Interest element of finance lease rentals paid		(1,417)	(121)
Proceeds from rights issue		-	66,208
Premium paid on repurchase of shares		-	(322)
Proceeds from shares issued under share option scheme		424	11,113
Proceeds from exercise of warrants		28,011	-
Nominal value of shares repurchased		-	(100)
Rights issue expenses charged against share premium		-	(4,141)
Drawdown of term loans		200,175	125,639
Proceeds from bank loans		2,774	-
Repayment of bank loans		(89,208)	(46,201)
Proceeds from syndicated loan		380,000	-
Repayment of syndicated loan		(200,000)	-
Proceeds from new finance leases			
on existing items of property, plant and equipment		-	2,590
Interest paid		(17,694)	(13,286)
2003 final dividend paid		(3,225)	-
Interim dividend paid		(3,609)	(2,851)
		<hr/>	<hr/>
<b>Net cash from financing activities</b>		<b>294,090</b>	137,824
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>259,947</b>	53,545
		<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>207,544</b>	153,999
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	32	<b>467,491</b>	207,544
		<hr/>	<hr/>

The notes on pages 62 to 113 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 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 17 to the financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA:

SSAP 12 (Revised) Income Taxes

### Income Taxes

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and interpretations) 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 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 year 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 unrealized profits are eliminated in full. Unrealized 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 losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

#### (b) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Associates and jointly controlled entities *(Continued)*

The consolidated income statement includes the Group's share of the post-acquisition results of associates and jointly controlled entities for the year. In the consolidated balance sheet, interest in associates are stated at the Group's share of the net assets plus the goodwill/less the negative goodwill in so far as it has not already been amortized, less any identified impairment loss.

In the Company's balance sheet, the investments in associates and jointly controlled entities are stated at cost less impairment losses. The results of associates and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

### (c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair values of the identifiable assets and liabilities acquired. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is capitalized and amortized on a straight-line basis over the shorter of its estimated useful life or 20 years. The amortization charge for each period is recognized 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 recognized as an expense.

In respect of acquisitions of associates and jointly controlled entities, goodwill is amortized to income statement on a straight line basis over its estimated useful life. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses.

The profit and loss on disposal of a subsidiary or an associate is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill which remains unamortized.

### (d) Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **(d) Negative goodwill***(Continued)*

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the Group's plan of acquisition and can be measured reliably, that portion of negative goodwill is recognized as income when the future losses and expenses are recognized.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses at the date of acquisition, negative goodwill will be recognized as income on a systematic basis over the remaining useful life of the identifiable acquired depreciable/amortizable assets. The amount of any negative goodwill in excess of the fair values of acquired identifiable non-monetary assets is recognized as income immediately.

Negative goodwill arising from transactions completed prior to 1 April, 2001 is credited to capital reserve.

#### **(e) Investments in securities**

Investments in securities are recognized on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Company has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortized cost, less any impairment loss recognized 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 recognized in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary on individual basis. The amount of the reduction is recognized as an expense in the income statement.

Other investments are measured at fair value with unrealized gains and losses included in net profit or loss for the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment 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 an item of property, plant and equipment, the expenditure is capitalized as additional cost of the item.

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 property, plant and equipment over their estimated useful lives.

Freehold land	Nil
Leasehold land	Over the term of lease
Buildings	2% straight line method or over the term of lease whichever is shorter
Leasehold improvements	20% reducing balance method
Other assets	20% reducing balance method

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant item, and is recognized in the income statement.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **(g) Plant and machinery under installation**

Plant and machinery under installation is stated at cost less any impairment losses. Cost comprises direct and indirect costs of acquisition and installation. Installed items are transferred from plant and machinery under installation to plant and machinery. No provision for depreciation is made on these assets until such time as the relevant assets are installed and ready for use.

#### **(h) Intangible assets**

Intangible assets are measured initially at cost. Intangible assets are recognized 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 recognized 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 amortization and any accumulated impairment losses.

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 capitalized and amortized on a straight line basis over the terms of the relevant licenses.

*(ii) Licenses*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Intangible assets (Continued)

#### (iii) Trademark

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

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

### (i) Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that fixed assets, intangible assets, interests in subsidiaries, interest in an associate and interest in a jointly controlled entity 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 losses, 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 recognized 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 recognized 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized 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)*

#### **(j) Inventories**

Inventories are stated at the lower of cost and net realizable 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 realizable 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 recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized 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 realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

#### **(k) Income tax**

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Income tax *(Continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **(k) Income tax** *(Continued)*

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:
- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously, or
  - In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
    - the same taxable entity; or
    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

#### **(l) 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 using the net investment method. The income statement of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets 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.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the dates of cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Trade and other receivables

Provision is made against trade and other receivables to the extent they are considered to be doubtful. Trade and other receivables in the balance sheet are stated net of such provision.

### (n) Provisions and contingencies

A provision is recognized 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 recognized 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 recognized 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

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

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Proceeds on disposal of securities are recognized on a trade date basis when contracts are executed.

#### (p) 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 recognizes 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 recognized as an expense on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (q) Off balance sheet financial instruments

Off balance sheet financial instruments arise from swap transactions undertaken by the Group in the interest rate and currency 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 recognized 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 recognized in the income statement on the same basis as those arising from the related assets, liabilities or net positions. Unrealized gains on transactions which are marked to market are included in "Trade and other receivables" in the balance sheet. Unrealized losses on transactions which are marked to market are included in "Trade and other payables".

### (r) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

#### (ii) *Pension obligations*

The Group operates a number of defined contribution plans in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **(r) Employee benefits** *(Continued)*

##### *(iii) Share option scheme*

The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account.

#### **(s) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

#### **(t) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of cash flow statement.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (u) Segments

A segment is a distinguished component of the Group that is engaged either in providing products or services (business segment), or in providing products or services 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 policy, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period 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, interest-bearing loans, borrowings, corporate and financing expenses and minority interest.

## 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, trading, distribution and related service income of timepiece products.

Geographical segments are presented as secondary reporting format, segment revenue is based on the final destination of goods sold.

#### 4. SEGMENT INFORMATION (Continued)

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

	2004			
	Turnover	Segment results	Segment assets	Capital expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Americas	788,970	123,358	222,741	9,106
Asia (excluding China)	354,962	55,811	1,045,417	47,064
Europe	229,519	36,089	27,494	701
China	61,041	12,140	456,640	113,161
	1,434,492	227,398	1,752,292	170,032
Other revenue		11,639		
Unallocated expenses		(130,747)		
Finance costs		(18,155)		
Share of profit of an associate		321		
Share of loss of a jointly controlled entity		(2,998)		
Profit before taxation		87,458		
Unallocated assets			56,532	
Total assets			1,808,824	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 4. SEGMENT INFORMATION (Continued)

	2003			
	Turnover <i>HK\$'000</i> (Restated)	Segment results <i>HK\$'000</i> (Restated)	Segment assets <i>HK\$'000</i> (Restated)	Capital expenditure <i>HK\$'000</i> (Restated)
The Americas	607,670	82,075	199,306	686
Asia (excluding China)	300,906	40,353	753,179	16,456
Europe	210,391	28,403	52,478	5,110
China	132	(1,187)	217,758	53,223
	1,119,099	149,644	1,222,721	75,475
Other revenue		19,668		
Unallocated expenses		(75,683)		
Finance costs		(13,407)		
Share of loss of a jointly controlled entity		(6,194)		
Profit before taxation		74,028		
Unallocated assets			60,912	
Total assets			1,283,633	

## 5. TURNOVER AND OTHER REVENUE

### (a) Turnover

The principal activities of the Group are manufacturing, trading, distributing and retailing of timepiece products.

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

## 5. TURNOVER AND OTHER REVENUE (Continued)

### (b) Other revenue

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	4,761	5,128
Realization of negative goodwill	-	4,101
Exchange gain	-	1,523
Rental income from other parties	3,280	4,130
Net realized gains on other investments	600	-
Sundry income	2,998	4,786
	<b>11,639</b>	<b>19,668</b>

## 6. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration		
- Current year	1,190	908
- Underprovision in prior years	10	35
Depreciation of property, plant and equipment		
- Owned assets	38,001	34,857
- Assets under finance leases	697	1,454
Amortization of intangible assets	4,380	5,399
Amortization of goodwill included in other operating expenses	2,825	719
Loss on write-down of inventories to net realizable value	4,398	-
Loss on disposal of property, plant and equipment	4,046	-
Loss on disposal of a jointly controlled entity	1,764	-
Staff costs, including directors' emoluments		
- Wages, salaries and benefits in kind	71,497	44,846
- Pension costs: defined contribution plans, net of forfeited contributions	1,209	1,080
Minimum lease payments in respect of properties under operating leases	3,230	1,079
Provision for bad debts	2,500	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 7. FINANCE COSTS

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

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

### (a) Directors' emoluments

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
– Executive	–	–
– Independent Non-Executive	310	250
	<b>310</b>	<b>250</b>
Other emoluments (Executive Directors):		
Salaries and other benefits	5,396	3,500
Pension scheme contributions	156	156
	<b>5,552</b>	<b>3,656</b>
	<b>5,862</b>	<b>3,906</b>

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

### (a) Directors' emoluments (Continued)

During the year, no (2003: 7,820,000) options were granted to the three Directors of the Company under the Share Option Scheme (note 30). The emoluments of the Directors are within the following bands:

	2004	2003
	Number of Directors	Number of Directors
Nil to HK\$1,000,000	7	8
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	2	–
	<b>10</b>	<b>9</b>

### (b) Employees' emoluments

During the year ended 31 March, 2004, the five highest paid individuals included three Directors (2003: three), details of whose emoluments are set out in note 8(a) to the financial statements above. The emoluments of the remaining individuals for the year are as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	2,258	1,575
Pension scheme contributions	280	19
	<b>2,538</b>	<b>1,594</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

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

### (b) Employees' emoluments (Continued)

The emoluments of the two (2003: two) individuals with the highest emoluments are within the following bands:

	2004	2003
	Number of individuals	Number of individuals
Nil to HK\$1,000,000	-	1
HK\$1,000,001 to HK\$1,500,000	2	1
	<b>2</b>	<b>2</b>

## 9. INCOME TAX

	2004	2003
	HK\$'000	HK\$'000
(a) Income tax in the consolidated income statement represents:		
<i>Current tax</i>		
Hong Kong profits tax:		
Provision for current year	9,791	4,119
Underprovision in respect of prior year	-	516
	<b>9,791</b>	<b>4,635</b>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(9,585)	3,360
	<b>206</b>	<b>7,995</b>

In March 2003, the Hong Kong Government announced an increase in the profits tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's financial statements. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 9. INCOME TAX (Continued)

No provision for the People's Republic of China ("PRC") income tax has been made as the relevant subsidiaries operating in the PRC has unused tax losses of HK\$903,000 (2003: Nil) available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profits streams. These unrecognized tax losses will expire in 2008.

Pursuant to the laws and regulations in the PRC, a PRC subsidiary in the Group is entitled to exemption from PRC income tax for two years commencing from the first profit-making year of operation and thereafter, this PRC subsidiary will be entitled to a 50% relief from PRC income tax for the following three years.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<b>87,458</b>	74,028
Notional tax charge on profit before taxation, calculated at the applicable tax rate of 17.5% (2003: 16%)	<b>15,305</b>	11,844
Tax effect of income not taxable for tax purpose	<b>(56,561)</b>	(33,499)
Tax effect of expenses not deductible for tax purpose	<b>56,173</b>	34,710
Utilization of tax losses previously not recognized	<b>(2,718)</b>	(1,867)
Recognition of previously unrecognized tax losses	<b>(5,320)</b>	-
Tax effect of unused tax losses not recognized	<b>210</b>	3,071
Effect of different tax rates in other jurisdictions	<b>1,769</b>	(283)
Underprovision in respect of prior years	-	516
Effect of income tax on concessionary rates for certain subsidiaries	<b>(9,486)</b>	(6,734)
Effect of increase in tax rate on opening deferred tax balances	-	171
Others	<b>834</b>	66
Actual tax expense	<b>206</b>	7,995

## 10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit attributable to shareholders includes a profit of HK\$59,576,000 (2003: HK\$40,363,000) which has been dealt with in the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 11. DIVIDENDS

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

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

## 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

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

### 13. RELATED PARTY TRANSACTIONS

Significant related party transactions which were carried out in the normal course of the Group's business and were conducted on normal commercial terms are as follows:

	<i>Note</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sale of finished goods to related companies	(a)	<b>7,236</b>	-
Rental for use of plant and machinery provided to and charged to a jointly controlled entity	(b)	<b>1,000</b>	2,652
Electroplating services provided by and respective fee charged by a jointly controlled entity	(c)	<b>4,918</b>	6,089
Electroplating services provided by and respective fee charged by a related company	(c)	<b>6,727</b>	-

*Notes:*

- (a) Sale of finished goods to the related companies were conducted in the normal course of business at prices and terms as determined by the transaction parties on arm's length basis.
- (b) The amount of the rental received from the jointly controlled entity was agreed between the transaction parties on arm's length basis.
- (c) Fee for electroplating services provided by the jointly controlled entity and a related company was charged at prices and terms as agreed between the transaction parties on arm's length basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 14. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Plant and machinery under installation HK\$'000	Freehold and leasehold properties HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
<b>Cost or valuation</b>						
As at 1 April, 2003	-	204,681	73,154	166,038	46,065	489,938
Additions	41,863	655	5,423	17,202	3,806	68,949
Acquisition of subsidiaries	-	-	-	-	520	520
Written off	-	-	(4,474)	(225)	-	(4,699)
Disposals	-	-	(107)	-	(407)	(514)
Exchange realignment	-	266	(15)	(2)	13	262
Reclassification	-	-	-	(5)	5	-
<b>As at 31 March, 2004</b>	<b>41,863</b>	<b>205,602</b>	<b>73,981</b>	<b>183,008</b>	<b>50,002</b>	<b>554,456</b>
<b>Comprising</b>						
At valuation	-	14,000	-	-	-	14,000
At cost	41,863	191,602	73,981	183,008	50,002	540,456
<b>As at 31 March, 2004</b>	<b>41,863</b>	<b>205,602</b>	<b>73,981</b>	<b>183,008</b>	<b>50,002</b>	<b>554,456</b>
<b>Accumulated depreciation</b>						
As at 1 April, 2003	-	14,094	25,019	76,165	17,590	132,868
Provided for the year	-	4,819	9,481	19,061	5,337	38,698
Acquisition of subsidiaries	-	-	-	-	127	127
Eliminated on write-off	-	-	(597)	(117)	-	(714)
Eliminated on disposal	-	-	(12)	-	(193)	(205)
Exchange realignment	-	4	(1)	6	5	14
<b>As at 31 March, 2004</b>	<b>-</b>	<b>18,917</b>	<b>33,890</b>	<b>95,115</b>	<b>22,866</b>	<b>170,788</b>
<b>Carrying amount</b>						
<b>As at 31 March, 2004</b>	<b>41,863</b>	<b>186,685</b>	<b>40,091</b>	<b>87,893</b>	<b>27,136</b>	<b>383,668</b>
As at 31 March, 2003	-	190,587	48,135	89,873	28,475	357,070

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.

Had the leasehold properties of the Group been carried at historical cost less accumulated depreciation, their carrying amount as at 31 March, 2004, would have been approximately HK\$182,199,000 (2003: HK\$185,996,000).

**14. PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

The carrying amount of properties held by the Group comprises:

	<b>The Group</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leasehold properties:		
Held in Hong Kong, medium-term leases	<b>15,594</b>	15,956
Held in PRC, medium-term leases	<b>165,831</b>	169,802
Freehold properties:		
Held outside Hong Kong	<b>5,260</b>	4,829
	<b>186,685</b>	190,587

As at 31 March, 2004, the carrying amount of the Group's property, plant and equipment held under finance leases was approximately HK\$2,594,000 (2003: HK\$3,404,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 15. INTANGIBLE ASSETS

	The Group			
	Technical Know-how <i>HK\$'000</i>	License <i>HK\$'000</i>	Trademark <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>				
As at 1 April, 2003	7,140	15,000	61,668	83,808
Disposal	(7,140)	(15,000)	-	(22,140)
<b>As at 31 March, 2004</b>	<b>-</b>	<b>-</b>	<b>61,668</b>	<b>61,668</b>
<b>Accumulated amortization</b>				
As at 1 April, 2003	6,506	14,335	2,055	22,896
Provided for the year	634	665	3,081	4,380
Eliminated on disposal	(7,140)	(15,000)	-	(22,140)
<b>As at 31 March, 2004</b>	<b>-</b>	<b>-</b>	<b>5,136</b>	<b>5,136</b>
<b>Carrying amount</b>				
<b>As at 31 March, 2004</b>	<b>-</b>	<b>-</b>	<b>56,532</b>	<b>56,532</b>
As at 31 March, 2003	634	665	59,613	60,912

**16(A). GOODWILL**

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>		
At the beginning of the year	20,717	12,331
Addition	42,536	8,386
	<hr/>	<hr/>
At the end of the year	63,253	20,717
	<hr/>	<hr/>
<b>Accumulated amortization</b>		
At the beginning of the year	1,336	617
Provided for the year	1,865	719
	<hr/>	<hr/>
At the end of the year	3,201	1,336
	<hr/>	<hr/>
<b>Carrying amount</b>		
At the end of the year	60,052	19,381
	<hr/>	<hr/>

In the opinion of the Board of Directors, the underlying value of goodwill as at 31 March, 2004 was not less than its carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 16(B). NEGATIVE GOODWILL

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>		
Addition	-	4,101
Realization for the year	-	(4,101)
	<hr/>	<hr/>
<b>Carrying amount</b>		
At the end of the year	-	-
	<hr/>	<hr/>

## 17. INTEREST IN SUBSIDIARIES

	The Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	<b>51,398</b>	51,398
Amounts due from subsidiaries	<b>1,006,063</b>	686,320
	<hr/>	<hr/>
	<b>1,057,461</b>	737,718
	<hr/>	<hr/>

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

As at 31 March, 2004, the underlying value of interests in subsidiaries is, in the opinion of the Board of Directors, not less than the carrying amount in the books of the Company.

## 17. INTEREST IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries as at 31 March, 2004 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 place of operation	Principal activities
			Direct	Indirect		
			%	%		
Aerostar Timewear International Limited	British Virgin Islands	US\$1 Ordinary	-	100	The Americas	Trademark holding
Capricon Company Limited	British Virgin Islands	US\$2 Ordinary	-	100	The People's Republic of China	Manufacturing timepiece
金百利實業（深圳）有限公司 (Transliteration: Capricon Industrial (Shenzhen) Co., Ltd.)	The People's Republic of China	HK\$25,000,000	-	100	The People's Republic of China	Property investment
Cornell Worldwide International Holdings Limited	British Virgin Islands	US\$1 Ordinary	-	100	The Americas	Trademark holding
Epoch World Company Limited▲	Taiwan	NTD19,000,000	-	95	Taiwan	Timepiece distribution, trading and marketing
Fiorucci Timewear (Far East) Limited	British Virgin Islands	US\$1 Ordinary	-	100	Hong Kong	License holding
廣州金匠時計有限公司 (Transliteration: Guangzhou Goldsmith Timepiece Co., Ltd.)	The People's Republic of China	RMB500,000	-	100	The People's Republic of China	Timepiece distribution and retail
Eastern Group (Asia) Limited	Hong Kong	HK\$2,000,000 Ordinary	-	100	Hong Kong	Timepiece distribution, trading and marketing

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 17. INTEREST 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 place of operation	Principal activities
			Direct	Indirect		
			%	%		
廣州意瑪迅貿易有限公司 (Transliteration: Guangzhou Imarsion Trading Co., Ltd.)	The People's Republic of China	RMB500,000	-	100	The People's Republic of China	Timepiece distribution and retail
廣州表匠鐘表維修有限公司 (Transliteration: Guangzhou Watchsmith Timepiece Servicing Co., Ltd.)	The People's Republic of China	RMB100,000	-	100	The People's Republic of China	Provision of after sales service and timepiece components trading
Inter Mark Worldwide Limited	Hong Kong	HK\$100 Ordinary	-	100	Hong Kong	Timepiece distribution and marketing
Milus International S.A.▲	Switzerland	CHF760,000	-	100	Switzerland	Timepiece manufacturing and trading
Montana Timepieces International Limited	Hong Kong	HK\$100 Ordinary	-	51	Hong Kong	Timepiece trading and marketing
Omni Watch & Clock Co., LLC.▲	State of New York, United States	US\$8,698,090	-	51	United States	Timepiece distribution, trading and marketing
Peace Mark (B.V.I.) Limited	British Virgin Islands	HK\$10,000 Ordinary	100	-	British Virgin Islands	Investment holding
Peace Mark Limited	Hong Kong	HK\$110,000 Ordinary HK\$10,000 Non-voting deferred*	-	100	Hong Kong	Timepiece trading, marketing and manufacturing

## 17. INTEREST 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 place of operation	Principal activities
			Direct %	Indirect %		
PM License Management Limited	British Virgin Islands	US\$100 Ordinary	-	100	British Virgin Islands	License holding
Pure Riches Industries Limited	Hong Kong	HK\$2,760,000 Ordinary	-	100	The People's Republic of China	Manufacturing of timepiece components
深圳市大元錶業有限公司 (Transliteration: Shenzhen Dayuan Watches Co., Ltd.)	The People's Republic of China	RMB15,000,000	-	60	The People's Republic of China	Timepiece distribution and retail
Sinotop Investment Limited	British Virgin Islands	US\$1 Ordinary	-	100	Hong Kong	Investment holding
Sky Type Limited	Hong Kong	HK\$10,000 Ordinary	-	100	Hong Kong	Asset holding
Timetech Industrial Limited	Hong Kong	HK\$100 Ordinary	-	100	The People's Republic of China	Manufacturing of timepiece components
Vico Industries Limited	Hong Kong	HK\$100 Ordinary	-	100	The People's Republic of China	Manufacturing of timepiece components
World Grade Industries Limited	Hong Kong	HK\$10,000 Ordinary	-	100	Hong Kong	Property holding

\* The deferred shares, which are not held by the Group, practically carry no rights to dividend 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.

▲ Companies not audited by Chu and Chu, Certified Public Accountants. The financial statements of the subsidiaries not audited by Chu and Chu, Certified Public Accountants reflect total net assets and total turnover constituting approximately 7.6% and 12.3% respectively of the related consolidated totals.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 17. INTEREST IN SUBSIDIARIES (Continued)

The above table listed the subsidiaries of the Company which, in the opinion of the Board of 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 Board of Directors, result in excessive length.

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

## 18. INTEREST IN AN ASSOCIATE

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	5,642	4,231
Unamortized goodwill	26,120	19,169
	<b>31,762</b>	23,400
Amount due from an associate	33,918	6,338
	<b>65,680</b>	29,738

The amount due from an associate is unsecured, interest bearing at HIBOR plus 1.5% with no fixed terms of repayment. In the opinion of the directors, the amount is not expected to be realized within twelve months from the balance sheet date and are therefore included in non-current assets.

**18. INTEREST IN AN ASSOCIATE** (Continued)

Details of the Group's associate as at 31 March, 2004 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held indirectly by the Company %	Principal activities
Niceworld Group Corporation	British Virgin Islands	US\$12 Ordinary	50	* Timepiece distribution in Latin America

\* During the year, the Group subscribed additional 10% (2003: 40%) in the enlarged capital of Niceworld Group Corporation ("Niceworld"). Niceworld holds three subsidiaries which have their respective places of incorporation in Mexico, Panama and Peru. These three subsidiaries have their distribution networks covering the whole of Latin America.

**19. INTEREST IN A JOINTLY CONTROLLED ENTITY**

	The Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets (liabilities) of a jointly controlled entity	10,597	(6,131)
Amount due from a jointly controlled entity	325	15,666
	<b>10,922</b>	<b>9,535</b>

Details of the Group's jointly controlled entity as at 31 March, 2004 are as follows:

Name of jointly controlled entity	Place of incorporation and operation	Issued and fully paid capital/ registered capital	Percentage of equity interest held indirectly by the Company %	Principal activities
Pearl Link Limited	British Virgin Islands	US\$300 Ordinary	49	* Investment holding

\* Pearl Link Limited directly holds 100% equity interest in the capital of Gar Shun Enterprises Development Ltd., an electroplating and ionized plating production company in the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 20. INVESTMENTS IN SECURITIES

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investments in securities		
Equity securities:		
Listed in Hong Kong, at cost	-	15
Unrealized holding loss	-	(4)
	<hr/>	<hr/>
At market value	-	11
	<hr/>	<hr/>
Other investments		
Unlisted investments, at cost	<b>15,600</b>	-
	<hr/>	<hr/>

### Other investments

During the year, the Group invested HK\$15,600,000 in 20% of the capital of a watch company incorporated in Japan, for long-term purpose. The acquisition is to pave the way for its expansion plan in the PRC. This company advises and assists Japanese brands in identifying and co-ordinating with PRC manufactures, distribution partners and acquisition targets. It also assists the Group to serve its Japanese customers.

## 21. OTHER FINANCIAL ASSETS

The amount of HK\$29,225,000 represents investments in three investment and insurance combined policies issued by an international insurance group. A minimum annual return of 4% is guaranteed by the insurance group. Insurance costs are being deducted from the investment return for the key man insurances of the directors.

**22. INVENTORIES**

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	53,109	78,170
Work in progress	139,031	67,460
Finished goods	117,769	82,085
	<b>309,909</b>	227,715

The carrying amount of inventories that are carried at net realizable value, with the original cost of HK\$4,398,000 (2003: Nil), is Nil (2003: Nil).

**23. TRADE AND OTHER RECEIVABLES**

The Group allows a period of 90 – 120 days to its trade customers.

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivable from an associate	-	31,324
Other trade receivables	191,558	131,088
	<b>191,558</b>	162,412
Trade and other deposits, prepayments and other receivables	205,915	180,066
	<b>397,473</b>	342,478

Included in the trade and other deposits, prepayments and other receivables, there is an amount of HK\$37,647,000 paid as escrow money for an acquisition of 51% capital in a watch movement factory in the PRC.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 23. TRADE AND OTHER RECEIVABLES (Continued)

Included in trade receivables are debtors (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables:		
0 – 90 days	137,764	151,872
91 days – 180 days	23,616	7,493
Over 180 days	30,178	3,047
	<b>191,558</b>	162,412

## 24. TRADE AND OTHER PAYABLES

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

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables:		
0 – 90 days	45,885	46,706
91 days – 180 days	1,195	1,812
Over 180 days	3,251	1,856
	<b>50,331</b>	50,374
Accruals and other payables	92,120	40,097
	<b>142,451</b>	90,471

**25. INTEREST-BEARING BORROWINGS**

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing borrowings comprise:		
– Term loans	<b>261,662</b>	147,970
– Syndicated loan, unsecured	<b>380,000</b>	200,000
– Trust receipt and import loans	<b>161,804</b>	113,374
– Bank overdrafts	–	24
	<b>803,466</b>	461,368
Analyzed as:		
– Secured	<b>23,928</b>	26,400
– Unsecured	<b>779,538</b>	434,968
	<b>803,466</b>	461,368
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	<b>382,016</b>	286,168
– More than one year, but not exceeding two years	<b>187,400</b>	125,954
– More than two years, but not exceeding five years	<b>234,050</b>	49,246
	<b>803,466</b>	461,368
Representing interest-bearing borrowings:		
Current portion	<b>382,016</b>	286,168
Non-current portion	<b>421,450</b>	175,200
	<b>803,466</b>	461,368

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 25. INTEREST-BEARING BORROWINGS (Continued)

	The Company	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing borrowings comprise:		
– Syndicated loan, unsecured	380,000	200,000
– Term loans	70,000	–
	<b>450,000</b>	200,000
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	45,350	114,286
– More than one year, but not exceeding two years	182,600	85,714
– More than two years, but not exceeding five years	222,050	–
	<b>450,000</b>	200,000
Representing interest-bearing borrowings:		
Current portion	45,350	114,286
Non-current portion	404,650	85,714
	<b>450,000</b>	200,000

**26. OBLIGATIONS UNDER FINANCE LEASES**

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,279	824
More than one year, but not exceeding two years	2,431	804
More than two years, but not exceeding five years	808	659
	<b>6,518</b>	2,287
Less: Finance charges	<b>(76)</b>	(124)
	<b>6,442</b>	2,163
Representing finance lease obligations:		
- Current portion	3,233	773
- Non-current portion	3,209	1,390
	<b>6,442</b>	2,163

**27. DEFERRED TAXATION**

The followings are the components of deferred tax assets (liabilities) recognized in the consolidated balance sheet and the movements thereon during the year and prior reporting periods:

	Accelerated tax depreciation	Tax losses	The Group Unrealized profits on inventories		Revaluation of properties	Total
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
As at 1 April, 2002	(3,442)	-	-	46	(3,396)	
Credited (Charged) to consolidated income statement for the year	(3,360)	-	-	-	(3,360)	
As at 31 March, 2003	(6,802)	-	-	46	(6,756)	
Credited (Charged) to consolidated income statement for the year	(3,141)	11,748	1,002	-	9,609	
<b>As at 31 March, 2004</b>	<b>(9,943)</b>	<b>11,748</b>	<b>1,002</b>	<b>46</b>	<b>2,853</b>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 27. DEFERRED TAXATION (Continued)

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable rates prevailing in the countries/places in which the Group operates.

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	12,272	46
Deferred tax liabilities	(9,419)	(6,802)
	<b>2,853</b>	<b>(6,756)</b>

At the balance sheet date, the Group has unutilized tax losses of HK\$22,905,000 (2003: HK\$54,396,000) available for offset against future profits. A deferred tax asset has been recognized in respect of such tax loss of HK\$11,794,000 (2003: Nil). No deferred tax asset has been recognized in respect of the remaining HK\$11,111,000 (2003: HK\$54,396,000) due to the unpredictability of future profit streams. Included in the unrecognized tax losses are losses of HK\$903,000 (2003: Nil) that will expire in 2008. Other losses may be carried forward indefinitely.

The Company has no significant unprovided deferred taxation for the year or at the balance sheet date.

**28. SHARE CAPITAL**

	<i>Note</i>	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.1 each			
<i>Authorized:</i>			
<b>As at 31 March, 2002, 31 March, 2003 and 31 March, 2004</b>		<b>6,000,000,000</b>	<b>600,000</b>
<i>Issued and fully paid:</i>			
As at 1 April, 2002		183,911,150	18,391
Rights issue of two rights shares for every one share held	(a)	367,822,300	36,782
Issue of new shares pursuant to the exercise of share options	(b)	55,425,000	5,543
Shares repurchased and cancelled	(d)	(1,000,000)	(100)
Issue of new shares as 2003 interim scrip dividend, in lieu of cash	(f)	24,741,383	2,474
As at 31 March, 2003		630,899,833	63,090
Issue of new shares pursuant to the exercise of share options	(b)	1,980,000	198
Issue of new shares pursuant to the exercise of warrants	(c)	43,276,528	4,328
Issue of new shares as 2003 final scrip dividend, in lieu of cash	(e)	8,534,818	853
Issue of new shares as 2004 interim scrip dividend, in lieu of cash	(f)	6,062,352	606
<b>As at 31 March, 2004</b>		<b>690,753,531</b>	<b>69,075</b>

- (a) On 6 June, 2002, the Company raised equity capital by way of a rights issue, 367,822,300 new shares of HK\$0.18 each. The rights issue closed and became unconditional on 22 August, 2002.
- (b) During the year, 1,980,000 (2003: 55,425,000) new shares of HK\$0.1 each (2003: HK\$0.1 each) were issued upon the exercise of options under a share option scheme adopted on 24 January, 2002 at exercise prices of HK\$0.2 and HK\$0.227 for 945,000 and 1,035,000 shares (2003: 54,390,000 shares and 1,035,000 shares) respectively. These shares rank *pari passu* with the existing shares of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 28. SHARE CAPITAL (Continued)

(c) During the year, 126,554,966 warrants were issued in respect of the issued shares 632,774,833 as at 1 August, 2003 which represented share capital of HK\$63,277,483 at 1 August, 2003, in proportion to one warrant for every five shares held by the shareholders. As at 31 March, 2004, 43,276,528 shares were issued in response to the exercise of warrant holders' right to purchase the shares at HK\$0.65. The gross proceeds were approximately HK\$28,130,000. The share capital in relation to the exercises of warrants was 4,327,653. These shares rank pari passu with existing shares of the Company.

(d) In the last year, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of shares	Price per share	Aggregate consideration paid HK\$'000
March 2003	1,000,000	0.42	420

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premiums on repurchase were charged against share premium.

Year	Number of shares issued as final dividend	Scrip price HK\$	Credited to		Total HK\$'000
			share capital account HK\$'000	share premium account HK\$'000	
2003	8,534,818	0.733	853	5,402	6,255
2002	-	-	-	-	-

Year	Number of shares issued as interim dividend	Scrip price HK\$	Credited to		Total HK\$'000
			share capital account HK\$'000	share premium account HK\$'000	
2004	6,062,352	1.309	606	7,329	7,935
2003	24,741,383	0.219	2,474	2,945	5,419

## 29. RESERVES

	The Group									
	Share premium	Merger deficit	Capital reserve (Goodwill)	Contributed surplus	Leasehold property revaluation reserve	Other reserve	Exchange fluctuation reserve	Retained profits (Accumulated losses)	Proposed final dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April, 2002	43,255	(11,988)	12,372	349,431	5,466	(22)	-	130,434	-	528,948
Rights issue of two shares for every share held	29,426	-	-	-	-	-	-	-	-	29,426
Offset rights issue expenses	(4,141)	-	-	-	-	-	-	-	-	(4,141)
Exercise of share options	5,571	-	-	-	-	-	-	-	-	5,571
Shares repurchased	(322)	-	-	-	-	-	-	-	-	(322)
Unrealized holding loss of investments in securities	-	-	-	-	-	(4)	-	-	-	(4)
Exchange realignment	-	-	-	-	-	-	86	-	-	86
Profit for the year	-	-	-	-	-	-	-	58,199	-	58,199
2003 interim cash and scrip dividend	2,945	-	-	-	-	-	-	(8,276)	-	(5,331)
Proposed 2003 final dividend	-	-	-	-	-	-	-	(9,463)	9,463	-
As at 31 March, 2003	76,734	(11,988)	12,372	349,431	5,466	(26)	86	170,894	9,463	612,432
Exercise of share options	226	-	-	-	-	-	-	-	-	226
Exercise of warrants	23,683	-	-	-	-	-	-	-	-	23,683
2003 final cash and scrip dividend	5,402	-	-	-	-	-	-	(28)	(9,463)	(4,089)
2004 interim cash and scrip dividend	7,329	-	-	-	-	-	-	(11,544)	-	(4,215)
Exchange realignment	-	-	-	-	-	-	782	-	-	782
Profit for the year	-	-	-	-	-	-	-	80,005	-	80,005
Proposed 2004 final dividend	-	-	-	-	-	-	-	(16,414)	16,414	-
As at 31 March, 2004	113,374	(11,988)	12,372	349,431	5,466	(26)	868	222,913	16,414	708,824

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 29. RESERVES (Continued)

	The Company				Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits		
			(Accumulated losses) HK\$'000	Proposed final dividend HK\$'000	
As at 1 April, 2002	43,255	388,830	(22,621)	-	409,464
Rights issue of two shares for every share held	29,426	-	-	-	29,426
Offset rights issue expenses	(4,141)	-	-	-	(4,141)
Share repurchased	(322)	-	-	-	(322)
Exercise of share options	5,571	-	-	-	5,571
Interim cash and scrip dividend	2,945	-	(8,276)	-	(5,331)
Profit for the year	-	-	40,363	-	40,363
Proposed 2003 final dividend	-	-	(9,463)	9,463	-
<b>As at 31 March, 2003</b>	<b>76,734</b>	<b>388,830</b>	<b>3</b>	<b>9,463</b>	<b>475,030</b>
Exercise of share options	226	-	-	-	226
Exercise of warrants	23,683	-	-	-	23,683
2003 final cash and scrip dividend	5,402	-	(28)	(9,463)	(4,089)
2004 interim cash and scrip dividend	7,329	-	(11,544)	-	(4,215)
Profit for the year	-	-	59,576	-	59,576
Proposed 2004 final dividend	-	-	(16,414)	16,414	-
<b>As at 31 March, 2004</b>	<b>113,374</b>	<b>388,830</b>	<b>31,593</b>	<b>16,414</b>	<b>550,211</b>

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 separate net assets of the subsidiaries acquired.

The merger deficit of the Group 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.

**29. RESERVES** *(Continued)*

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

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:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

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

	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	<b>388,830</b>	388,830
Retained profits	<b>31,593</b>	3
Proposed final dividend	<b>16,414</b>	9,463
	<b>436,837</b>	398,296

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any directors, employees, consultants or professional advisors, suppliers or customers, and authorized agents of the Group. The Scheme became effective on 24 January, 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 10% of the number of issued shares of the Company from time to time excluding the aggregate number of shares which were issued pursuant to the Scheme.

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. The exercise period of the share options granted is determinable by the Board of Directors, and in any event such period of time shall not exceed a period of 3 years commencing on the expiry of 6 months after the date of the acceptance of the offer and expiring on the last day of such period, or 24 January, 2012, whichever is the earlier.

The exercise price of the share options is determinable by the Board of Directors, but shall be the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the offer date, which must be a business day; and (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

**30. SHARE OPTION SCHEME** (Continued)

The following share options were outstanding under the Scheme at the end of the year:

Name or category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares***	
	As at 1	Exercised	At at 31				At	At
	April, 2003	during the year	March, 2004				grant date of options	exercise date of options
	'000	'000	'000			HK\$	HK\$	HK\$
<i>Directors</i>								
Mr. Man Kwok Keung	1,035	1,035	-	05/09/2002	05/03/2003 to 05/03/2006	0.227	0.221	0.790 to 0.800
<i>Other employees</i>								
In aggregate	965	945	20	23/08/2002	23/02/2003 to 23/02/2006	0.200	0.202	0.430 to 1.600
	<hr/>							
	2,000	1,980	20					
	<hr/>							

\* The vesting periods of the share options are from the dates of the grant until the commencement of the exercise periods.

\*\* The exercise prices of the share options are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The prices of the Company's shares disclosed as at the dates of the grant of the share options are the Stock Exchange closing prices on the trading days immediately prior to the dates of the grant of the options. The prices of the Company's shares disclosed as at the dates of the exercise of the share options are the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

As at 31 March, 2004, the Company had 20,000 share options outstanding under the Scheme, with exercise period from 23 February, 2003 to 23 February, 2006 (both dates inclusive) and exercise price of HK\$0.200. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 20,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$4,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 31. ACQUISITION OF SUBSIDIARIES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets of the subsidiaries acquired comprise of:		
Furniture, fixtures and office equipment	<b>393</b>	20,377
Leasehold improvements	-	5,216
Plant and machinery	-	608
Trademark	-	22,460
Inventories	<b>21,333</b>	44,279
Trade and other receivables	<b>10,631</b>	18,142
Bank balances and cash	<b>3,628</b>	3,034
Trade and other payables	<b>(7,569)</b>	(17,766)
Tax payable	<b>(2,483)</b>	-
Bank loan	<b>(2,725)</b>	(5,308)
Minority interest	<b>(9,226)</b>	(37,421)
	<b>13,982</b>	53,621
Negative goodwill arising on consolidation	-	(4,101)
Goodwill arising on consolidation	<b>42,536</b>	8,386
Total purchase price paid, satisfied in cash	<b>56,518</b>	57,906
Less: cash of the subsidiaries acquired	<b>(3,628)</b>	(3,034)
Net outflow of cash and cash equivalents in connection with the purchase of the subsidiaries	<b>52,890</b>	54,872

**32. CASH AND CASH EQUIVALENTS**

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	467,491	207,568
Bank overdrafts	-	(24)
Cash and cash equivalents at the end of the year	<b>467,491</b>	207,544

**33. MAJOR NON-CASH TRANSACTION**

During the year, the Group subscribed additional 10% equity interest in the enlarged capital of an associate in a consideration of HK\$9,000,000 and was satisfied by way of capitalization of debt due from the associate.

In March 2004, the Group assigned certain receivables amounted to HK\$33,619,000 from the operating subsidiaries of the associate to the associate. The amount assigned is shown under interest in an associate at the balance sheet date.

The Group invested an amount of HK\$19,845,000 in proportion to its shareholding in the capital of the jointly controlled entity. The amount was satisfied by way of capitalization of debt due from the jointly controlled entity.

**34. CONTINGENT LIABILITIES**

As at 31 March, 2004, the Group has contingent liabilities in respect of bills discounted with recourse amounted to approximately HK\$19,445,000 (2003: HK\$67,951,000).

The Company has given corporate guarantees to banks in respect of general banking facilities granted to subsidiaries and a related company amounted to approximately HK\$1,483,160,000 and HK\$2,328,000 (2003: HK\$929,000,000 and Nil) respectively. The extent of such facilities utilized by the subsidiaries as at 31 March, 2004 amounted to approximately HK\$357,066,000 (2003: HK\$261,000,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH, 2004

## 35. FINANCIAL INSTRUMENTS

The Group had entered into interest rate and currency rate swaps to manage its interest rate and currency rate risks. As at 31 March, 2004, the total notional amount of such interest and currency instruments were approximately HK\$341,886,000 (2003: HK\$201,000,000) and approximately HK\$61,212,000 (2003: Nil) respectively. The notional amounts of the outstanding interest rate and currency rate swaps indicate the contract size outstanding at the balance sheet date and do not represent the amount at risk.

## 36. OPERATING LEASE ARRANGEMENTS

As at 31 March, 2004, the total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings were payable as follows:

	The Group	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
- Within 1 year	2,646	2,341
- After 1 year but within 5 years	7,195	6,911
- After 5 years	933	1,267
	<b>10,774</b>	10,519

## 37. PLEDGE OF ASSETS

As at 31 March, 2004, leasehold properties with carrying amount of approximately HK\$15,594,000 (2003: HK\$15,956,000) and a fixed deposit of HK\$2,328,000 (2003: Nil) had been pledged to secure banking facilities for a subsidiary. The pledged fixed deposit was subsequently released after the year end date and before the issuance of the financial statements.

**38. POST BALANCE SHEET EVENTS**

- (a) On 6 April, 2004, A-ONE INVESTMENTS LIMITED and United Success Enterprises Limited, substantial shareholders of the Company, placed 93.5 million ordinary shares of the Company in total at HK\$1.63 per share to some independent institutional investors and on 13 April, 2004, subscribed for 126.5 million new shares in total at HK\$1.63 per share. The net proceed in the amount of HK\$202 million was received immediately after the completion of the share subscription.
- (b) On 24 May, 2004, the Group entered into an agreement of assignment of trade marks with an independent third party that the Group acquired certain trademarks in relation to a retail chains business operating under the trade name TimeZone at a consideration of RMB11.6 million (equivalent to HK\$10,943,000). On 31 May, 2004, the Group entered into an agreement with an independent third party that the Group acquired the business assets of the retail chains TimeZone at a consideration of RMB19 million (equivalent to HK\$17,925,000).
- (c) In March 2004, pursuant to a conditional sale and purchase agreement entered into with an independent third party in connection with the acquisition of 51% equity interest in the capital of a watch movement factory in the PRC, an escrow money of HK\$37,647,000 was paid. On 22 June, 2004, the agreement became unconditional and a joint venture agreement was signed and the equity transfer was completed.

# SUMMARY OF PROPERTIES

FOR THE YEAR ENDED 31 MARCH, 2004

	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%

	Location	Lease expiry	Gross floor area (square metre)	Type	Category	Stage of completion	Group interest
3.	Lands and various buildings and structures located at Heba Industrial Zone in front of Fenghuang Gang area Xixiang Baoan County Shenzhen, PRC	2041	33,312.56	Industrial/ partial lease	Own use	Existing	100%
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,

	2000	2001	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	821,155	852,379	937,010	1,119,099	<b>1,434,492</b>
Profit from operations	69,943	49,865	48,971	93,629	<b>108,290</b>
Impairment of goodwill	-	(9,159)	-	-	-
Finance costs	(10,375)	(12,661)	(9,264)	(13,407)	<b>(18,155)</b>
Other operating expenses	(43,230)	-	-	-	-
Share of profit of an associate	-	-	-	-	<b>321</b>
Share of loss of a jointly controlled entity	-	-	-	(6,194)	<b>(2,998)</b>
Profit before taxation	16,338	28,045	39,707	74,028	<b>87,458</b>
Income tax	(1,385)	(4,246)	(4,577)	(7,995)	<b>(206)</b>
Profit after taxation	14,953	23,799	35,130	66,033	<b>87,252</b>
Minority interest	2,271	2,000	1,267	(7,834)	<b>(7,247)</b>
Profit attributable to shareholders	17,224	25,799	36,397	58,199	<b>80,005</b>

**ASSETS AND LIABILITIES***As at 31 March,*

	2000	2001	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	144,015	240,713	292,942	357,070	<b>383,668</b>
Intangible assets	31,437	7,992	43,851	60,912	<b>56,532</b>
Goodwill	-	-	11,714	19,381	<b>60,052</b>
Interest in an associate	-	-	-	29,738	<b>65,680</b>
Interest in a jointly controlled entity	-	-	-	9,535	<b>10,922</b>
Investments in securities	64,295	22,999	15	11	<b>15,600</b>
Club debentures	1,499	1,499	-	-	-
Other financial assets	-	-	-	29,225	<b>29,225</b>
Deferred tax assets	-	-	-	46	<b>12,272</b>
Net current assets	235,898	267,729	417,004	396,145	<b>638,204</b>
	477,144	540,932	765,526	902,063	<b>1,272,155</b>
Long-term liabilities	(6,673)	(57,696)	(214,791)	(176,590)	<b>(424,659)</b>
Deferred tax liabilities	(23)	(1,743)	(3,396)	(6,802)	<b>(9,419)</b>
Minority interest	(21,987)	(20,436)	-	(43,149)	<b>(60,178)</b>
Net assets	448,461	461,057	547,339	675,522	<b>777,899</b>

## 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.  
(*Deceased on 10 December, 2003*)  
Ms. Susan So  
Mr. Kwok Ping Ki, Albert  
Mr. Tang Yat Kan  
(*Appointed on 18 December, 2003*)  
Mr. Wong Yee Sui, Andrew, FHKSA, CPA  
(*Appointed on 18 December, 2003*)

## COMPANY SECRETARY

Ms. Fong Ho Yan, AHKSA, ACCA  
(*Appointed on 18 November, 2003*)

## HEAD OFFICE AND 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

*The United States*  
140-58th Street Suite 6C  
Brooklyn  
New York 11220

*Switzerland*  
Route de Reuchenette 19  
2502 Bienne  
Switzerland

## PRODUCTION FACILITIES

*China*  
107 Shui Ku Lu  
Fenghuang Gang  
Xixiang Baoan  
Shenzhen, PRC

Block 9 & Block 12  
Tong Fu Cun Gong Ye Yuan  
Da Lang Cun  
Longhua Zhen  
Baoan  
Shenzhen, PRC

Third Gong Ye Qu  
Bitou Cun,  
Songgang Baoan,  
Shenzhen, PRC

50 Pangu Lu,  
Changning District  
Shanghai, PRC

*Switzerland*  
Route de Reuchenette 19  
2502 Bienne  
Switzerland

## **DISTRIBUTION OFFICES**

*China*  
6th Floor, Integrated Building  
China Construction Second Division  
Shenzhen First Company  
Jing Er Road  
Luo Hu District  
Shenzhen, PRC

Room 1101  
308 Da Tak Road  
Guangzhou, PRC

*Taiwan*  
3/F., No. 317  
Sec 3 Ho-Ping E. Road  
Taipei  
Taiwan, ROC

*Panama*  
Apartado 2034  
Zona Libre de Colon  
Republic of Panama

*France*  
10 rue Chardin  
75016 Paris  
France

*Germany*  
Zahringerallee 25  
D-75177 Pforzheim  
Germany

## **WEBSITE**

<http://www.peacemark.com>  
<http://www.irasia.com/listco/hk/peacemark>

## **REGISTERED OFFICE**

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Hamilton HM 11  
Bermuda

## **STOCK INFORMATION**

Listed on the main board of Stock Exchange of Hong Kong Limited

## **STOCK CODE**

SEHK: 304  
Bloomberg: 304 HK  
Reuters: 304.HK

## INVESTOR RELATIONS

Corporate Communications Department – general  
Corporate Finance Department – financial information  
Peace Mark (Holdings) Limited  
Unit 3, 12th Floor Cheung Fung Industrial Building  
23-39 Pak Tin Par Street Tsuen Wan  
Hong Kong  
Email: [ir@peacemark.com](mailto:ir@peacemark.com)

## PRINCIPAL BANKERS

Bank of China (Hong Kong)  
BNP Paribas  
China Construction Bank  
ING Bank N. V.  
Hang Seng Bank  
HSH Nordbank AG  
HVB AG  
Merrill Lynch – US operation  
Natexis Banques Populaires  
Rabobank

## AUDITORS

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

## LEGAL ADVISORS

Simmons & Simmons  
35th Floor, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

Gallant Y.T. Ho & Co  
5th Floor, Jardine House  
1 Connaught Place  
Hong Kong

## SHARE REGISTRARS AND TRANSFER OFFICES

*In Hong Kong*  
Secretaries Limited  
G/F, Bank of East Asia Harbour View Center  
56 Gloucester Road  
Wanchai  
Hong Kong

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

## PHOTOGRAPHER

Mr. Jackie Tam



A committed provider of quality timepiece designs, products and services.....