



PEACE MARK (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2001

RESULTS

The Board of Directors (the "Board") of Peace Mark (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2001 as follows:

	Notes	2001 HK\$'000	2000 HK\$'000
Turnover	1	852,379	821,155
Cost of sales		(723,596)	(708,203)
Gross profit		128,783	112,952
Other revenue		16,375	25,935
Distribution costs		(21,539)	(14,662)
Administrative expenses		(54,530)	(50,161)
Other operating expenses		(19,224)	(4,121)
Profit from operations		49,865	69,943
Finance costs		(12,661)	(10,375)
Other expenses		-	(43,230)
Profit before taxation		37,204	16,338
Taxation	2	(4,246)	(1,385)
Profit after taxation		32,958	14,953
Minority interests		2,000	2,271
Profit attributable to shareholders		34,958	17,224
Earnings per share	3		
Basic (cent)		0.96	0.58
Diluted (cent)		N/A	N/A

Notes:

1. Turnover

	2001 HK\$'000	2000 HK\$'000
Continuing operation		
Timepieces	852,379	813,039
Discontinued operation		
General trading	-	8,116
Total turnover	852,379	821,155

2. Taxation

Taxation in consolidated income statement represents:

	2001 HK\$'000	2000 HK\$'000
Hong Kong Profits Tax		
Current year	2,686	1,293
Overprovision in prior years	-	92
Deferred taxation	1,560	-
	4,246	1,385

Hong Kong Profits Tax is calculated at the prevailing rate of 16.0% (2000: 16.0%) on the estimated assessable profits for the year.

3. Earnings per share

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders for the year of approximately HK\$34,958,000 (2000: HK\$17,224,000) and on the weighted average number of 3,634,098,361 (2000: 2,993,105,532) shares in issue during the year.

(b) Diluted earnings per share

There is no diluted earnings per share for the years ended 31st March, 2001 and 31st March, 2000 presented since the company has no dilutive potential ordinary shares.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

With a view to reserving adequate funds for the Group's business growth, the Directors have resolved not to recommend the payment of a final dividend for the year ended 31st March, 2001. The Register of Members of the Company will be closed from 28th August, 2001 to 31st August, 2001 (both days inclusive) for the purpose of establishing entitlement of shareholders to vote at the forthcoming Annual General Meeting to be held on 31st August, 2001.

REVIEW AND PROSPECTS

Result

For the year under review, the consolidated turnover of the Group was HK\$852.4 million representing a 3.8% increase as compared to last year. The profit attributable to shareholders of the Group was HK\$35.0 million up 103.0% as compared to last year. The satisfactory financial performance of the group for this year is as a consequence of the Group's defined strategy of focusing in the core business. The gross profit margin maintained at 15.1% (13.8% for last year), though there was a sign of intensifying competition in the second half of the year.

For securities investment, a net realized loss of HK\$14.0 million was recorded thereby reducing the profit attributable to shareholders to the same extent. An unrealized loss of HK\$17.9 million was written-off against the reserve to reflect the market value of the portfolio of the securities investment at the year end.

Timepiece export industry

In general, the timepiece export of Hong Kong achieved a rebound by 4% to HK\$44 billion in 2000. In particular, the US grew by 4%; the EU declined by 3% and Asia (not including China) surged by 10%. However, the over-investment in the IT sectors and the subsequent equity market setbacks in the US has slowed down the momentum of rebound since last quarter of 2000. The consumer confidence in the US has been adversely affected causing less-than-expected retail activities. The EU was adversely affected by the weakness in Euro in 2000. Both the US and the EU markets are expected to moderate in 2001.

A more value-added business model

In the past few years, Peace Mark has been transforming from an OEM to ODM manufacturer. With the rapid changing marketplace, Peace Mark has been re-positioning itself as an ODM and brandname manufacturer and distributor in the years to come. Brandname companies are increasingly focusing on marketing and sub-contracting design to us, thus market force is the driver of the change. The re-positioning is also on the back of our increased design capability and improved network with the overseas importers. The move has been building on the strong manufacturing foundation of Peace Mark. We are continuously adding value in the business thereby translating to higher profit margin. Umbro is a brand exemplified the transformation of the business model.

Vertical integration

In Peace Mark, production is the foundation on which further business expansion and development are based. In FY2001, Peace Mark completed a substantial vertical integration including additional machinery and equipments for parts manufacturing, electroplating and laboratory testing. Vertical integration enables Peace Mark to have more control over the quality of our products. By means of placing less reliance on components suppliers, enhanced profit margin should result to offset the lowering price offered by customers as a consequence of US economic downturn and weakness in Euro.

These also give Peace Mark an edge over its competitors in soliciting orders as increasing consideration is being given by customers on production facilities and production management.

With the vertically integrated production facilities, we are capable of meeting the planned production schedule and handling orders with shorter lead time.

In the short-term, the depreciation charge arising from the capital expenditure will to a certain extent has impact on the financial performance. Nevertheless, the resultant enhanced cost control and higher-end customer portfolio should generate higher margin and more revenue sources in longer term.

Market diversification

In FY2001, the geographical breakdown of turnover is: the US contributed 59.2%; the EU contributed 24.4% and Asia contributed 16.4%. The US was the largest, yet highly competitive, market for us. Growth potential has been inevitably be affected by general economic downturn in near term. However, the trend of offering watches as an accessory item for various fashion and sport brandnames still making numerous ODM and licence business opportunities. Increasing casualization has also been creating demand in the market. Peace Mark with its long-establishing network and experience in the US is poised to benefit from the turnaround of this significant mass market.

Asia Pacific region, in particular Japan, has been gradually expanded as planned with increasing ODM business opportunities and the phased launch of Umbro has been well prepared for the World Cup tournament to be held in Korea and Japan in 2002. Japan contributed to 10% of Hong Kong's total timepiece export with a growth recorded 7% in 2000. This is a result of value-for-money branded products being well-received by the market. Asia Pacific region with increasing significance in our marketing strategy, has been gradually establishing by agency and distributorship appointments.

On a corporate level, consideration will also be given to forming alliances with overseas importers to further strengthen and expand our distribution capability.

As part of the overall strategy, we are planning to set up after-sales services and domestic sales businesses in China after the China's accession to WTO. Given the impediments encountered in the past, the China expansion strategy will be calculated to mitigate the possible risks with a view to maintaining the overall stability of the business.

Production management and productivity

On the production side, we are in the process of upgrading our work procedures to comply with ISO9001, 2000 version. In addition to ISO9001, we have also applied Japanese 5S management concept in production management in order to have a well-organized factory in all levels of operation. Following Hong Kong Productivity Council's awarding of Certificate of Merit in Productivity in last year, we are invited to be a candidate of the quality award in this year. These awards are reflections of the public's recognition of the Group's production management. Mr. Leung Yung, the Managing Director of the Company, currently serving as a director of the Hong Kong Watch

Manufacturer Association has assumed a role in promoting the Hong Kong watch industry globally and mapping out the blueprint for the industry going forward.

Trading transactions with EganaGoldpfeil Group

As previously reported, the Group has been providing manufacturing support for the assembly of watches to EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil") and its subsidiaries ("EganaGoldpfeil Group") for its onward sales to OEM customers. With a view to better servicing and following up after-sales, we have been directly selling the finished products to the OEM customers previously handled by EganaGoldpfeil Group instead of selling in the form of indent sales to EganaGoldpfeil Group. EganaGoldpfeil is pleased with the customer relationship and production efficiency of the Group in servicing its customers. As regards brandname products, we continue to have secured such orders from EganaGoldpfeil Group for mutual benefit.

In addition, due to the devaluation of the Euro currency for the year, the orders from OEM customers in Europe referred by EganaGoldpfeil Group had a lowering profit margin and having regard to the arm's length negotiation on an open commercial term consistent to our ongoing trading policy with EganaGoldpfeil Group, the Group has been selective in taking orders with margin in line with the Group's pricing policy.

The recent integration of Junghans GmbH into EganaGoldpfeil Group enables us to establish ourselves comfortably to solicit further orders on watches and clocks on open commercial terms.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group increased its capital expenditure by HK\$120.3 million mainly for the acquisition of leasehold improvements, machinery and equipments for enhancing the vertical integration production process. The capital expenditure was mainly financed by, a HK\$85.0 million syndicated loan with drawdown in April 2000 and partly by a net proceed of approximately HK\$58.0 million raised, through a placement of new shares in April 2000.

At the balance sheet date, the Group had a total bank borrowing of HK\$253.5 million and a cash and bank balances of HK\$108.8 million. The current ratio maintained at 2.1x. The inventory and trade account receivables turnovers were monitored at a healthy level of 63 days and 66 days respectively.

With the anticipated business growth and expansion, the Board resolved not to distribute dividends for the year and to retain adequate working capital for the strategic plans in the coming year.

FUTURE

We, as a top-tier vertically integrated manufacturer, will continue to strive for improving production efficiency and upgrading production facilities in a bid to achieving better cost control, wider product range and securing stable revenue streams. We will capitalize on the manufacturing foundation and seek opportunity to expand distribution capability in order to add value along the supply chain. We continue to target brandnames on the basis of both ODM and licences. The business in general is transforming to cope with the global economic slowdown in the near future but prepare to reap the benefits in time of recovery. Upon the impending accession to WTO, we are planning the way to exploit the China domestic market and thereby widening the revenue base by phases. Looking forward, we have confidence to be resilient in the face of the forthcoming challenges.

AUDIT COMMITTEE

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants the Company established an audit committee.

The existing members of the Audit Committee include the three independent Non-Executive Directors of the Company. The principal mission of the Audit Committee are the review of the Group's internal control system and regular meetings with the executive directors and auditors to consider the nature and scope of the audit.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31st March, 2001.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2001 Annual Report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

APPRECIATION

On behalf of the Board, I sincerely thank all the staff for their continuous dedication and support to the Group.

Chau Cham Wong, Patrick
Chairman

Hong Kong, 27th July, 2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Annual General Meeting of Peace Mark (Holdings) Limited (the “Company”) will be held at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 31st August, 2001 at 4:00 p.m. for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31st March, 2001;
2. To re-elect the directors of the Company (the “Directors”) and to authorise the Directors to fix their remuneration;
3. To re-appoint auditors for the ensuing year and to authorise the Directors to fix their remuneration; and
4. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

(A) **“THAT**

- (a) subject to paragraph (c) of this Resolution, and without prejudice to Resolution 4(B) set out in the Notice of this Meeting, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal in shares of HK\$0.10 each in the capital of the Company (the “Shares”) and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
 - (i) a Rights Issue (as defined in paragraph (d) of this Resolution);
 - (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Bye-laws of the Company; or
 - (iii) an issue of Shares under the Company’s share option scheme or any similar arrangements for the time being in force for the grant or issue to employees or directors of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares;

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date upon which the authority set out in this Resolution is revoked or varied by way of ordinary resolution in general meeting of the Company; and

“Rights Issue” means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

(B) **“THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in Resolution 4(A)(d) set out in the Notice of this Meeting) of all the powers of the Company to purchase securities of the Company on The Stock Exchange of Hong Kong Limited or on any other exchange on which the securities of the Company may be listed and which is recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, subject to and in accordance with all applicable laws, and in accordance with the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall, in addition to any other authorisation given to the Directors, authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its own shares at a price to be determined by the Directors; and
- (c) the aggregate nominal amount of the securities of the Company to be purchased or agreed conditionally or unconditionally to be purchased by the Directors pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of this Resolution, and the said approval shall be limited accordingly.”

(C) **“THAT**

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

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

Hong Kong, 27th July, 2001

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend the meeting and on a poll to vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company’s Share Registrar in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. The Register of Members of the Company will be closed from 28th August to 31st August, 2001, both days inclusive, for the purpose of establishing entitlement of shareholders to vote at the forthcoming Annual General Meeting.