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# CORPORATE PROFILE

PEACE MARK (HOLDINGS) LIMITED  
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Founded in 1983 and listed on The Stock Exchange of Hong Kong Limited since 1993, Peace Mark Group has been one of the leaders in the industry of timepiece manufacturing on OEM, ODM, customers' private labels and licences bases in Hong Kong. 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 in Shenzhen, the PRC and its management office in Hong Kong employing more than 1,200 staff in total. The Group is an affiliate of EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil"), a Hong Kong listed company, which holds a group of companies involving in design, assembly and distribution of timepieces, jewellery and leather products having ownership and licences of international brandnames with operating presences mainly in Europe, the USA and Asia.

The consolidated net assets value of the Group as at 31st March, 2001 amounted to HK\$461.1 million (2000: HK\$448.5 million), representing HK12.5 cents (2000: HK14.5 cents) per share. The profit attributable to shareholders for the year ended 31st March, 2001 was HK\$35.0 million (2000: HK\$17.2 million).

**BOARD OF DIRECTORS***Executive Directors*

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

Mr. Leung Yung (*Managing Director*)

Mr. Lee Ka Yue, Peter

Mr. Law Shik Chuen

Mr. Tsang Kwong Chiu, Kevin

Mr. Man Kwok Keung

Mr. Cheng Kwan Ling

*Independent Non-Executive Directors*

Sir Oswald Cheung, C.B.E., LL.D., D.Soc.Sc., J.P.

The Honorary Lau Wong Fat, G.B.S., J.P.

Mr. Wong Wing Hong, Benny

**COMPANY SECRETARY**

Mr. Tsang Kwong Chiu, Kevin, AHKSA, FCCA

**PRINCIPAL PLACE OF BUSINESS**

Unit 3, 12th Floor

Cheung Fung Industrial Building

23-39 Pak Tin Par Street, Tsuen Wan

Hong Kong

**WEBSITE ADDRESSES**

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

<http://www.peacemark.com>

**REGISTERED OFFICE**

Clarendon House, Church Street

Hamilton HM 11

Bermuda

**INVESTOR RELATION**

The Stock Exchange of Hong Kong Trading Code  
0304

**MAJOR BANKERS**

Asia Commercial Bank

Bank of China Group

BNP Paribas

China Construction Bank

Citic Ka Wah Bank

ING Bank N.V.

Natexis Banques Popularis

Rabobank

Standard Chartered Bank

The Fuji Bank

**AUDITORS**

Chu and Chu

*Certified Public Accountants*

Suite 2302-7, ING Tower

308 Des Voeux Road Central

Hong Kong

**LEGAL ADVISORS**

Lovells

23rd Floor, Cheung Kong Center

2 Queen's Road Central

Hong Kong

**SHARE REGISTRARS AND TRANSFER OFFICES**

*In Hong Kong:*

Secretaries Limited

5th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

*In Bermuda:*

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM 11

Bermuda

# CHAIRMAN'S STATEMENT

PEACE MARK (HOLDINGS) LIMITED  
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*Chairman: Mr. Chau Cham Wong, Patrick*

On behalf of the Board, I am pleased to present to all shareholders the financial performance and position of the Company and the Group for the year ended 31st March, 2001.

## RESULTS

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 investments in securities a realised loss of HK\$14.0 million, before taking into account the realisation of unrealised holding gain of HK\$7.4 million recognised in prior year, was recorded thereby reducing the profit attributable to shareholders to the same extent. A net unrealised holding loss of HK\$17.9 million was carried in the reserve to reflect the market value of the investment portfolio of the securities at the year end.

## 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



*Green environment in factory site*



*Main factory in the PRC*

the payment of 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

### 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 USA 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 USA has slowed down the momentum of rebound since last quarter of 2000. The consumer confidence in the USA 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.



*Assembly in progress*



*Water resistance testing*



*Stem cutting*

# CHAIRMAN'S STATEMENT

PEACE MARK (HOLDINGS) LIMITED  
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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 schedules 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

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In FY2001, the geographical breakdown of turnover was: the USA contributed 59.2%; the EU contributed 24.4% and Asia contributed 16.4%. The USA 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 casualisation has also been creating demand in the market. Peace Mark with its long-established 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

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On the production side, we are in the process of upgrading our work procedures to comply with ISO 9001, 2000 version. In addition to ISO 9001, we have also applied Japanese 5S management concept in production management in order to have a well-organised factory at 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

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As previously reported, the Group has been providing manufacturing support for the assembly of watches to EganaGoldpfeil (Holdings) Limited 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.

#### PROSPECTS

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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 capitalise on the manufacturing foundation and seek opportunity to expand distribution capability in order to add value along the supply chain. We continue to solicit 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.

#### APPRECIATION

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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

Financial Year 2001 was a year of capital asset and business expansion. Capital expenditures were financed by equity fund-raising exercise, syndicated loan, and internally generated funds. The financing strategy was to devise the best capital structure not only to sustain business growth, but also to support capital expenditure on one part and to maintain the overall financial stability on the other. Below is a detailed financial analysis of the Group.

## Ratio Analysis:

	2001	2000
Liquidity ratio	1.6	1.6
Current ratio	2.1	2.3
Debtor turnover	49 days	73 days
Inventory turnover	63 days	64 days
Gearing ratio	0.35	0.08
Return on capital employed	8%	4%

There has been no significant changes in both liquidity and current ratios for the years 2001 and 2000. Current assets was in excess of current liabilities by HK\$268 million which was a healthy sign of short term liquidity.

Debtor turnover was 49 days which was 24 days shorter than that of last year's as a result of better control over the credit extended to open account customers.

There has been no material impact on the liquidity position of the Group. Inventory turnover has slightly improved from 64 days to 63 days from year 2000 to 2001.

Gearing ratio (being total bank borrowings, net of bank balances, over shareholders' fund) recorded a comparatively low level of 0.35 even after the syndicated loan raised in the year 2001.

Return on capital employed was 8% for the year 2001. It is expected that the ratio will be further improved with more efficient utilisation of production facilities.

## Liquidity and financial resources:

	2001 HK\$'000	2000 HK\$'000
Net cash inflow (outflow) from:		
Operating activities	(32,091)	(3,335)
Returns on investments and servicing of finance	(7,652)	(6,685)
Taxation	2,871	(9,716)
Investing activities	(149,015)	(48,446)
Financing	155,312	14,116
Decrease in cash and cash equivalents	(30,575)	(54,066)

(a) The net cash outflow of HK\$32.1 million (2000: HK\$3.3 million) from operating activities in 2001 included an operating profit of HK\$37.2 million (2000: HK\$16.3 million) and an increase in working capital of HK\$98.8 million (2000: HK\$47.2 million).

(b) The inventory value of HK\$125.8 million (2000: HK\$123.5 million) maintained as a result of improved inventory turnover.

(c) The returns on investments and servicing of finance included net interest expenses of HK\$9.2 million (2000: HK\$7.3 million).

(d) The investing activities included the purchase of fixed assets totalling approximately HK\$120.3 million (2000: HK\$37.4 million) and net cash outflow from investments in securities of HK\$2.1 million (2000: inflow of HK\$22.8 million).

(e) The financing activities included the new bank and syndicated loans raised of HK\$100.2 million (2000: Nil) and the placement of new shares of HK\$59.7 million (2000: Nil).

(f) Net current assets was approximately HK\$267.7 million (2000: HK\$235.9 million). The current assets comprised trade and other receivables of HK\$267.2 million (2000: HK\$176.5 million).

- (g) In April 2000, the Group signed a HK\$85 million three-year syndicated loan led by Ka Wah Capital Limited. The repayment has commenced from the second year from the drawdown in April 2000 by 5 equal instalments of HK\$17 million each. The loan was applied for capital expenditures and for the expansion of the timepiece business of the Group.
- (h) On 28th April, 2000, the Group entered into an agreement with Upbest Securities Company Limited, as the placing agent, for a placement of 596,500,000 new shares of HK\$0.10 each in the Company at a price of HK\$0.10 per share with independent private and professional investors. The net proceeds of the placement was approximately HK\$58 million, approximately HK\$34 million of which was used for the development and procurement of advanced technology and know-how for the application to timepiece business and the remaining has been used for additional working capital of the Group.

## EXECUTIVE DIRECTORS

**Mr. Chau Cham Wong, Patrick**, *Chairman* – aged 52, is responsible for overall strategic planning and business development. Mr. Chau has over 27 years' experience in the watch and clock industry. He served as a director of the Hong Kong Watch and Clock Manufacturing Association from 1984 to 1993 and as a co-chairman of the Hong Kong International Watch and Clock Fair (which is organized annually by the Hong Kong Trade Development Council). He was also a former adviser and a 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 10 years.

**Mr. Leung Yung** – aged 53, is the Managing Director of the Group and is responsible for the strategic planning, business development, marketing and product research and development. He is a director of the Hong Kong Watch and Clock Manufacturing Association. He joined the Group since it was founded and has over 34 years' experience in the timepiece industry.

**Mr. Lee Ka Yue, Peter** – aged 55, is responsible for advising the financial and corporate aspects in terms of logistics co-ordination within the Group as well as overseeing overall co-ordination between EganaGoldpfeil and the Group. Mr. Lee is also the Executive Director of EganaGoldpfeil. He has over 25 years' experience in the timepiece and jewellery business as well as in the consumer electronics industry. He has been with the Group for over 5 years.

**Mr. Law Shik Chuen** – aged 41, is responsible for advising the financial and corporate aspects of the Group. Mr. Law is also the Group Financial Controller of EganaGoldpfeil. He has over 20 years' experience in accounting, auditing, taxation and finance. Mr. Law holds a Master Degree in Business Administration. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. He has been with the Group for over 5 years.

**Mr. Tsang Kwong Chiu, Kevin** – aged 35, is the Finance Director and also the Company Secretary of the Group and is responsible for the accounting, financial and company secretarial matters of the Group. Mr. Tsang holds a Master Degree in Business Administration from the University of Hull. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Tsang has more than 12 years' experience in auditing, accounting and securities compliance work.

**Mr. Man Kwok Keung** – aged 54, 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 18 years' experience in production management in the timepiece industry. He has been with the Group since it was founded.

**Mr. Cheng Kwan Ling** – aged 50, is responsible for the general management and finance of the Group's operations in the PRC. Mr. Cheng holds a diploma in management studies from the Hong Kong Polytechnic University and the Hong Kong Management Association and is a member of the British Institute of Management. He has over 27 years' experience in accountancy and general management and has been with the Group for over 12 years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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**Sir Oswald Cheung**, C.B.E., LL.D., D.Soc.Sc., J.P. – aged 79, has been an honorary steward of The Hong Kong Jockey Club for 18 years and is a former member of the Hong Kong Legislative and Executive Councils. He has been a non-executive director of the Company since 1993.

**The Honorary Lau Wong Fat**, G.B.S., J.P. – aged 64, is the Chairman of Wing Tung Yick Investment Limited, a company engaged in real estate development and operation of restaurants. Mr. Lau is currently a member of the H.K.S.A.R. Legislative Council and is also the Chairman of N.T. Heung Yee Kuk and of the Tuen Mun District Board. He has been a non-executive director of the Company since 1993.

**Mr. Wong Wing Hong, Benny**, aged 41, is a director of an investment and financial advisory company. Mr. Wong had previously worked for international financial institutions for over 21 years and has extensive experience in banking and finance, particularly in credit risk and trade finance. He has been appointed as a non-executive director of the Company since June 2000.

## SENIOR MANAGEMENT

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**Mr. Leung Chi Shing**, *Factory Manager* – aged 44, is responsible for managing the watch production in Shenzhen, the PRC. Mr. Leung holds a certificate in watch repairing from Lee Wai Lee Technical Institute in Hong Kong. He has over 23 years' experience in product management in the watch and clock industry. He has been with the Group for over 16 years.

**Mr. Tai Kwan Kong, Terry**, *Head of Brandname Division* – aged 50, 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 & Industries Ltd and is also an organizing committee member of HK Watch Q Mark. He has over 30 years' experience in the watch industry. He joined the Group in August 2000.

**Mr. Yip Chi Hung**, *Operation Manager* – aged 47, 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 17 years' experience in the watch industry and has been with the Group since 1994.

**Mr. Chan Wai Pong**, *Marketing Manager* – aged 32, is responsible for the timepiece marketing function, in particular the USA market, of the Group. He has over 10 years' experience in the watch industry. He has been with the Group for over 6 years.

**Mr. Leung King Chak, King**, *Financial Controller* – aged 33, is responsible for the accounting function of the Group. Mr. Leung's credentials include a degree of Master of Accountancy from the Chinese University of Hong Kong and membership of the Association of Chartered Certified Accountants. Mr. Leung has over 10 years of experience, both in Hong Kong and in Europe, in the accounting profession.

The Directors have pleasure in presenting the annual report and the audited financial statements of the Group and the Company for the year ended 31st March, 2001.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's subsidiaries are set out in note 34 to the financial statements.

## SEGMENTAL INFORMATION

The Group's turnover and contribution to operating profit for the year ended 31st March, 2001 by principal activities and geographical markets are as follows:

	<b>Turnover</b> HK\$'000	<b>Contribution to operating profit</b> HK\$'000
<b>By principal activities</b>		
Manufacturing and trading of timepieces	852,379	52,603
Corporate expenses		(5,773)
Interest income		3,435
Interest expenses		(12,660)
Finance lease charges		(401)
		<b>37,204</b>

# DIRECTORS' REPORT

PEACE MARK (HOLDINGS) LIMITED  
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## SEGMENTAL INFORMATION (Continued)

	Turnover HK\$'000	Contribution to operating profit HK\$'000
<b>By geographical markets</b>		
North America	504,608	32,331
Europe	207,980	11,564
Asia (including the PRC)	139,791	8,708
	852,379	52,603
Corporate expenses		(5,773)
Interest income		3,435
Interest expenses		(12,660)
Finance lease charges		(401)
		37,204

## RESULTS

Details of the results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 23 and the accompanying notes to the financial statements.

## DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

With a view to reserving adequate funds for the Group's business growth, the Directors have resolved not to recommend payment of 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.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

**DISTRIBUTABLE RESERVES**

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At 31st March, 2001, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$32,120,000. In addition, the Company's share premium, in the amount of HK\$43,255,000, may be distributed in the form of fully paid bonus shares.

**FINANCIAL SUMMARY**

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A summary of the results of the Group for the last five financial years and the assets and liabilities of the Group at the end of the last five financial years is set out on pages 59 and 60 of the Annual Report.

**FIXED ASSETS**

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During the year, the Group spent approximately HK\$120.3 million on the acquisition of fixed assets.

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

**SUBSIDIARIES**

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Details of the principal subsidiaries of the Company are set out in note 34 to the financial statements.

**SHARE CAPITAL AND SHARE OPTIONS**

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Details of the changes in the issued share capital and share options of the Company during the year are set out in notes 20 and 21 to the financial statements.

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

**BORROWINGS**

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Bank borrowings which are repayable within one year or on demand are classified as current liabilities. Particulars of the Group's bank borrowings and obligations under finance leases are set out in notes 23 and 24 to the financial statements respectively.

**PENSION SCHEMES AND COSTS**

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Details of pension schemes and costs are set out in notes 26 and 6 to the accompanying financial statements respectively.

# DIRECTORS' REPORT

PEACE MARK (HOLDINGS) LIMITED  
Annual Report 2001

## DIRECTORS

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

### Executive Directors

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

Mr. Leung Yung (*Managing Director*)

Mr. Lee Ka Yue, Peter

Mr. Law Shik Chuen

Mr. Tsang Kwong Chiu, Kevin

Mr. Man Kwok Keung

Mr. Cheng Kwan Ling

### Independent Non-Executive Directors

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Sir Oswald Cheung, C.B.E., LL.D., D.Soc.Sc., J.P.

The Honorary Lau Wong Fat, G.B.S., J.P.

Mr. Wong Wing Hong, Benny

In accordance with article 87(1) and (2) of the Company's Bye-laws, Mr. Cheng Kwan Ling and The Honorary Lau Wong Fat retire and, being eligible, offer themselves for re-election.

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

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

## DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2001, the interests of the Directors and their associates in the securities of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Directors	Number of Ordinary Shares		Number of Share Options
	Personal interests	Family interests	(Note)
Mr. Chau Cham Wong, Patrick	374,240,000	368,307	30,000,000
Mr. Leung Yung	–	–	30,000,000
Mr. Lee Ka Yue, Peter	–	–	10,000,000
Mr. Law Shik Chuen	–	–	10,000,000
Mr. Tsang Kwong Chiu, Kevin	–	–	30,000,000

Note: All these share options were granted on 8th October, 1999 and are exercisable at any time during the period from 8th April, 2000 to 7th April, 2003 at a price of HK\$0.10 per Share (subject to adjustment under the terms of the Scheme).

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company held by the Directors in trust for the Company, at 31st March, 2001, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors and chief executives, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had interests of 10% or more in the share capital of the Company:

Name	Number of Shares	%
Glorious Concept Limited*	606,413,551	16.5
Mr. Chau Cham Wong, Patrick	374,608,307**	10.2

\* Glorious Concept Limited is a company ultimately and wholly owned by EganaGoldpfeil.

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

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2001.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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Other than the share option scheme (the "Scheme") which was adopted on 15th January, 1993, the details of which are described in note 21 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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

During the year, none of the Directors nor the employees have exercised the options under the Scheme to subscribe for shares of the Company.

Share options for the subscription of a total of 149,300,000 shares remained outstanding as of 31st March, 2001 (2000: 162,800,000 shares).

## DIRECTORS' INTERESTS IN CONTRACTS

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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

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EganaGoldpfeil is a substantial shareholder of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Trading transactions between the Group and EganaGoldpfeil and its subsidiaries constitute connected transactions under the Listing Rules.

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

The details of the transactions made during the year were set out in note 4 to the financial statements according to the Listing Rules. The Independent Non-executive Directors and the Auditors have reviewed the connected transactions set out in note 4(a), and confirmed that those transactions were:

(1) (a) entered into in the ordinary and usual course of business of the Group;

(b) entered into on normal commercial terms; and

### CONNECTED TRANSACTIONS (Continued)

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(c) fair and reasonable so far as the shareholders of the Company are concerned.

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

In the opinion of the Directors, the connected transactions set out in note 4(a) and (b) were conducted on normal commercial terms and in the ordinary and usual course of business of the Group.

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

### MAJOR CUSTOMERS AND SUPPLIERS

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For the year ended 31st March, 2001, the five largest customers of the Group together accounted for not more than 70% of the Group's turnover for which the largest customer accounting for approximately 25%, and the five largest suppliers of the Group accounted for not more than 69% of the Group's purchases for which the largest supplier accounting for approximately 34% .

EganaGoldpfeil and its subsidiaries accounted for HK\$20,056,000 of the Group's turnover. EganaGoldpfeil is the single largest shareholder of the Company and in which Mr. Lee Ka Yue, Peter has an interest.

Save as disclosed above, none of the Directors, their associates nor any Shareholders 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

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Details of the properties of the Group at 31st March, 2001 are set out on pages 53 to 54 of this Annual Report.

### PRE-EMPTIVE RIGHTS

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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.

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

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

# DIRECTORS' REPORT

PEACE MARK (HOLDINGS) LIMITED  
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## AUDIT COMMITTEE

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

The existing members of the Audit Committee include the three Independent Non-Executive Directors of the Company. The principal missions 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.

## CODE OF BEST PRACTICE

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None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for the year ended 31st March, 2001, 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

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The financial statements for the year ended 31st March, 2001 were audited by Messrs. Chu and Chu, Certified Public Accountants. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint them as auditors.

On behalf of the Board



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

Hong Kong  
27th July, 2001

**CHU and CHU**  
Certified Public Accountants  
A Member of TAG International



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

We have audited the financial statements on pages 23 to 52 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

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

**BASIS OF OPINION**

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

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

# AUDITORS' REPORT

PEACE MARK (HOLDINGS) LIMITED  
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## 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 31st March, 2001 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.

Handwritten signature in black ink, consisting of stylized initials and a surname, likely representing the auditors.

*Certified Public Accountants*

Hong Kong  
27th July, 2001

	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	3	852,379	821,155
COST OF SALES		(723,596)	(708,203)
GROSS PROFIT		128,783	112,952
OTHER REVENUE	5	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	6	49,865	69,943
FINANCE COSTS	7	(12,661)	(10,375)
OTHER EXPENSES	8	–	(43,230)
PROFIT BEFORE TAXATION		37,204	16,338
TAXATION	10	(4,246)	(1,385)
PROFIT AFTER TAXATION		32,958	14,953
MINORITY INTERESTS		2,000	2,271
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	11	34,958	17,224
EARNINGS PER SHARE	12		
BASIC (cent)		0.96	0.58
DILUTED		N/A	N/A

# CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES For the year ended 31st March, 2001

PEACE MARK (HOLDINGS) LIMITED  
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	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
NET UNREALISED HOLDING (LOSS) GAIN OF INVESTMENTS IN SECURITIES	22	(29,379)	11,472
NET (LOSS) GAIN NOT RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT		(29,379)	11,472
NET PROFIT FOR THE YEAR		34,958	17,224
TOTAL RECOGNISED GAINS		5,579	28,696
ELIMINATION AGAINST RESERVES OF GOODWILL ARISING ON ACQUISITION OF SUBSIDIARIES	22	(45,264)	3,848
SUBSEQUENT VALUATION ADJUSTMENT TO GOODWILL	22	(7,369)	-
		(47,054)	32,544

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
<b>NON-CURRENT ASSETS</b>			
FIXED ASSETS	13	240,713	144,015
INTANGIBLE ASSETS	14	7,992	31,437
INVESTMENTS IN SECURITIES	16	22,999	64,295
CLUB DEBENTURES		1,499	1,499
		273,203	241,246
<b>CURRENT ASSETS</b>			
INVENTORIES	17	125,798	123,545
TRADE AND OTHER RECEIVABLES	18	267,223	176,481
TAX RECOVERABLE	10	269	5,665
PLEDGED FIXED DEPOSITS AT BANK	33	11,625	–
SHORT TERM BANK DEPOSITS		51,476	38,431
CASH AND BANK BALANCES		45,677	75,489
		502,068	419,611
<b>CURRENT LIABILITIES</b>			
TRADE AND OTHER PAYABLES	19	(35,511)	(41,332)
BANK BORROWINGS	23	(198,348)	(139,042)
OBLIGATIONS UNDER FINANCE LEASES	24	(476)	(3,339)
		(234,335)	(183,713)
<b>NET CURRENT ASSETS</b>		267,733	235,898
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		540,936	477,144

# CONSOLIDATED BALANCE SHEET As at 31st March, 2001

PEACE MARK (HOLDINGS) LIMITED  
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	Notes	2001 HK\$'000	2000 HK\$'000
<b>CAPITAL AND RESERVES</b>			
SHARE CAPITAL	20	367,822	308,172
RESERVES	22	93,235	140,289
<hr/>			
		461,057	448,461
<b>MINORITY INTERESTS</b>			
		20,436	21,987
<b>NON-CURRENT LIABILITIES</b>			
<b>BANK BORROWINGS</b>			
– DUE AFTER ONE YEAR	23	57,419	5,834
<b>OBLIGATIONS UNDER FINANCE LEASES</b>			
– DUE AFTER ONE YEAR	24	281	839
DEFERRED TAXATION	25	1,743	23
<hr/>			
		540,936	477,144

The financial statements on pages 23 to 52 were approved by the Board of Directors on 27th July, 2001 and are signed on its behalf by:



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



**Leung Yung**  
*Managing Director*

	Notes	2001 HK\$'000	2000 HK\$'000
<b>NON-CURRENT ASSETS</b>			
INVESTMENTS IN SUBSIDIARIES	15	51,398	51,398
<b>CURRENT ASSETS</b>			
AMOUNTS DUE FROM SUBSIDIARIES		476,842	333,926
CASH AND BANK BALANCES		190	346
		477,032	334,272
<b>CURRENT LIABILITIES</b>			
ACCRUALS AND OTHER PAYABLES		(233)	(342)
BANK BORROWINGS – DUE WITHIN ONE YEAR	23	(34,000)	–
		(34,233)	(342)
<b>NET CURRENT ASSETS</b>			
		442,799	333,930
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		494,197	385,328
<b>CAPITAL AND RESERVES</b>			
SHARE CAPITAL	20	367,822	308,172
RESERVES	22	75,375	77,156
		443,197	385,328
<b>NON-CURRENT LIABILITIES</b>			
BANK BORROWINGS - DUE AFTER ONE YEAR	23	51,000	–
		494,197	385,328



**Chau Cham Wong, Patrick**  
 Chairman



**Leung Yung**  
 Managing Director

# CONSOLIDATED CASH FLOW STATEMENT For the year ended 31st March, 2001

PEACE MARK (HOLDINGS) LIMITED  
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	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	27	(32,091)	(3,335)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,435	3,091
Interest paid on bank loans, syndicated loan and bank overdrafts		(12,260)	(9,970)
Finance charges in respect of finance leases		(401)	(405)
Dividend income		1,574	598
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(7,652)	(6,686)
TAXATION			
Hong Kong profits tax refunded (paid)		2,871	(9,716)
TAX REFUNDED (PAID)		2,871	(9,716)
INVESTING ACTIVITIES			
Payments to acquire fixed assets		(120,304)	(37,358)
Proceeds from disposal of fixed assets		231	1,641
Payments to acquire intangible assets		(34,000)	(35,000)
Proceeds from disposal of intangible assets		54,000	-
Purchase of a subsidiary	30	(34,000)	(536)
Payments to increase investments in subsidiaries		(12,815)	-
Purchases of investments in securities		(34,453)	(27,166)
Proceeds from disposal of investments in securities		32,326	49,973
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(149,015)	(48,446)
NET CASH OUTFLOW BEFORE FINANCING		(185,887)	(68,183)

	<i>Notes</i>	2001 HK\$'000	2000 HK\$'000
<b>FINANCING</b>	<b>28</b>		
Placement of new shares		59,650	–
New bank loans raised		15,155	–
Syndicated loan raised		85,000	–
Repayments of bank loans and other loans		(3,072)	(1,572)
Contribution from minority shareholders		2,000	–
Repayments of obligations under finance leases		(3,421)	(4,137)
Proceeds from exercise of share option subscription rights		–	19,824
<b>NET CASH INFLOW FROM FINANCING</b>		<b>155,312</b>	<b>14,115</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(30,575)</b>	<b>(54,068)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>(23,388)</b>	<b>30,680</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>29</b>	<b>(53,963)</b>	<b>(23,388)</b>

## 1. GENERAL

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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 34 to the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of consolidation

---

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

All significant inter-company transactions and balances between the Group enterprises have been eliminated on consolidation.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### Goodwill

---

Goodwill or capital reserve arising acquisition of subsidiary, which represents the excess or shortfall of the purchase consideration over the fair value of the Group's share of the separable net assets of the subsidiary acquired at date of acquisition, is written off or credited directly to reserves respectively.

On disposal of an investment in a subsidiary or an associate, the attributable amount of goodwill or capital reserve previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

---

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or the Company controls the composition of its board of directors, or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fixed assets and depreciation

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost or valuation of fixed assets over their estimated useful lives, using the straight line method, at the following rates per annum:

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

Intangible assets

Intangible assets are stated at cost less any provision for irrecoverable amount considered by the Directors.

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

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses arising on translation are dealt with in the income statement.

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

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### Investments in securities

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

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

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

### Inventories

---

Inventories are stated at the lower of cost and net realisable value. Cost, comprises all direct materials and, where applicable, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition, cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

### Leases

---

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the outstanding principal amount at the inception of the finance leases, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

### Taxation

---

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of resulting timing differences computed under the liability method, are recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Revenue recognition**

Sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when the services are rendered.

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

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

**Operating leases**

Rentals receivable and payable under operating leases are accounted for in the income statement on a straight line basis over the periods of the respective leases.

**Retirement benefits schemes**

Payments to defined contribution plans are charged as expenses as they fall due.

**Cash equivalents**

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

**Related parties**

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

**3. TURNOVER**

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

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

## 4. RELATED PARTY AND CONNECTED TRANSACTIONS

EganaGoldpfeil, which beneficially owns 16.5% of the share capital of the Company, has been a substantial shareholder of the Company pursuant to the Listing Rules. Accordingly, the trading transactions between the Group and EganaGoldpfeil constitute connected transactions of the Company under the Listing Rules. In February 2000, a conditional waiver from strict compliance with the Listing Rules in respect of the trading transactions has been granted by the Stock Exchange for three financial years of the Company starting from the year commencing 1st April, 2000.

In addition to those related party transactions set out elsewhere in these financial statements, the Group had the following material transactions with its related parties as defined in note 2 during the year:

- (a) During the year, the Group had the following material transactions with its related companies:

	Notes	2001 HK\$'000	2000 HK\$'000
Sale of goods to EganaGoldpfeil and its subsidiaries	(i)	20,056	255,052
Purchase of raw materials from EganaGoldpfeil and its subsidiaries	(i)	3,104	79,991
Rental income from a subsidiary of EganaGoldpfeil	(ii)	833	960
Re-packing fees paid to EganaGoldpfeil	(iii)	407	–

- (b) At the balance sheet date, a total amount of approximately HK\$5,036,000 (2000: HK\$32,603,000) due from EganaGoldpfeil and its subsidiaries was included in trade receivables. The amount is trade in nature and is based on normal commercial terms.

Notes:

- (i) Sale and purchase transactions with EganaGoldpfeil and its subsidiaries were in relation to the Group's watch and clock division and were effected on normal commercial terms.
- (ii) The rental income is in relation to the letting of the factory premises of the Group in the PRC for the production activities of EganaGoldpfeil's leather business. The rental income was negotiated on arm's length basis.
- (iii) The re-packing fees are paid to EganaGoldpfeil for the re-packing of returned goods. The fees were negotiated on arm's length basis.

**5. OTHER REVENUE**

	2001 HK\$'000	2000 HK\$'000
Other revenue comprises:		
Rental income	872	1,084
Interest income	3,435	3,091
Management income	48	200
Subcontracting income	–	494
Claims received	153	235
Dividend income from investments in securities	1,574	598
Gain on disposal of fixed assets	–	20
Gain on disposal of investments in securities	–	18,592
Gain on disposal of intangible assets	7,400	–
Exchange gain	1,346	–
Sundry income	1,547	1,621
	16,375	25,935

**6. PROFIT FROM OPERATIONS**

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation		
Owned assets	20,942	10,285
Assets under finance leases	2,381	1,485
Amortisation of intangible assets	10,845	20,190
Auditors' remuneration	742	698
Rental of premises under operating leases	379	89
Retirement benefits scheme contributions	622	647
Loss on disposal of investment securities	6,674	–
Loss on disposal of fixed assets	52	–
Staff costs (including directors' and employees' emoluments as stated in note 9 below)	33,222	28,390
Write off of current assets	10,866	12,669

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2001

PEACE MARK (HOLDINGS) LIMITED  
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## 7. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank loans, syndicated loan and bank overdrafts wholly repayable within five years	12,260	9,970
Obligations under finance leases	401	405
	12,661	10,375

## 8. OTHER EXPENSES

Other expenses comprise all the expenses regarding the discontinued operations:

	2001 HK\$'000	2000 HK\$'000
Write off of investment in an associate	–	7,500
Write off of fixed assets	–	47
Write off of current assets	–	35,683
	–	43,230

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

### (a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' fees:		
Executive	–	–
Non-executive	150	150
	150	150
Other emoluments (executive directors):		
Salaries and other benefits	4,170	3,728
Pension scheme contributions	198	162
	4,368	3,890
	4,518	4,040

All of the Directors' emoluments were in the range of Nil to HK\$1,000,000.

**9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)**

## (b) Employees' emoluments

During the year ended 31st March, 2001, the five highest paid individuals included three Directors (for the year ended 31st March, 2000, the five highest paid individuals included three Directors), details of whose emoluments are set out in note 9(a) to the financial statements above. The emoluments of the two remaining individuals for the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	919	878
Pension scheme contributions	38	39
	957	917

The emoluments of these two individuals were in the range of Nil to HK\$1,000,000.

**10. TAXATION**

## (a) Taxation in the consolidated income statement represents:

	2001 HK\$'000	2000 HK\$'000
Hong Kong Profits Tax:		
Current year	2,526	1,293
Underprovision in prior years	–	92
Deferred taxation	1,720	–
	4,246	1,385

Hong Kong Profits Tax is calculated at the prevailing rate of 16% (2000: 16%) on the estimated assessable profit for the year.

Details of deferred taxation are set out in note 25 to the financial statements.

## (b) Tax recoverable in the consolidated balance sheet represents:

	2001 HK\$'000	2000 HK\$'000
Hong Kong Profits Tax:		
Provision for current year	(4,246)	(1,293)
Over-provision relating to prior years	4,515	6,958
	269	5,665

**11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

Of the Group's profit attributable to shareholders, a loss of HK\$1,781,000 (2000: HK\$3,717,000) has been dealt with in the financial statements of the Company.

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the year of approximately HK\$34,958,000 (2000: HK\$17,224,000) and 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.

## 13. FIXED ASSETS

	Properties under construction HK\$'000	Leasehold properties HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
<b>COST OR VALUATION</b>							
At 1st April, 2000	-	70,164	36,072	13,206	63,701	4,180	187,323
Addition	26,312	36,000	29,183	1,123	26,454	1,232	120,304
Disposal	-	-	-	-	-	(598)	(598)
At 31st March, 2001	26,312	106,164	65,255	14,329	90,155	4,814	307,029
Comprising:							
At valuation	-	14,000	-	-	-	-	14,000
At cost	26,312	92,164	65,255	14,329	90,155	4,814	293,029
	26,312	106,164	65,255	14,329	90,155	4,814	307,029
<b>DEPRECIATION</b>							
At 1st April, 2000	-	4,888	6,855	8,221	21,288	2,056	43,308
Provided for the year	-	2,064	4,531	1,804	14,218	706	23,323
Eliminated on disposal	-	-	-	-	-	(315)	(315)
At 31st March, 2001	-	6,952	11,386	10,025	35,506	2,447	66,316
<b>NET BOOK VALUE</b>							
At 31st March, 2001	26,312	99,212	53,869	4,304	54,649	2,367	240,713
At 31st March, 2000	-	65,276	29,217	4,985	42,413	2,124	144,015

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

At 31st March, 2001, had the leasehold properties of the Group been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK\$90,321,000 (2000: HK\$55,041,000).

**13. FIXED ASSETS (Continued)**

The carrying value of properties held by the Group comprises:

	2001 HK\$'000	2000 HK\$'000
Leasehold properties:		
Held in Hong Kong, medium-term lease	16,675	17,115
Held in People's Republic of China, medium-term lease	82,537	48,161
	99,212	65,276

The net book value of the Group's fixed assets includes an aggregate amount of HK\$1,259,000 (2000: HK\$8,370,000) in respect of assets held under finance leases.

**14. INTANGIBLE ASSETS**

	Technical know-how HK\$'000	Licence HK\$'000	Total HK\$'000
<b>COST</b>			
At 1st April, 2000	27,145	27,600	54,745
Addition	–	34,000	34,000
Disposal	(20,000)	(46,600)	(66,600)
At 31st March, 2001	7,145	15,000	22,145
<b>AMORTISATION</b>			
At 1st April, 2000	18,967	4,341	23,308
Provided for the year	5,847	4,998	10,845
Eliminated on disposal	(20,000)	–	(20,000)
At 31st March, 2001	4,814	9,339	14,153
<b>NET BOOK VALUE</b>			
At 31st March, 2001	2,331	5,661	7,992
At 31st March, 2000	8,178	23,259	31,437

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2001

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## 15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	51,398	51,398

Details of the Company's principal subsidiaries at 31st March, 2001 are set out in note 34 to the financial statements.

## 16. INVESTMENTS IN SECURITIES

	2001 HK\$'000	2000 HK\$'000
Equity securities:		
Listed in Hong Kong, at cost	40,906	52,823
Unrealised holding (loss) gain	(17,907)	11,472
At market value	22,999	64,295

## 17. INVENTORIES

	2001 HK\$'000	2000 HK\$'000
Raw materials	44,713	59,269
Work in progress	33,342	6,391
Finished goods	47,743	57,885
	125,798	123,545

## 18. TRADE AND OTHER RECEIVABLES

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

	2001 HK\$'000	2000 HK\$'000
Trade receivables:		
0-3 months	101,004	141,106
4-6 months	12,918	23,829
Deposits, prepayments and other receivables (a)	113,922	164,935
Short term investment deposit (b)	128,301	11,546
	25,000	–
	267,223	176,481

**18. TRADE AND OTHER RECEIVABLES (Continued)**

- (a) During the year, an amount of HK\$42,000,000 had been paid to a Swiss company for the purchases of inventories for the provision of after-sale services. As the Group decided not to proceed with the project, the amount was fully refunded after the year end date.

An amount of HK\$20,000,000 was receivable from a company for selling back the remote control technology for watches. The amount was fully repaid subsequent to the year end.

During the year, the Group advanced an aggregate amount of approximately HK\$39,000,000 to a Japanese distributor for financing the joint development of the distribution network in Japan. The advance was negotiated on an arm's length basis and interest was calculated on normal commercial term. The term was one year from the dates of advances.

- (b) A refundable escrow money of HK\$25,000,000 was paid to an US based investment fund for direct investment. As the Group subsequently withdrew from the investment, the escrow money together with interest calculated at 8% per annum were settled subsequent to year end date.

**19. TRADE AND OTHER PAYABLES**

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

	2001 HK\$'000	2000 HK\$'000
Trade payables:		
0-3 months	19,342	31,204
4-6 months	4,536	4,254
Accruals and other payables	23,878	35,458
	11,633	5,874
	35,511	41,332

**20. SHARE CAPITAL**

	Number of shares	Value HK\$'000
Shares of HK\$0.10 each		
Authorised:		
At 31st March, 2000 and 31st March, 2001	6,000,000,000	600,000
Issued and fully paid:		
At 1st April, 1999	2,969,723,019	296,972
Exercise of share option subscription rights	112,000,000	11,200
At 31st March, 2000	3,081,723,019	308,172
Placement of new shares	596,500,000	59,650
At 31st March, 2001	3,678,223,019	367,822

## 20. SHARE CAPITAL (Continued)

The Directors of the Company entered into an agreement with Upbest Securities Company Limited ("Upbest"), an independent third party as the placing agent on 28th April, 2000 for a placement of 596,500,000 new shares (the "Placement Shares") of HK\$0.10 each in the Company at a price of HK\$0.10 per Placement Share with independent private and professional institutional investors (the "Placement"). The Placement was fully underwritten by Upbest.

The Placement Shares represented approximately 19.4% of the originally existed issued share capital of the Company and approximately 16.2% of the then issued share capital of the Company as enlarged by the Placement. The Listing Committee of The Stock Exchange of Hong Kong Limited granted the listing of, and permission to deal in, the Placement Shares.

## 21. SHARE OPTION SCHEME

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

On 4th June, 1997, options to subscribe for 149,000,000 shares in the Company were granted to certain directors and eligible employees, which are exercisable from 4th December, 1997 to 3rd December, 2000 at an exercisable price of HK\$0.177 per share (subject to adjustment under the terms of the Scheme). All the then outstanding share options of a total of 13,500,000 shares expired on 3rd December, 2000.

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

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

## 22. RESERVES

	Share premium HK\$'000	Merger deficit HK\$'000	Capital reserve (Goodwill) HK\$'000	Contributed surplus HK\$'000	Leasehold property revaluation reserve HK\$'000	Other reserve HK\$'000	Retained profits (Accumulated losses) HK\$'000	Total HK\$'000
<b>THE GROUP</b>								
At 1st April, 1999	34,631	(11,988)	19,998	-	5,466	-	51,014	99,121
Premium on shares issued upon exercise of share options	8,624	-	-	-	-	-	-	8,624
Reserve arising from acquisition of subsidiaries	-	-	3,848	-	-	-	-	3,848
Unrealised holding gain of investments in securities	-	-	-	-	-	11,472	-	11,472
Profit for the year	-	-	-	-	-	-	17,224	17,224
At 31st March, 2000	43,255	(11,988)	23,846	-	5,466	11,472	68,238	140,289
Subsequent valuation adjustment to goodwill	-	-	(7,369)	-	-	-	-	(7,369)
Eliminate goodwill arising on consolidation of subsidiaries	-	-	(45,264)	-	-	-	-	(45,264)
Net unrealised holding loss of investments in securities	-	-	-	-	-	(29,379)	-	(29,379)
Profit for the year	-	-	-	-	-	-	34,958	34,958
At 31st March, 2001	43,255	(11,988)	(28,787)	-	5,466	(17,907)	103,196	93,235
<b>THE COMPANY</b>								
At 1st April, 1999	34,631	-	-	39,399	-	-	(1,781)	72,249
Premium on shares issued upon exercise of share options	8,624	-	-	-	-	-	-	8,624
Loss for the year	-	-	-	-	-	-	(3,717)	(3,717)
At 31st March, 2000	43,255	-	-	39,399	-	-	(5,498)	77,156
Loss for the year	-	-	-	-	-	-	(1,781)	(1,781)
At 31st March, 2001	43,255	-	-	39,399	-	-	(7,279)	75,375

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

## 22. RESERVES (Continued)

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

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

The other reserve represents the amount of unrealised holding loss from the non-current 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 there are reasonable grounds for believing that:

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

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

	2001 HK\$'000	2000 HK\$'000
Contributed surplus	39,399	39,399
Accumulated losses	(7,279)	(5,498)
	32,120	33,901

**23. BANK BORROWINGS**

THE GROUP	2001 HK\$'000	2000 HK\$'000
Bank borrowings comprise:		
Bank loans and syndicated loan	104,651	7,568
Trust receipt loans	146,267	135,190
Bank overdrafts	4,849	2,118
	255,767	144,876
Analysed as:		
Secured	6,240	7,400
Unsecured	249,527	137,476
	255,767	144,876
The bank borrowings are repayable as follows:		
Not exceeding one year or upon demand	198,348	139,042
More than one year, but not exceeding two years	36,357	1,566
More than two years, but not exceeding five years	21,062	4,268
	255,767	144,876
Less: Amount shown under current liabilities	(198,348)	(139,042)
	57,419	5,834
THE COMPANY		
Bank borrowings comprise:		
Syndicated loan, unsecured	85,000	–
The bank borrowings are repayable as follows:		
Not exceeding one year or upon demand	34,000	–
More than one year, but not exceeding two years	34,000	–
More than two years, but not exceeding five years	17,000	–
	85,000	–
Less: Amount shown under current liabilities	(34,000)	–
	51,000	–

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## 24. OBLIGATIONS UNDER FINANCE LEASES

	2001 HK\$'000	2000 HK\$'000
The maturity of obligations under finance leases is as follows:		
Within one year	476	3,339
More than one year, but not exceeding two years	281	699
More than two years, but not exceeding five years	–	140
	757	4,178
Less: Amount shown under current liabilities	(476)	(3,339)
	281	839

## 25. DEFERRED TAXATION

	2001 HK\$'000	2000 HK\$'000
At 1st April, 2000	23	23
Provided for the year	1,720	–
At 31st March, 2001	1,743	23

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

	Liability provided		Net potential liability (asset) unrecognised	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:				
Excess of depreciation allowances over depreciation charged in the financial statements	1,789	69	1,019	3,892
Revaluation deficit on the Group's investment properties situated in The People's Republic of China	(46)	(46)	–	–
Tax losses	–	–	(3,133)	(1,160)
Provision for doubtful debts	–	–	–	(1,980)
	1,743	23	(2,114)	752

**25. DEFERRED TAXATION (Continued)**

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

**26. RETIREMENT BENEFITS SCHEMES**

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

The cost charged to income statement represents contributions payable to the Scheme and the MPF by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At the balance sheet date, there are no forfeited contributions which are available to reduce the contributions payable in the future years.

**27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	37,204	16,338
Interest received	(3,435)	(3,091)
Interest paid on bank loans, syndicated loan and bank overdrafts	12,260	9,970
Finance charges in respect of finance leases	401	405
Dividend income	(1,574)	(598)
Write off of investment in an associate	–	7,500
Write off of fixed assets	–	47
Gain on disposal of intangible assets	(7,400)	–
Amortisation of intangible assets	10,845	20,190
Depreciation of fixed assets	23,323	11,678
Loss (gain) on disposal of investment securities	6,674	(18,592)
Loss (gain) on disposal of fixed assets	52	(20)
(Increase) decrease in inventories	(2,253)	18,543
Increase in trade and other receivables	(90,742)	(63,809)
Increase in pledged fixed deposits	(11,625)	–
Decrease in trade and other payables	(5,821)	(1,896)
Net cash outflow from operating activities	(32,091)	(3,335)

# NOTES TO THE FINANCIAL STATEMENTS For the year ended 31st March, 2001

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## 28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000
At 1st April, 1999	331,603	9,140	3,188	22,747
Inception of new hire purchase contracts	–	–	5,126	–
Repayment of obligations under finance leases	–	–	(4,136)	–
Exercise of share option subscription rights	11,200	–	–	–
Share premium arises on exercising share option subscription rights	8,624	–	–	–
Acquisition of subsidiaries	–	–	–	1,511
Repayment of bank loans and other loans	–	(1,572)	–	–
Share of loss for the year	–	–	–	(2,271)
At 31st March, 2000	351,427	7,568	4,178	21,987
Bank loans raised	–	15,155	–	–
Repayment of obligations under finance leases	–	–	(3,421)	–
Placement of new shares	59,650	–	–	–
Acquisition of initial interests in subsidiary	–	–	–	1,960
Acquisition of further interests in subsidiary	–	–	–	(1,511)
Syndicated loan raised	–	85,000	–	–
Repayment of bank loans and other loans	–	(3,072)	–	–
Share of loss for the year	–	–	–	(2,000)
At 31st March, 2001	411,077	104,651	757	20,436

## 29. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001 HK\$'000	2000 HK\$'000
Short-term bank deposits	51,476	38,431
Cash and bank balances	45,677	75,489
Trust receipt loans	(146,267)	(135,190)
Bank overdrafts	(4,849)	(2,118)
Cash and cash equivalents at the end of the year	(53,963)	(23,388)

**30. PURCHASE OF A SUBSIDIARY**

During the year, the Group acquired a company with a patent registered in Japan in connection with a technology for downloading internet data from personal computers to wrist watches through infra-red communication (the "Technology Patent"). The market value of the Technology Patent was valued at approximately HK\$32,000,000 by Sallmanns (Far East) Ltd, an independent valuer.

	2001 HK\$'000	2000 HK\$'000
Net assets of the subsidiary acquired comprise:		
Furniture, fixtures and equipment	–	61
Plant and machinery	–	3,152
Pre-operating expenses	–	5
Inventories	–	2,093
Debtors, deposits and prepayments	–	2,425
Cash and bank balances	–	149
Creditors and accrued charges	–	(1,843)
Minority interests	–	(1,510)
	–	4,532
Goodwill (Capital reserve)	34,000	(3,847)
Satisfied by:		
Cash consideration paid	34,000	685
Analysis of the net outflow of cash and cash equivalents in respect of the purchase of the subsidiary:		
Cash consideration paid	(34,000)	(685)
Cash and bank balances acquired	–	149
Net outflow of cash and cash equivalents in respect of the purchase of the subsidiary	(34,000)	(536)

## 31. CONTINGENT LIABILITIES

At 31st March, 2001, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$165,210,000 (2000: HK\$116,921,000 ).

The Company has given guarantees to banks in respect of general banking facilities granted to subsidiaries amounting to HK\$584,900,000 (2000: HK\$536,925,000). The extent of such facilities utilised by the subsidiaries at 31st March, 2001 amounted to approximately HK\$151,114,000 (2000: HK\$137,308,000).

## 32. CAPITAL AND LEASE COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2001 not provided for in the financial statements were as follows:

	2001 HK\$'000	2000 HK\$'000
Contracted for	5,557	–

(b) As at 31st March, 2001, the Group had the following operating lease commitments in respect of leasehold land and buildings:

	2001 HK\$'000	2000 HK\$'000
Amounts payable within the next twelve months under non-cancellable operating leases which would expire		
– in the second to fifth year inclusive	51	–
– after five years	927	–
	978	–

## 33. PLEDGE OF ASSETS

At 31st March, 2001, certain assets of the Group with the following carrying values had been pledged to secure banking facilities for a subsidiary in the PRC and mortgage loans:

	2001 HK\$'000	2000 HK\$'000
Leasehold properties	16,729	17,502
Fixed deposits at bank	11,625	–

**34. SUBSIDIARIES**

Details of the Company's principal subsidiaries at 31st March, 2001 are as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation/ registration</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Proportion of nominal value of issued capital held by the Group %</b>	<b>Principal activities</b>
Capricon Company Limited	British Virgin Islands	US\$100 Ordinary	55	Investment holding
Capricon Industrial (Shenzhen) Co., Ltd.	The People's Republic of China	HK\$10,894,000	55	Property investment
Gar Shun Enterprises Development Limited	Hong Kong	HK\$400,000 Ordinary	51	Electroplating
Inter Mark Worldwide Limited	Hong Kong	HK\$100 Ordinary	100	Timepiece distribution
Nippon Communication Technology Ltd.	Japan	¥10,000,000 Ordinary	100	Patent holding
Peace Mark (B.V.I.) Limited	British Virgin Islands	HK\$10,000 Ordinary	100	Investment holding
Peace Mark Limited	Hong Kong	HK\$100 Ordinary HK\$10,000 Non-voting deferred*	100	Timepiece trading and marketing
Peace Mark (Switzerland) Enterprises Limited	British Virgin Islands	US\$1 Ordinary	100	Provision of after sales service and timepiece components
PM Company Limited	British Virgin Islands	HK\$1 Ordinary	100	Subcontracting
Pure Riches Industries Limited	Hong Kong	HK\$2,760,000 Ordinary	100	Manufacturing of timepiece components

### 34. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital held by the Group %	Principal activities
Sky Type Limited	Hong Kong	HK\$10,000 Ordinary	100	Asset holding
Vico Industries Limited	Hong Kong	HK\$100 Ordinary	100	Manufacturing of timepiece components
World Grade Industries Limited	Hong Kong	HK10,000 Ordinary	100	Property investment

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

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

All subsidiaries are owned indirectly by the Company except Peace Mark (B.V.I.) Limited which is owned directly by the Company.

All subsidiaries are operated in their respective place of incorporation/registration except for Capricon Company Limited and Capricon Industrial (Shenzhen) Co., Ltd. which are operated in The People's Republic of China, Peace Mark (Switzerland) Enterprises Limited which is operated in Switzerland, and Nippon Communication Technology which is operated in Japan.

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

	<b>Location</b>	<b>Lease expiry</b>	<b>Gross floor area (square meter)</b>	<b>Type</b>	<b>Category</b>	<b>Stage of completion</b>
1.	Unit 3 together with air conditioning plant room on 12th Floor and Car Park No. P5 on 1st Floor of High Block Cheung Fung Industrial Building 23-39 Pak Tin Par Street Tsuen Wan New Territories Hong Kong	2047	933.11	Industrial	Own use	Existing
2.	Unit 3 together with air conditioning plant room on 7th Floor of High Block Cheung Fung Industrial Building 23-39 Pak Tin Par Street Tsuen Wan New Territories Hong Kong	2047	933.11	Industrial	Own use/ partial letting	Existing
3.	Block No. 3 Fenghuang Gang Industrial Zone Xi Xiang Baoan County Shenzhen The People's Republic of China	2005	2,680	Industrial	Own use	Existing

# SUMMARY OF PROPERTIES

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	Location	Lease expiry	Gross floor area (square meter)	Type	Category	Stage of completion
4.	A piece of land and the buildings erected thereon at Heba Industrial Zone in front of Fenghuang Gang Area Xi Xiang Baoan County Shenzhen The People's Republic of China	2041	15,000	Industrial	Own use/ partial letting	Existing
5.	中國深圳 羅湖區深南東路 專南湖路交匯處 粵海花園紫荊閣 22樓A單位	2032	87	Residential	Own use	Existing

Properties 1, 2, 3 and 5 are effectively 100% held by the Group and property 4 is wholly held by a 55% owned subsidiary of the Group.

**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 the Auditors for the ensuing year and to authorise the Directors to fix their remuneration; and
4. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

(A) **"THAT**

- (a) subject to paragraph (c) of this Resolution, and without prejudice to Resolution 4(B) set out in the Notice of this Meeting, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal in shares of HK\$0.10 each in the capital of the Company (the "Shares") and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements or options which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval given in paragraph (a) of this Resolution, otherwise than pursuant to:
  - (i) a Rights Issue (as defined in paragraph (d) of this Resolution);

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- (ii) any scrip dividend scheme or similar arrangements implemented in accordance with the Bye-laws of the Company; or
- (iii) an issue of Shares under the Company's share option scheme or any similar arrangements for the time being in force for the grant or issue to employees or directors of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares;

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

- (d) for the purposes of this Resolution:

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

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

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their holdings of such Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any 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 recognised by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, subject to and in accordance with all applicable laws, and in accordance with the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited be and the same is hereby generally and unconditionally approved; and
- (b) the approval in paragraph (a) of this Resolution shall, in addition to any other authorisation given to the Directors, authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its own shares at a price to be determined by the Directors; and
- (c) the aggregate nominal amount of the 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

# NOTICE OF ANNUAL GENERAL MEETING

PEACE MARK (HOLDINGS) LIMITED  
Annual Report 2001

## Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend the meeting and on a poll to vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's 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.

## RESULTS

	Year ended 31st March,				
	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	469,909	713,902	784,062	821,155	852,379
COST OF SALES	(401,942)	(626,306)	(687,140)	(708,203)	(723,596)
GROSS PROFIT	67,967	87,596	96,922	112,952	128,783
OTHER REVENUE	3,263	17,181	22,586	25,935	16,375
DISTRIBUTION COSTS	(6,389)	(25,380)	(17,777)	(14,662)	(21,539)
ADMINISTRATIVE EXPENSES	(34,391)	(35,180)	(45,171)	(50,161)	(54,530)
OTHER OPERATING EXPENSES	(2,659)	(2,485)	(12,317)	(4,121)	(19,224)
PROFIT FROM OPERATIONS	27,791	41,732	44,243	69,943	49,865
FINANCE COSTS	(5,993)	(9,044)	(11,589)	(10,375)	(12,661)
OTHER EXPENSES	-	-	(7,575)	(43,230)	-
SHARE OF PROFIT (LOSS) OF ASSOCIATE	-	3,207	(3,496)	-	-
PROFIT BEFORE TAXATION	21,798	35,895	21,583	16,338	37,204
TAXATION	(352)	(1,703)	(1,327)	(1,385)	(4,246)
PROFIT AFTER TAXATION	21,446	34,192	20,256	14,953	32,958
MINORITY INTERESTS	-	(30)	3,817	2,271	2,000
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	21,446	34,162	24,073	17,224	34,958
EARNINGS PER SHARE					
BASIC (cents)	1.3	1.2	0.81	0.58	<b>0.96</b>
DILUTED (cent)	N/A	N/A	0.81	N/A	<b>N/A</b>

# FINANCIAL SUMMARY

PEACE MARK (HOLDINGS) LIMITED  
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## ASSETS AND LIABILITIES

	Year ended 31st March,				
	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	293,560	586,413	560,873	660,857	775,271
Total liabilities and minority interests	(140,300)	(215,505)	(164,781)	(212,396)	(314,214)
Shareholders' funds	153,260	370,908	396,092	448,461	461,057

Note: The results for the five years ended 31st March, 2001 are extracted from the audited consolidated income statement of the Company and its subsidiaries.