

PEACE MARK (HOLDINGS) LIMITED

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EGANA GOLDPFEIL

(HOLDINGS) LIMITED



Peace Mark (Holdings) Limited

(Stock code: 048)

(Stock code: 304)

(Incorporated in the Cayman Islands with limited liability)

(Incorporated in Bermuda with limited liability)

JOINT ANNOUNCEMENT

SUMMARY

EganaGoldpfeil (a substantial shareholder of Peace Mark holding approximately 16.5% interest in Peace Mark) has reached an agreement with United Success, a company wholly owned by Mr. Leung Yung, for the sale of 367,830,000 shares of par value of HK\$0.10 each which represents approximately 10% in the issued share capital of Peace Mark at a consideration of HK\$49,800,000 on 28th August, 2001.

Mr. Leung Yung is currently the Managing Director of Peace Mark. Upon completion of the Transaction, by virtue of his interest in United Success, Mr. Leung Yung will be deemed to hold approximately 10% of the issued share capital of Peace Mark. The shareholding held by EganaGoldpfeil and its associates (as defined in the Listing Rules) in Peace Mark will decrease from approximately 16.5% to approximately 6.5%. EganaGoldpfeil will keep the remaining of approximately 6.5% interest in Peace Mark as portfolio investment for capital appreciation.

Messrs. Lee Ka Yue, Peter and Law Shik Chuen resigned as executive directors of Peace Mark on 28th August, 2001.

PEACE MARK (HOLDINGS) LIMITED

BACKGROUND

EganaGoldpfeil is a company listed on the Stock Exchange and its principal activities include design, assembly, manufacturing and distribution of timepieces, jewellery and leather products.

Peace Mark is a company listed on the Stock Exchange and is principally engaged in the design, manufacture and distribution of timepieces for the mass market for export, mainly to the US.

Prior to the Transaction, EganaGoldpfeil and its associates held 606,413,551 shares of par value of HK\$0.10 each, representing approximately 16.5% in the issued share capital of Peace Mark.

THE TRANSACTION

Purchaser: United Success, a company is wholly owned by Mr. Leung Yung, Managing Director of Peace Mark. Both United Success and Mr. Leung Yung are not connected with any directors, chief executive or substantial shareholder of EganaGoldpfeil or their respective subsidiaries or associates (as defined in the Listing Rules)

Vendor: Glorious Concept, a wholly owned subsidiary of EganaGoldpfeil

Assets sold: 367,830,000 shares of par value of HK\$0.10 each represent approximately 10% in the issued share capital of Peace Mark

Price: HK\$49,800,000, equivalent to HK13.54 cents per share

Completion: 28th August, 2001

At the initiation of Mr. Leung Yung, an agreement was reached on 28th August, 2001 between EganaGoldpfeil and United Success pursuant to which Glorious Concept agreed to sell and United Success agreed to purchase 367,830,000 shares of HK\$0.10 each which representing approximately 10% in the issued share capital of Peace Mark for HK\$49,800,000, equivalent to HK13.54 cents per share and is payable in cash. The price of HK13.54 cents was arrived at through arm's length negotiations between EganaGoldpfeil and Mr. Leung Yung and represents a premium of approximately 8% to the audited net asset value of HK12.53 cents per share with reference to the latest published financial statements of Peace Mark for the year ended 31st March, 2001. It also represents a premium of approximately 200% to the closing price of HK4.5 cents per share of Peace Mark quoted on the Stock Exchange on 28th August, 2001 and a premium of 193% to the average of the closing share prices of Peace Mark quoted on the Stock Exchange for the last 10 trading days prior to and including 28th August, 2001 of approximately HK4.6 cents per share.

PEACE MARK (HOLDINGS) LIMITED

The consideration represents approximately 6% of EganaGoldpfeil's net tangible assets of HK\$873,630,000 as at 31st December, 2000 and the profit attributable to the assets disposed of constitutes approximately 3% of EganaGoldpfeil's profit attributable to shareholders of HK\$110,360,000 for the year ended 31st December, 2000. The Transaction has no significant financial implication on EganaGoldpfeil.

After completion of the Transaction, Mr. Leung Yung will be deemed to hold approximately 10% interest in Peace Mark. EganaGoldpfeil and its associates' shareholding in Peace Mark will decrease from approximately 16.5% to approximately 6.5% which will be held in the form of portfolio investment for capital appreciation purpose.

Substantial shareholders of Peace Mark	Shareholding	
	before the Transaction	after the Transaction
	%	%
EganaGoldpfeil	16.5	6.5
Chau Cham Wong, Patrick	10.2	10.2
United Success	-	10.0

REASONS FOR AND BENEFITS OF THE TRANSACTION

Peace Mark has been repositioning itself from an OEM manufacturer to an ODM and brandname manufacturer and distributor. The reposition requires continuous innovative design capability, improved network with overseas importers and strong manufacturing capability of Peace Mark together with continuous commitment and faith in Peace Mark by the senior management of Peace Mark.

Mr. Leung Yung, Managing Director of Peace Mark, is responsible for the strategic planning, business development, marketing and product research and development. He joined Peace Mark Group since it was founded and has over 34 years of experience in the timepiece industry. As the Managing Director of Peace Mark, he has great commitment and faith in the future prospects of Peace Mark. As a token of his commitment in Peace Mark, he has approached EganaGoldpfeil for placing approximately 10% shares in the capital of Peace Mark and therefore through United Success becoming a substantial shareholder of Peace Mark. The Directors of Peace Mark believe that the management buyout enhances the commitment of the current operation management in striving for better production efficiency for the benefit of Peace Mark and its shareholders.

PEACE MARK (HOLDINGS) LIMITED

The Directors of Peace Mark expect that the reposition of Peace Mark as an ODM and brandname manufacturer and distributor will translate to higher profit margin to Peace Mark Group and believe that the efficiency enrichment of Peace Mark Group would further help EganaGoldpfeil (which will then not be a substantial shareholder of Peace Mark after the completion of the Transaction) in placing future OEM/ODM orders to Peace Mark Group, thereby enhancing the cost efficiency and price competitiveness of future orders for the benefits of both groups. These trading transactions between Peace Mark Group and EganaGoldpfeil Group are of a recurring nature and be continuously conducted in the ordinary and usual course of business of both groups and on open and normal commercial terms.

On the other hand, the Directors of EganaGoldpfeil consider that if Peace Mark continues to be an associated company of EganaGoldpfeil, competitions between the two groups would be unavoidable, as there might have conflict of interests in soliciting orders from customers as EganaGoldpfeil Group is also in the brandname sector of fashion and upscale timepiece market, which would not be beneficial to both groups.

In line with the surge of information technology and globalization trend, it is one of the EganaGoldpfeil's objectives to extend the information technology applications of the Junghans Systems (contactless transponder system) to the community as far as practicable including entertainment, key/lock system, e-ticketing, public transport system etc and the life style concept for Goldpfeil brandname. Discussions have recently been held with potential partners to explore business cooperation possibilities and no written agreement has been entered by EganaGoldpfeil at this stage. It was envisaged that additional management/financial resources would be diverted to these areas in the near future. The proceeds of the Transaction will be wholly utilized in these areas. Further announcement will be made by EganaGoldpfeil as and when appropriate.

RESIGNATION OF DIRECTORS OF PEACE MARK

Messrs. Lee Ka Yue, Peter and Law Shik Chuen, executive directors of Peace Mark, who are the representatives of EganaGoldpfeil on the Board of Peace Mark, resigned as directors of Peace Mark on 28th August, 2001 on the premises that Peace Mark is no longer an associated company of EganaGoldpfeil and that both Messrs. Lee Ka Yue, Peter and Law Shik Chuen desire to devote more time and effort on exploring EganaGoldpfeil's new business opportunities in Asia.

PEACE MARK (HOLDINGS) LIMITED

DEFINITIONS

"associates"	the meaning as given to it in the Listing Rules
"EganaGoldpfeil"	EganaGoldpfeil (Holdings) Limited
"EganaGoldpfeil Group"	EganaGoldpfeil, together with its subsidiaries
"Glorious Concept"	Glorious Concept Limited
"HK\$"	Hong Kong dollars
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"ODM"	Original design manufacturing, whereby manufacturer owns the design of the products and such products are marketed under the customer's own brand name
"OEM"	Original equipment manufacturing, whereby products are manufactured in accordance with the designs and instructions of a customer and are marketed by the customer under the customer's own brand name
"Peace Mark"	Peace Mark (Holdings) Limited
"Peace Mark Group"	Peace Mark, together with its subsidiaries
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the sale of 367,830,000 shares of par value of HK\$0.10 each in the issued capital of Peace Mark by EganaGoldpfeil to Mr. Leung Yung
"United Success"	United Success Enterprises Limited

PEACE MARK (HOLDINGS) LIMITED

By Order of the Board of
EganaGoldpfeil (Holdings) Limited
Hans-Joerg SEEBERGER
Chairman and Chief Executive

By Order of the Board of
Peace Mark (Holdings) Limited
CHAU Cham Wong, Patrick
Chairman

Hong Kong, 28th August, 2001

All of the Directors of EganaGoldpfeil (except Professor Udo GLITTENBERG and Dr. Goetz Reiner WESTERMEYER who are not in Hong Kong and could not be contacted by telephone or facsimile prior to the issue of this announcement) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement in relation to EganaGoldpfeil and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement in relation to EganaGoldpfeil have been arrived at after due and careful consideration and that there are no other facts not contained in this announcement the omission of which would make any statement herein in relation to EganaGoldpfeil misleading.

All of the Directors of Peace Mark (except Sir Oswald CHEUNG and The Honorary LAU Wong Fat who could not be contacted by telephone or facsimile prior to the issue of this announcement) jointly and severally accept full responsibility for the accuracy of the information contained in this announcement in relation to Peace Mark and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement in relation to Peace Mark have been arrived at after due and careful consideration and that there are no other facts not contained in this announcement the omission of which would make any statement herein in relation to Peace Mark misleading.

Please also refer to the published version of this announcement in the Hong Kong iMail.