



# PEACE MARK (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

## ANNOUNCEMENT

### PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD

### AND

### APPLICATION FOR THE GRANTING OF THE WHITEWASH WAIVER

The Company proposes to issue, by way of rights, 367,822,300 Rights Shares at HK\$0.18 each. The Company will provisionally allot two Rights Shares in nil-paid form for every existing Share held by the Qualifying Shareholders on the Record Date. The Rights Issue is not available to the Overseas Shareholders.

The net proceeds of the Rights Issue are expected to be about HK\$63 million, about HK\$24 million of which is intended to be used for establishing a distribution arm in the United States, about HK\$10 million of which will be used for promoting the Group's licenced products through the distribution arm aforementioned, about HK\$20 million of which will be used for developing its distribution network in the PRC and the remaining balance will be used as its general working capital.

The Rights Issue is subject to the conditions set out below under the paragraph headed "Conditions of the Rights Issue". In particular, the Rights Issue is conditional upon, among other things: (i) the Executive granting the Whitewash Waiver to A-ONE, Mr. Partrick Chau and Mr. Leung Yung and parties acting in concert with any of them; (ii) the approval by the Independent Shareholders at the SGM by way of poll of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof, including provisions regarding force majeure referred to below in the paragraph headed "Termination of the Underwriting Agreement".

Mr. Patrick Chau and Mr. Leung Yung are the substantial Shareholders and each of them is interested in approximately 10.18% and 10.00% of the existing issued share capital of the Company as at the date of this announcement. Each of Mr. Patrick Chau and Mr. Leung Yung, being the substantial shareholders of the Company, has irrevocably undertaken to the Company and the Underwriters that the Shares beneficially owned by each of them will remain registered in their names from the date of this announcement to the close of business on the Record Date and that they will take up their entitlements, amounting in aggregate 74,243,832 Rights Shares, under the Rights Issue in full.

Pursuant to the Underwriting Agreement, the Rights Shares other than the Rights Shares to be issued to and accepted by Mr. Patrick Chau and Mr. Leung Yung have been fully underwritten by the Underwriters.

It should be noted that the Underwriting Agreement contains provisions granting TIS Securities the right to terminate its obligations on the occurrence of certain events including force majeure. If the Underwriting Agreement is terminated, the Rights Issue will not be fully underwritten and in such circumstances, in compliance with Rule 7.19 of the Listing Rules, the Rights Issue will not proceed.

The last day of dealing in the Shares on a cum-rights basis is Monday, 8th July, 2002. Existing Shares will be dealt with on an ex-rights basis from Tuesday, 9th July, 2002. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Monday, 15th July, 2002. In order to be registered as members on the Record Date, any transfers of Shares (with the relevant share certificates) must be lodged for registration by, 4:00 p.m. on the closing of the share register which is expected to be on around Wednesday, 10th July, 2002.

A-ONE, a company beneficially owned by Mr. Patrick Chau and Mr. Leung Yung will act as one of the Underwriters under the Underwriting Agreement. In the event that A-ONE is called upon to take up its underwriting obligations under the Underwriting Agreement in full, the aggregate shareholding interests of A-ONE, Mr. Patrick Chau, Mr. Leung Yung and parties acting in concert with any of them in the issued share capital of the Company as enlarged by the Rights Issue would be increased to approximately 62.06%. The fulfillment by A-ONE of all or part of its underwriting commitment which will result the aggregate shareholding interests of A-ONE, Mr. Patrick Chau, Mr. Leung Yung and parties acting in concert with any of them in the issued share capital of the Company as enlarged by the Rights Issue exceed 30%, will trigger a mandatory general offer under Rule 26 of the Takeovers Code by A-ONE and parties acting in concert with it, for all Shares other than those already owned by A-ONE or parties acting in concert with it to the Executive for the Whitewash Waiver.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares.

The SGM will be convened as soon as practicable at which all necessary resolutions will be proposed to approve the Rights Issue and the Whitewash Waiver. In view of Mr. Patrick Chau and Mr. Leung Yung's interests in A-ONE and in the Rights Issue, they and parties acting in concert with any of them shall abstain from voting at the SGM.

An Independent Board Committee consisting of the independent non-executive Directors, namely Sir Oswald Cheung, The Honorable Lau Wong Fat and Ms. Susan So has been established to advise the Independent Shareholders on terms of the Rights Issue and the Whitewash Waiver. In connection therewith, the independent financial adviser, Somerley Limited, has been appointed to advise the Independent Board Committee on terms of the Rights Issue and the Whitewash Waiver.

A circular containing, among others, details of the Rights Issue, a letter from the Independent Board Committee, a letter from the independent financial adviser to the Independent Board Committee and a notice convening the SGM to consider the Rights Issue and the Whitewash Waiver will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares was suspended on the Stock Exchange at 9:30 a.m. on 6th June, 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 7th June, 2002.

**Shareholders and potential investors should exercise caution in dealing of the securities in the Company.**

#### THE RIGHTS ISSUE

##### Issue statistics

Basis of the Rights Issue: two Rights Shares for every one existing Share held on the Record Date at a subscription price of HK\$0.18 per Rights Share

Number of Shares in issue: 183,911,150 Shares as at the date of this announcement

Number of Rights Shares: 367,822,300 Shares

The 367,822,300 nil-paid Rights Shares proposed to be provisionally allotted represent 200.00% of the existing issued share capital of the Company and approximately 66.67% of the Company's share capital as enlarged by the issue of the Rights Shares.

As at the date of the announcement, the Company has no outstanding options, warrants or convertible securities.

##### Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only and the Prospectus, for information only, to the Overseas Shareholders.

To qualify for the Rights Issue, a Shareholder must:

- be registered as a member of the Company on the Record Date; and
- have an address in Hong Kong which appears on the register of members of the Company on the Record Date.

In order to be registered as members on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch registrar in Hong Kong at Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong by 4:00 p.m. on Wednesday, 10th July, 2002.

##### Closure of register of members

The register of members of the Company will be closed from Thursday, 11th July, 2002 to Monday, 15th July, 2002 both dates inclusive. No transfers of Shares will be registered during this period.

##### Subscription price for the Rights Shares

HK\$0.18 per Rights Share payable in full upon acceptance of the assured entitlements and (where applicable) application for excess Rights Shares under the Rights Issue.

Such subscription price represents:

- a discount of about 66.67% to the closing price of HK\$0.54 per Share as quoted on the Stock Exchange on 5th June, 2002 (being the last trading day immediately preceding the release of this announcement);
- a discount of about 68.97% to the average closing price of HK\$0.58 per Share based on the daily closing prices as quoted on the Stock Exchange over the ten trading days up to and including 5th June, 2002 (being the last trading day immediately preceding the release of this announcement); and
- a discount of about 40.00% to the theoretical ex-rights price of approximately HK\$0.30 per Share based on the closing price per Share as quoted on the Stock Exchange on 5th June, 2002 (being the last trading day immediately preceding the release of this announcement).

Such subscription price was determined after arm's length negotiations with the Underwriters.

##### Status of the Rights Shares

The Rights Shares (when allotted and fully-paid) will rank pari passu with the then existing Shares in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment and issue of the Rights Shares.

Nil-paid Rights Shares are expected to be traded in board lots of 10,000 Shares. Dealing in the Rights Shares in both the nil-paid and fully-paid forms registered in the branch register of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

##### Certificates for Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Right Shares are expected to be posted by 6th August, 2002 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares at their own risk.

##### Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. The Company will send the Prospectus to the Overseas Shareholders for their information only and will not send provisional allotment letters or application forms for excess Rights Shares to the Overseas Shareholders. However, Overseas Shareholders are entitled to vote at the SGM.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be retained by the Company for its own use.

##### Fractional entitlements

As the basis of the Rights Issue is two Rights Shares for every one existing Share held on the Record Date, there will be no fractional entitlement to the Rights Shares.

##### Application for excess Rights Shares

The Qualifying Shareholders are entitled to apply for unsold entitlements of the Overseas Shareholders and any nil-paid Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the appropriate excess application form and a separate remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and reasonable basis.

Mr. Patrick Chau and Mr. Leung Yung have not indicated whether they will apply for any excess Rights Shares.

##### Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both the nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

##### UNDERWRITING ARRANGEMENT

###### Underwriting Agreement

Date: 6th June, 2002

Underwriters: (i) A-ONE, an investment holding company which is owned as to 50.45% by Mr. Patrick Chau and 49.55% by Mr. Leung Yung; and

(ii) TIS Securities, which is independent of, and not acting in concert with, the directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates.

Number of Rights Shares underwritten by A-ONE: a maximum of 231,078,468 Rights Shares or in the proportion of approximately 78.71%

Number of Rights Shares underwritten by TIS Securities: a maximum of 62,500,000 Rights Shares or in the proportion of approximately 21.29%

Since A-ONE is an associate of both Mr. Patrick Chau and Mr. Leung Yung who are the substantial shareholders and executive directors of the Company, the Underwriting Agreement is a connected transaction for the Company which is exempted from shareholders' approval requirements pursuant to Rule 14.24(6)(c) of the Listing Rules.

As at the date of this announcement, each of Mr. Patrick Chau and Mr. Leung Yung was interested in 18,730,416 Shares and 18,391,500 Shares, representing approximately 10.18% and 10.00% of the existing issued share capital of the Company respectively. The aggregate interests of Mr. Patrick Chau and Mr. Leung Yung and parties acting in concert with any of them in the existing issued share capital of the Company are approximately 20.18%. Each of Mr. Patrick Chau and Mr. Leung Yung has irrevocably undertaken to the Company and the Underwriters that the Shares beneficially owned by each of them will remain registered in their names from the date of this announcement to the close of business on the Record Date and that they will take up their entitlements, amounting in aggregate 74,243,832 Rights Shares, under the Rights Issue in full.

In the event that the Underwriters are called upon to take up their underwriting obligations under the Underwriting Agreement in full, the respective shareholding interests of A-ONE and TIS Securities in the issued share capital of the Company as enlarged by the Rights Issue would be approximately 41.88% and 11.33% respectively. Accordingly, in the event that A-ONE is called upon to take up its underwriting obligations under the Underwriting Agreement in full, the aggregate shareholding interests of A-ONE, Mr. Patrick Chau, Mr. Leung Yung and parties acting in concert with any of them in the issued share capital of the Company as enlarged by the Rights Issue would be increased to approximately 62.06%. The fulfillment by A-ONE of all or part of its underwriting commitment which will result the aggregate shareholding interests of A-ONE, Mr. Patrick Chau, Mr. Leung Yung and parties acting in concert with any of them in the issued share capital of the Company as enlarged by the Rights Issue exceed 30%, will trigger a mandatory general offer under Rule 26 of the Takeovers Code by A-ONE and parties acting in concert with it, for all Shares other than those already owned by A-ONE or parties acting in concert with it. An application will be made by A-ONE and parties acting in concert with it to the Executive for the Whitewash Waiver from the obligation of A-ONE and parties acting in concert with it to make a mandatory general offer for the Shares as a result of the Rights Issue and any Rights Shares to be subscribed under the Underwriting Agreement pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, inter alia, the approval of the Independent Shareholders taken on poll at the SGM.

##### Shareholding structure

The shareholding structure of the Company is as follows:

	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue (assuming existing Shareholders taken up their entitlements in full under the Rights Issue)		Immediately after completion of the Rights Issue (assuming the Rights Shares were fully underwritten by the Underwriters)	
	Shares	%	Shares	%	Shares	%
Mr. Patrick Chau	18,730,416	10.18	56,191,248	10.18	56,191,248	10.18
Mr. Leung Yung	18,391,500	10.00	55,174,500	10.00	55,174,500	10.00
A-ONE	—	—	—	—	231,078,468	41.88
Subtotal of A-ONE and its concert parties	<u>37,121,916</u>	<u>20.18</u>	<u>111,365,748</u>	<u>20.18</u>	<u>342,444,216</u>	<u>62.06</u>
TIS Securities	—	—	—	—	62,500,000	11.33
Public Shareholders	146,789,234	79.82	440,367,702	79.82	146,789,234	26.61
Total	<u>183,911,150</u>	<u>100.00</u>	<u>551,733,450</u>	<u>100.00</u>	<u>551,733,450</u>	<u>100.00</u>

If the aggregate shareholding interests of A-ONE, Mr. Patrick Chau and Mr. Leung Yung and parties acting in concert with any of them after completion of the Rights Issue is in the range of 30% to 50% of the enlarged issued share capital of the Company, they will be subject to the 2% creeper as set out in the Takeovers Code.

If the aggregate shareholding interests of A-ONE, Mr. Patrick Chau and Mr. Leung Yung and parties acting in concert with any of them after completion of the Rights Issue exceeds 50% of the enlarged issued share capital of the Company, A-ONE, Mr. Patrick Chau and Mr. Leung Yung and parties acting in concert with any of them can acquire further Shares without triggering a mandatory offer.

##### Underwriting fee

Underwriting commissions of 1.50% and 2.50% will be payable by the Company to A-ONE and TIS Securities respectively.

##### Termination of the Underwriting Agreement

TIS Securities may, in addition to and without prejudice to any other remedies to which the Underwriters may be entitled, by notice in writing to the Company terminate the Underwriting Agreement forthwith if at any time between the date of the Underwriting Agreement and 4:00 p.m. on

the date of acceptance to be agreed between the Company and the Underwriters and in any event not later than 1st August, 2002, and one or more of the following events or matters (whether or not forming part of a series of events) shall occur, arise, or exist:

- the occurrence, happening, coming into effect or public knowledge of any local, national or international event of a financial, political, economic, monetary, military or other nature whether or not sui generis with any of the foregoing resulting in a material adverse change in, or which would reasonably be expected to result in a material adverse change in the business or prospects of the Group taken as a whole or materially and adversely affect the success of the Rights Issue; or
- the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- the introduction of any new law or regulation or any change in existing law or regulation or the interpretation thereof by the courts (or in the absence of judicial interpretation, which is commonly accepted) or the introduction or change in any policy or guideline whether or not having the force of law or other occurrence of any nature whatsoever which would materially and adversely affect the business or prospects of the Group taken as a whole; or
- any material adverse change in market conditions of Hong Kong or international securities markets (or in conditions affecting a sector only of the market) occurs which in the reasonable opinion of TIS Securities make it inexpedient or inadvisable to proceed with the Rights Issue; or
- the Prospectus disclosing any new fact or circumstance, which in the reasonable opinion of TIS Securities, which constitutes a material adverse change in the financial or trading position of the Group taken as a whole in or in its prospects, from that disclosed in this announcement and/or the audited consolidated financial statements of the Group for the year ended 31st March, 2001 and/or public announcements of the Company made prior to the date of the Underwriting Agreement; or
- any of the warranties or representations given by the Company is or becomes no longer true and accurate in every respect which is material in the context of the Rights Issue; or
- any breach of the undertakings by A-ONE and/or the shareholders of A-ONE, Mr. Patrick Chau and Mr. Leung Yung, of their undertakings in relation to the financial resources of A-ONE being sufficient for A-ONE to perform its obligations under the Underwriting Agreement; or
- the Company commits any breach or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement.

In the event that the Underwriting Agreement shall have been terminated, all obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the irrevocable undertakings entered into by Mr. Patrick Chau and Mr. Leung Yung save in respect of any antecedent breach. The Underwriters' right to terminate will be exercised in the sole discretion of TIS Securities and accordingly, A-ONE itself does not have the discretionary power to terminate the Underwriting Agreement. If the Underwriters exercise such right, the Rights Issue will not proceed.

#### CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following events:

- the Listing Committee of the Stock Exchange having granted (subject only to provisional allotment and/or allotment of the Rights Shares and any other matters required by the Stock Exchange) the listing of and permission to deal in the Rights Shares (both nil paid and fully paid) on the Stock Exchange by no later than 17th July 2002 and such listing and permission to deal not being revoked prior to 4:00 p.m. on the date of acceptance;
- the registration of the Prospectus Documents (with all the documents required to be attached thereto by Section 342C of the Ordinance) (all having been duly authorised for registration by the Stock Exchange and signed by or on behalf of two Directors) by the Registrar of Companies in Hong Kong in compliance with the Ordinance by no later than 17th July, 2002;
- the filing of the Prospectus Documents with the Registrar of Companies in Bermuda by no later than the 17th July, 2002;
- the granting of the Whitewash Waiver and the satisfaction of all conditions attached therein no later than 17th July, 2002;
- the passing by the Board of resolutions on or before the SGM to approve, inter alia, the following:
  - the Rights Issue;
  - the entering into by the Company of the Underwriting Agreement; and
  - the Whitewash Waiver;
- the passing by Independent Shareholders at the SGM by not later than 15th July, 2002 of ordinary resolutions to approve by poll and authorise, inter alia, the following:
  - the Rights Issue;
  - the entering into by the Company of the Underwriting Agreement;
  - the Whitewash Waiver;
- the posting of the Prospectus Documents to the Qualifying Shareholders on or before 17th July, 2002;
- the entering into of the irrevocable undertakings that the Shares beneficially owned by each of Mr. Patrick Chau and Mr. Leung Yung will remain registered in their names from the date of this announcement to the Record Date and they will take up their entitlements under the Rights Issue in full and that such irrevocable undertakings shall remain valid and effective on the date of acceptance;
- the compliance of undertakings and representations in relation to the financial resources of A-ONE being sufficient for A-ONE to perform its obligation under the Underwriting Agreement by A-ONE and the shareholders of A-ONE, Mr. Patrick Chau and Mr. Leung Yung; and
- if required, the granting of consent to the Rights Issue by the Bermuda Monetary Authority.

None of the parties will waive the condition (d) stated above and the Company will not proceed with the Rights Issue in the event that condition (d) is not fulfilled. In the event that all the conditions of the Rights Issue are not fulfilled on or before the relevant time and date or dates stated above (or such other date as the Company and the Underwriters may agree but no later than 19th July, 2002), the Underwriters shall have the right to terminate the Underwriting Agreement by giving notice to the Company. Accordingly, all obligations of the Underwriters shall cease and determine and no party shall have any claim against any other party in connection with the Underwriting Agreement (including the irrevocable undertakings provided by Mr. Patrick Chau and Mr. Leung Yung).

#### EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:—

	<i>2002</i>
Despatch of circular to Shareholders	Thursday, 27th June
Last day of dealings in Shares on a cum-rights basis	Monday, 8th July
First day of dealings in Shares on an ex-rights basis	Tuesday, 9th July
Latest time for lodging transfers of Shares	4:00 p.m. on Wednesday, 10th July
Register of members closed (both dates inclusive)	Thursday, 11th July to Monday, 15th July
Latest time for lodging forms of proxy for the SGM	10:00 a.m. on Saturday, 13th July
SGM	10:00 a.m. on Monday, 15th July
Record Date for the Rights Issue	Monday, 15th July
Announcement of results of the SGM	Tuesday, 16th July
Register of members re-opens	Tuesday, 16th July
Despatch of the Prospectus Documents	Wednesday, 17th July
First day of dealings in nil-paid Rights Shares	Friday, 19th July
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 24th July
Last day of dealings in nil-paid Rights Shares	Monday, 29th July
Latest time for payment for and acceptance of Rights Shares	4:00 p.m. on Thursday, 1st August
Rights Issue expected to become unconditional	Monday, 5th August
Announcement of results of acceptance of the Rights Issue	Tuesday, 6th August
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications	Tuesday, 6th August
Certificates for fully-paid Rights Shares expected to be despatched on or before	Tuesday, 6th August
First day of dealings in the fully-paid Rights Shares	Thursday, 8th August
Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Rights Issue is indicative only and may be exercised or varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published by way of public announcements.	

#### REASONS FOR AND USE OF PROCEEDS OF THE RIGHTS ISSUE

The Company is an investment holding company which, through its subsidiaries, is principally engaged in the design, manufacture and distribution of timepieces on ODM, OEM and licence bases. In the past few years, the Group has been transforming from an OEM to an ODM, brandname manufacturer and distributor. The Group has been increasingly involved in the design, manufacture and distribution of various fashion and sport brandnames.

To stay ahead of the rapid changing and competitive marketplace, the Group has to strengthen its distribution network globally in order to provide a wide range of services along the supply chain to its customers. To this end, the Group is actively seeking opportunities to expand its distribution capability with a view to creating higher profit margin for its business.

In accordance with the objectives above and in conjunction with the PRC's accession to WTO, the Group has been planning to extend its watches distribution network in the PRC and to establish a distribution arm in the United States.

The Directors including the independent non-executive Directors believe that the Rights Issue will enable the Group to proceed with these opportunities. The Company did not have any equity fund raising exercise for the past 12 months. The gearing ratio of the Group, measured as total debts to Shareholders' equity, as at 30th September, 2001 was approximately 58.05%. Upon completion of the Rights Issue, Shareholders' equity of the Group will be increased by approximately HK\$63 million as a result of the Rights Issue. On this basis, the gearing ratio of the Group will be improved from 58.05% to approximately 51.51%. The Directors including the independent non-executive Directors consider that it is in the interests of the Company and its Shareholders as a whole to strengthen the Group's capital base and financial position through the Rights Issue.

The estimated expense of the Rights Issue is approximately HK\$3 million, which will be borne by the Company. The net proceeds of the Rights Issue are expected to be approximately HK\$63 million and are intended to be used as follows:

- about HK\$24 million for establishing a distribution arm in the United States;
- about HK\$10 million for promoting the Group's licenced products through the distribution arm aforementioned;
- about HK\$20 million for developing its distribution network in the PRC; and
- the remaining balance for the use as the general working capital of the Company.

#### INFORMATION ON THE GROUP

##### Business

The Company is an investment holding company. The Group is principally engaged in the design, manufacture and distribution of timepieces on ODM, OEM and licence bases.

#### Financial information

The following table sets out a summary of the audited consolidated results of the Group for the two years ended 31st March, 2001 and 2000 and the unaudited consolidated results of the Group for the six month period ended 30th September, 2001:

	<b>Six months ended 30th September, 2001 (Unaudited) HK\$' million</b>	<b>Year ended 31st Mar, 2001 HK\$' million</b>	<b>Year ended 31st Mar, 2000 (Audited) HK\$' million</b>
Turnover	477	852	821
Profit for the period/year	17	35	17

#### INFORMATION ON MR. PATRICK CHAU, MR. LUENG YUNG AND A-ONE

As at the date of this announcement, each of Mr. Patrick Chau and Mr. Leung Yung was interested in approximately 10.18% and approximately 10.00% of the issued share capital of the Company respectively. At present, A-ONE does not own any Shares in the Company. Accordingly, the aggregate interests of A-ONE, Mr. Patrick Chau, Mr. Leung Yung and parties acting in concert with any of them in the existing issued share capital of the Company is 20.18%.

Mr. Patrick Chau, the Chairman of the Company, is responsible for overall strategic planning and business development. Mr. Chau has over 28 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 Watch and Clock Trade Advisory Council to the Hong Kong Trade Development Council). He has been with the Group for over 11 years.

Mr. Leung Yung, the Managing Director, 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 35 years' experience in the timepiece industry.

Mr. Patrick Chau and Mr. Leung Yung are acting in concert with each other in relation to the Company for the purpose of the Takeovers Code. A-ONE, Mr. Patrick Chau and Mr. Leung Yung or persons acting in concert with any of them have not acquired any voting rights in the Company and have not dealt in any shares in the six months prior to the date of this announcement.

A-ONE is an investment holding company incorporated in the British Virgin Islands and is owned as to 50.45% by Mr. Patrick Chau and 49.55% by Mr. Leung Yung.

#### WARNING OF THE RISK OF DEALING IN SHARES AND RIGHTS SHARES

**Existing Shares will be dealt in on an ex-rights basis from Tuesday, 9th July, 2002. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 19th July, 2002 to Monday, 29th July, 2002 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.**

**Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period from Friday, 19th July, 2002 to Monday, 29th July, 2002 who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriters' right of termination ceases) and any persons dealing in the nil-paid Rights Shares during the period from Friday, 19th July, 2002 to Monday, 29th July, 2002 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.**

#### SGM

The SGM will be convened as soon as practicable at which all necessary resolutions will be proposed to approve the Rights Issue and the Whitewash Waiver. In view of the interests of Mr. Patrick Chau and Mr. Leung Yung in A-ONE and in the Rights Issue, they and parties acting in concert with each of them and those who are not Independent Shareholders shall abstain from voting at the SGM.

#### GENERAL

The Independent Board Committee consisting of the independent non-executive Directors, namely Sir Oswald Cheung, The Honorable Lau Wong Fat and Ms. Susan So is established to advise the Independent Shareholders on terms of the Rights Issue and the Whitewash Waiver. In connection therewith, the independent financial adviser, Somerley Limited, has been appointed to advise the Independent Board Committee on terms of the Rights Issue and the Whitewash Waiver.

A circular containing, among others, details of the Rights Issue, a letter from the Independent Board Committee, a letter from the independent financial adviser to the Independent Board Committee and a notice convening the SGM to consider the Rights Issue and the Whitewash Waiver will be despatched to the Shareholders as soon as practicable.

At the request of the Company, the Shares were suspended from trading on the Stock Exchange at 9:30 a.m. on 6th June, 2002 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 7th June, 2002.

#### Shareholders and potential investors should exercise caution in dealing of the securities in the Company.

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“A-ONE”	A-ONE INVESTMENTS LIMITED, an investment holding company incorporated in the British Virgin Islands, which is owned as to 50.45% by Mr. Patrick Chau and 49.55% by Mr. Leung Yung and an underwriter of the Rights Issue
“Associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Peace Mark (Holdings) Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rule
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Independent Board Committee”	an independent committee of the Board consisting of the independent non-executive Directors, namely Sir Oswald Cheung, The Honorable Lau Wong Fat and Ms. Susan So, to advise the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver
“Independent Shareholders”	shareholders of the Company, other than Mr. Patrick Chau and Mr. Leung Yung, any of their associates and parties acting in concert with any of them and any other Shareholders who are interested in or involved in the Rights Issue or are deemed by the Stock Exchange to be connected persons of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Patrick Chau”	Chau Cham Wong, Patrick, a substantial shareholder of the Company and holds 10.18% interest in the existing issued share capital of the Company
“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
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the close of business on the Record Date and whose registered address(es) as shown on such register are outside Hong Kong where, in the opinion of the Board, the Rights Shares may not be conveniently offered to them, without compliance with registration and/or other legal or regulatory requirements in such jurisdictions
“Prospectus”	a prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus together with the provisional allotment letter and the form of application for excess Rights Shares
“Qualifying Shareholder(s)”	the Shareholder(s), other than the Overseas Shareholder(s), whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es), as shown on such register of members of the Company, are in Hong Kong
“Record Date”	Monday, 15th July, 2002, being the date by reference to which entitlements for the provisional allotment of the nil-paid Rights Shares under the Rights Issue are expected to be determined
“Rights Issue”	the rights issue of two Rights Shares for every one existing Share held
“Rights Share(s)”	new Share(s) to be issued under the Rights Issue
“SFC”	Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to approve, inter alia, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“TIS Securities”	TIS Securities (HK) Limited, a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), an underwriter of the Rights Issue
“Underwriters”	A-ONE and TIS Securities
“Underwriting Agreement”	the agreement dated 6th June, 2002 entered into between the Company, Mr. Patrick Chau and Mr. Leung Yung and the Underwriters in relation to the Rights Issue
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Takeovers Code in respect of the obligations of A-ONE, Mr. Patrick Chau, Mr. Leung Yung and parties acting in concert with any of them to make a mandatory general offer for all the Shares not already owned by A-ONE or parties acting in concert with any of them which would otherwise arise as a result of A-ONE subscribing for Rights Shares under the terms of the Underwriting Agreement
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong

Hong Kong, 6th June, 2002

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, their opinions expressed in this announcement 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 of their statements in this announcement misleading.*

By Order of the Board  
**Chau Cham Wong, Patrick**  
Chairman

*Please also refer to the published version of this announcement in  
The Standard and Hong Kong Economic Times.*