



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

Interim Report **2002**



BOARD OF DIRECTORS

Executive Directors

Mr. Chau Cham Wong, Patrick (*Chairman*)
 Mr. Leung Yung (*Managing Director*)
 Mr. Tsang Kwong Chiu, Kevin
 Mr. Man Kwok Keung
 Mr. Cheng Kwan Ling

Independent Non-Executive Directors

Sir Oswald Cheung, C.B.E., LL.D.,
 D.Soc.Sc., J.P.
 The Honorable Lau Wong Fat, G.B.S., J.P.
 Ms. Susan So
 Mr. Kwok Ping Ki, Albert
 (Appointed on 19th November, 2002)

COMPANY SECRETARY

Mr. Tsang Kwong Chiu, Kevin, AHKSA,
 FCCA

PRINCIPAL PLACE OF BUSINESS

Hong Kong Office
 Unit 3 12th Floor
 Cheung Fung Industrial Building
 23-39 Pak Tin Par Street Tsuen Wan
 Hong Kong

OTHER OFFICES

US Office
 140 58th Street
 Brooklyn NY USA

Swiss Office
 Route de Reuchenette 19
 2502 Bienne
 Switzerland

China Office
 107 Shui Ku Lu
 Fenghuang Gang
 Xi Xiang Baoan
 Shenzhen
 PRC

WEBSITE

<http://www.peacemark.com>

REGISTERED OFFICE

Clarendon House, Church Street
 Hamilton HM 11
 Bermuda

INVESTOR RELATIONS

The Stock Exchange of Hong Kong Limited
 Trading Code: 0304

PRINCIPAL BANKERS

Bank of China (Hong Kong)
 BNP Paribas
 China Construction Bank
 ING Bank N.V.
 Hamburgische Landesbank
 HVB
 Natexis Banques Populaires
 Westdeutsche Landesbank Girozentrale

AUDITORS

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

LEGAL ADVISORS

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

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



The board of directors (the "Directors") of Peace Mark (Holdings) Limited (the "Company") is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2002 together with the comparative figures for the corresponding period as follows:

CONSOLIDATED INCOME STATEMENT (CONDENSED)

		Six months ended	
		30th September,	
		2002	2001
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Turnover	2	501,151	476,884
Cost of sales		(421,472)	(403,211)
Gross profit		79,679	73,673
Other revenue		5,435	8,089
Distribution costs		(24,935)	(13,548)
Administrative expenses		(23,170)	(30,026)
Other operating expenses		(1,831)	(13,974)
Profit from operations		35,178	24,214
Share of loss of a jointly controlled entity		(1,961)	–
Finance costs		(6,331)	(4,723)
Profit before taxation	2, 3	26,886	19,491
Taxation	4	(2,936)	(3,401)
Profit after taxation		23,950	16,090
Minority interest		–	1,267
Profit attributable to shareholders		23,950	17,357
Interim dividend	5	8,276	–
Earnings per share	6		
Basic (cents)		8.65	8.67
Diluted (cents)		8.50	7.15



CONSOLIDATED BALANCE SHEET (CONDENSED)

	Note	As at 30th September, 2002 (Unaudited) HK\$'000	As at 31st March, 2002 (Audited) HK\$'000
Non-current assets			
Fixed assets		338,468	292,942
Intangible assets		41,192	43,851
Goodwill		11,406	11,714
Interests in a jointly controlled entity		920	–
Investments in securities		9	15
		391,995	348,522
Current assets			
Inventories		255,330	156,058
Trade and other receivables	7	296,722	342,888
Cash and bank balances		179,271	154,380
		731,323	653,326
Current liabilities			
Trade and other payables	8	31,655	28,237
Syndicated loan	9	57,143	–
Other interest-bearing borrowings	9	201,993	205,597
Obligations under finance leases	10	107	252
Tax payable		4,467	2,236
		295,365	236,322
Net current assets		435,958	417,004
Total assets less current liabilities		827,953	765,526
Non-current liabilities			
Syndicated loan – Due after one year	9	142,857	200,000
Other interest-bearing borrowings – Due after one year	9	47,188	14,766
Obligations under finance leases – Due after one year	10	16	25
Deferred taxation		3,635	3,396
		193,696	218,187
Net assets		634,257	547,339
Capital and reserves			
Issued capital	11	55,173	18,391
Reserves		579,084	528,948
		634,257	547,339



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONDENSED)

For the six months ended 30th September, 2002

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Merger deficit (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Leasehold property revaluation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
As at 1st April, 2002	18,391	43,255	(11,988)	12,372	349,431	5,466	(22)	130,434	547,339
Rights issue of two shares for every share held	36,782	29,426	-	-	-	-	-	-	66,208
Offset rights issue expenses	-	(3,233)	-	-	-	-	-	-	(3,233)
Unrealized holding loss of investments in securities	-	-	-	-	-	-	(7)	-	(7)
Profit for the period	-	-	-	-	-	-	-	23,950	23,950
As at 30th September, 2002	55,173	69,448	(11,988)	12,372	349,431	5,466	(29)	154,384	634,257
Balance as at 1st April, 2001 as previously reported	367,822	43,255	(11,988)	(28,787)	-	5,466	(17,907)	103,196	461,057
Effect of adopting SSAP 30 and SSAP 31	-	-	-	9,207	-	-	-	(9,207)	-
Balance as at 1st April, 2001 as restated	367,822	43,255	(11,988)	(19,580)	-	5,466	(17,907)	93,989	461,057
Realisation of unrealized holding loss of investments in securities upon disposal	-	-	-	-	-	-	17,882	-	17,882
Profit for the period	-	-	-	-	-	-	-	17,357	17,357
As at 30th September, 2001	367,822	43,255	(11,988)	(19,580)	-	5,466	(25)	111,346	496,296



CONSOLIDATED CASH FLOW STATEMENT (CONDENSED)

	Six months ended	
	30th September,	
	2002	2001
	(Unaudited)	(Unaudited, restated)
	HK\$'000	HK\$'000
Net cash (used in) from operating activities	(17,018)	98,328
Net cash used in investing activities	(71,023)	(68,508)
Net cash from (used in) financing activities	113,306	(6,953)
	<hr/>	<hr/>
Increase in cash and cash equivalents	25,265	22,867
Cash and cash equivalents at 1st April	153,999	103,929
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	179,264	126,796
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents:		
Cash and bank balances	179,271	126,871
Bank overdrafts	(7)	(75)
	<hr/>	<hr/>
	179,264	126,796
	<hr/> <hr/>	<hr/> <hr/>

**Notes to Condensed Interim Accounts****1. Basis of preparation and principal accounting policies**

The unaudited condensed consolidated interim accounts (the "Interim Accounts") of the Group are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation used in the preparation of the Interim Accounts are the same as those adopted in the annual financial statements for the year ended 31st March, 2002, except that the following new or revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 34	: Employee benefits

The adoption of these new or revised SSAPs has no material impact on the Group's financial statements.

2. Segmental information

In accordance with its internal financial reporting policy, the Group has determined that business segments should be presented as primary reporting format. However, business segments are not presented because the Group's turnover and operating profit were contributed solely by manufacture and trading of timepieces products.

Geographical segments are presented as secondary reporting format, segment revenue is based on the final destination of goods sold. There are no sales between the segments.

	Turnover		Segment results	
	For the six months		For the six months	
	ended 30th September,		ended 30th September,	
	2002	2001	2002	2001
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	279,141	261,673	29,664	32,623
Europe	109,752	104,842	10,925	13,219
Asia	112,258	110,369	12,193	14,283
	501,151	476,884	52,782	60,125
Other revenue			5,435	8,089
Unallocated expenses			(25,000)	(44,000)
Finance costs			(6,331)	(4,723)
Profit before taxation			26,886	19,491



3. Profit before taxation

**For the six months
ended 30th September,**
2002 2001
HK\$'000 HK\$'000

Profit before taxation is arrived at after charging (crediting):

Depreciation of tangible fixed assets	20,693	12,211
Amortisation of intangible assets	2,967	1,985
Interest expenses	6,331	13,822
Loss on disposal of investments in securities	-	14,723
Interest income	(1,227)	(2,820)
	20,693	12,211

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on profits assessable elsewhere have been calculated at the rate of taxation prevailing in the countries in which the Group operates.

5. Interim dividend

The Board has resolved to declare an interim dividend of 1.5 HK cents in cash (2001: nil) per share for the six months ended 30th September, 2002. The interim dividend will be payable on Monday, 17th February, 2003 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 24th December, 2002, with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. A-ONE INVESTMENTS LIMITED, Mr. Chau Cham Wong, Partick and United Success Enterprises Limited, altogether holding 277,835,148 shares, representing approximately 50.4% of the issued share capital of the Company, have indicated to the Board that they intend to take up their dividend entitlements wholly in shares.

The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto.

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

**For the six months
ended 30th September,**
2002 2001
(Restated)

(a) *Basic earnings per share*

Profit attributable to shareholders (HK\$'000)	23,950	17,357
Weighted average number of shares	277,027,342	200,186,473
Basic earnings per share (cents)	8.65	8.67
	8.65	8.67



(b) Diluted earnings per share

Profit attributable to shareholders (HK\$'000)	23,950	17,357
Weighted average number of shares	277,027,342	200,186,473
Potential dilutive shares	4,713,652	42,622,438
	<hr/>	<hr/>
Adjusted weighted average number of shares	281,740,994	242,808,911
	<hr/>	<hr/>
Diluted earnings per share (cents)	8.50	7.15
	<hr/>	<hr/>

The earnings per share and diluted earnings per share for the six months ended 30th September, 2001 have been adjusted to take into account of the effects of

- (a) the capital reorganisation involving a reduction of the issued share capital of the Company whereby the nominal value of the shares was reduced to HK\$0.005 each by cancellation of HK\$0.095 paid-up capital for each issued share, and consolidation of the issued share capital of the Company whereby every 20 new issued shares with nominal value of HK\$0.005 each in the capital of the Company following the capital reduction was consolidated into consolidated share which became effective on 25th January, 2002; and
- (b) the rights issue of 367,822,300 rights shares of HK\$0.10 each per rights share on the basis of two rights shares for every one share held which became unconditional on 22nd August, 2002.

7. Trade and other receivables

The Group allows an average credit period of 90-120 days to its trade customers. An aged analysis of the trade receivables (net of provisions for bad and doubtful debts) as at 30th September, 2002, based on the invoice date, is as follows:

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
0 – 90 days	85,881	113,400
91 – 180 days	10,796	9,964
Over 180 days	2,175	4,424
	<hr/>	<hr/>
Trade deposits	98,852	127,788
Other deposits, prepayments and other receivables	65,030	70,077
	<hr/>	<hr/>
	132,840	145,023
	<hr/>	<hr/>
	296,722	342,888
	<hr/>	<hr/>



8. Trade and other payables

An aged analysis of the trade payables as at 30th September, 2002, based on the invoice date, is as follows:

	At 30th September, 2002	At 31st March, 2002
	HK\$'000	HK\$'000
0 – 90 days	11,623	9,231
91 – 180 days	4,727	3,324
Over 180 days	6,732	8,424
	<hr/>	<hr/>
	23,082	20,979
Accruals and other payables	8,573	7,258
	<hr/>	<hr/>
	31,655	28,237
	<hr/> <hr/>	<hr/> <hr/>

9. Maturity analysis of syndicated loan and other interest-bearing borrowings

	At 30th September, 2002	At 31st March, 2002
	HK\$'000	HK\$'000
Within one year	259,136	205,597
After one year but within two years	126,023	125,302
After two years but within five years	64,022	89,464
	<hr/>	<hr/>
	449,181	420,363
	<hr/> <hr/>	<hr/> <hr/>

At 30th September, 2002, the syndicated loan and other interest-bearing borrowings were as follows:

	At 30th September, 2002	At 31st March, 2002
	HK\$'000	HK\$'000
Bank overdrafts		
– unsecured	7	381
	<hr/>	<hr/>
Syndicated loan and other interest-bearing borrowings		
– unsecured	449,174	419,982
	<hr/>	<hr/>
	449,181	420,363
	<hr/> <hr/>	<hr/> <hr/>



10. Maturity analysis of obligations under finance leases

	At 30th September, 2002 HK\$'000	At 31st March, 2002 HK\$'000
Within one year	118	298
More than one year, but not exceeding two years	25	24
More than two years, but not exceeding five years	–	10
	<u>143</u>	<u>332</u>
Less: finance charges	(20)	(55)
	<u>123</u>	<u>277</u>
Representing finance lease obligations:		
Current portion	107	252
Non-current portion	16	25
	<u>123</u>	<u>277</u>

11. Share capital

(a) Share capital

	Number of shares	Par value HK\$	Amount HK\$'000
Authorised:			
As at 1st April, 2001, 31st March, 2002 and 30th September, 2002	<u>6,000,000,000</u>	<u>0.10</u>	<u>600,000</u>
Issued and fully paid:			
As at 1st April, 2001	3,678,223,019	0.10	367,822
Capital reduction whereby the nominal value of the shares was reduced to HK\$0.005 each by cancellation of HK\$0.095 paid-up capital for each issued share	<u>–</u>	<u>(0.095)</u>	<u>(349,431)</u>
	3,678,223,019	0.005	18,391
Capital consolidation whereby every 20 new issued shares with nominal value of HK\$0.005 each in the capital of the Company following the capital reduction was consolidated into 1 consolidated share	<u>(3,494,311,869)</u>	<u>0.095</u>	<u>–</u>
As at 31st March, 2002	183,911,150	0.10	18,391
Rights issue of two rights shares for every one share held	<u>367,822,300</u>	<u>0.10</u>	<u>36,782</u>
As at 30th September, 2002	<u>551,733,450</u>	<u>0.10</u>	<u>55,173</u>



On 6th June, 2002, the Company proposed to issue, by way of rights, 367,822,300 rights shares at HK\$0.18 each. The rights issue closed and became unconditional on 22nd August, 2002.

(b) *Share option scheme*

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

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

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and in any event such period of time shall not exceed a period of 3 years commencing on the expiry of 6 months after the date of the acceptance of the offer and expiring on the last day of such period, or 24th January, 2012, whichever is the earlier.

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

The following share options were outstanding under the Scheme during the period:

Name or category of participant	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares**		
	At 1st March, 2002	Granted during the period	Exercised during the period	Lapsed during the period				At 30th September, 2002	At grant date of options	At exercise date of options
Directors										
Mr. Tsang Kwong Chiu, Kevin	-	5,500,000	-	-	5,500,000	23-08-2002	23-02-2003 to 23-02-2006	0.210	0.202	-
Mr. Man Kwok Keung	-	990,000	-	-	990,000	05-09-2002	05-03-2003 to 05-03-2006	0.237	0.221	-
Mr. Cheng Kwan Ling	-	990,000	-	-	990,000	05-09-2002	05-03-2003 to 05-03-2006	0.237	0.221	-
		<u>7,480,000</u>	<u>-</u>	<u>-</u>	<u>7,480,000</u>					
Other employees										
In aggregate	-	14,690,000	-	-	14,690,000	23-08-2002	23-02-2003 to 23-02-2006	0.210	0.202	-
		<u>14,690,000</u>	<u>-</u>	<u>-</u>	<u>14,690,000</u>					
Suppliers										
In aggregate	-	33,000,000	-	-	33,000,000	23-08-2002	23-02-2003 to 23-02-2006	0.210	0.202	-
		<u>33,000,000</u>	<u>-</u>	<u>-</u>	<u>33,000,000</u>					
		<u>55,170,000</u>	<u>-</u>	<u>-</u>	<u>55,170,000</u>					



- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

As at 30th September, 2002, the Company had 55,170,000 share options outstanding under the Scheme, with exercise periods ranging from 23rd February, 2003 to 5th March, 2006 and exercise prices ranging from HK\$0.210 to HK\$0.237. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 55,170,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$11,639,160.

12. Contingent liabilities

At 30th September, 2002, the Group had contingent liabilities in respect of bills discounted with recourse amounting to approximately HK\$144,635,000 (31st March, 2002: HK\$179,740,000).

The Company has given guarantees to banks in respect of general banking facilities granted to subsidiaries amounting to HK\$761,000,000 at 30th September, 2002 (31st March, 2002: HK\$816,000,000). The extent of such facilities utilized by the subsidiaries at 30th September, 2002 amounted to approximately HK\$173,000,000 (31st March, 2002: HK\$195,000,000).

13. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

FINANCIAL REVIEW

The Group recorded profit attributable to shareholders of approximately HK\$23,950,000 for the six months ended 30th September, 2002, representing an increase of 38% compared with the corresponding period last year. Basic earnings per share amounted to 8.65 HK cents (2001: 8.67 HK cents).

The satisfactory results during the period under review were mainly due to margin enhancement as a result of improved efficiency and better cost-control from a higher degree of vertically integrated manufacturing. Moreover, the Group has further expanded the distribution business of Montana and Umbro.

On 5th August, 2002, the Group issued 367,822,300 rights shares on the basis of two rights shares for every one share at HK\$0.18 each and the rights issue became unconditional and completed on 22nd August, 2002. Approximately HK\$60 million were raised through the rights issue and the proceeds were intended for use in the expansion of the distribution networks in both the United States (the "US") and the People's Republic of China (the "PRC").



INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 1.5 HK cents (2001: nil) per share for the six months ended 30th September, 2002. The interim dividend will be payable on Monday, 17th February, 2003 to shareholders whose names appear on the register of members of the Company on Tuesday, 24th December, 2002, with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares credited as fully paid in lieu of cash. A-ONE INVESTMENTS LIMITED, Mr. Chau Cham Wong, Patrick and United Success Enterprises Limited, altogether holding 277,835,148 shares, representing approximately 50.4% of the issued share capital of the Company, have indicated to the Board that they intend to take up their dividend entitlements wholly in shares.

A circular containing details of the scrip dividend scheme together with an election form will be sent to the shareholders of the Company as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued pursuant thereto.

BUSINESS REVIEW

Marketing

The Group's business model continues to transform mainly from OEM and ODM to OBM and license business. This transformation of business model was a consequence of the change of emphasis in the business development of the Group, given the OBM and the license business could bring forth a higher profit margin to the Group.

During the period under review, the Group's OEM business remained relatively stable while the turnover of the ODM business had generally increased. Due to the increase in the number of brands acquired, the license and OBM business have both experienced a growth of turnover compared to the corresponding period last year.

As a step forward in developing the downstream business of the Group in the US, on 31st July, 2002, the Group entered into an agreement of establishing a joint venture with Omni Quartz Limited for distribution in the US market. The US distributors would further raise the Group's profit margin. Through the joint venture, the Group gained



over 17,000 sales points coupled with an experience sales team. The sales points cover major chain stores and drug-chain stores in the US, which serve as a well-established distribution network and a nationwide logistic set-up for the Group.

The PRC market was in an initial development stage. The Group opened 2 outlets in Guangzhou in October 2002 for after-sale services as well as a showroom displaying the brands that the Group owns and possesses licenses.

As for the European market, the Group had appointed distribution representatives in major countries to maintain market exposure within these markets. Furthermore, the Group's workshop in Switzerland underwent a renovation during the period so as to better prepare for the production demand for the upcoming high-end market of the Milus brand.

The United Kingdom (the "UK") used to be the largest market for the Group within Europe. However, after the acquisition of Milus and taking advantage of its already established networks, the Group's strength will spread to Switzerland and Germany, with merchandizes available in France, Italy and Austria.

Brand Names

The Group acquired the brand Milus in March 2002, which mainly targeted the high-end market. Apart from this, the Group owned Sergio Valente through its investment in the aforementioned joint venture in the US and had included in the portfolio 3 additional licensed brands, namely Bill Blass, Aspen and Beverly Hills Polo Club.

In addition, being part of its business strategy, the Group has secured the license of brands including: Pierre Cardin (PRC market), Umbro (Worldwide manufacturing and distribution except distribution in the UK and Duty Free Shops), Fiorucci (Far East), Aerostar (Worldwide) and Cornell (Worldwide).

Production

During the period under review, the Group has purchased additional ionized plating machines to improve the product quality and increase the production volume, installed additional components-making machines to automate the production process which were designed and developed in-house, and accommodated computer-controlled mould-making machines to improve the turnaround for prototyping. To better manage the electroplating factory, the Group has reorganized it as a jointly controlled entity since 1st April, 2002.



PROSPECTS

Looking forward, the Group will continue to move along its value chain with greater global presence as its business strategy. The Group believes that through expanding both horizontally and vertically by cooperating with business partners dominating at their respective market could bring forth ample opportunities, especially during times of economic slowdown.

Moreover, the Group will keep establishing its distribution network and sales channels in order to sell its products directly up to the retail level in a bid to capture the profit from distribution business. On the other hand, forming alliances with other business partners, through equity participation, mergers or cooperation, will be the most effective means in achieving this goal. In particular, the Group plans to extend its distribution network in the UK, Taiwan and Japan.

With respect to product category, the Group will not only focus on fashion and sports watches, but will also allocate part of its resources to move to the upscale market through the newly acquired Milus brand with a view to further enhancing the profit margin of the Group. A new series of Milus is scheduled to roll out in the coming Basel Fair. A new collection for Pierre Cardin is being developed and will be launched in the first quarter of 2003 in the PRC.

To further develop the PRC market, the Group is in the initial stage of selecting appropriate distributors to strengthen and widen its distributing network, with a target to have over 200 sales points in the PRC in two years time.

For the development of after-sales service centers, the Group is planning to open additional service centers in major cities in the PRC, such as Shenzhen, Beijing and Shanghai. A training school will open in the first quarter of 2003, for the professional training of timepiece repairing. The Group plans to introduce and launch a franchise system in the PRC for the qualified.

The management is optimistic in the development plans as mentioned above and believe that these plans will materialize in the years to come.



FINANCIAL POSITION

The Group has maintained a stable financial position. As at 30th September, 2002, the gearing ratio of the Group, measured by reference to the financial indebtedness net of cash and bank balances to shareholders' equity, was approximately 42.7%.

In view of the Group cash generating operations, the Directors are of the opinion that the Group has adequate cash resources for business development requirements and capital expenditure commitment.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2002, the Group employed a total of approximately 1,500 employees worldwide.

The Group remunerates its employees based on their performance, experience and prevailing industry practice. In addition, the Group has established discretionary bonus and employees share options scheme which are designed to motivate and reward employees to achieve the Company's business performance targets.

OTHER DISCLOSURE

Apart from above, other areas which are required to be disclosed under the requirements of paragraph 46 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") either have no material changes from the information disclosed in the annual report of the Company for the year ended 31st March, 2002 or are considered not significant to the Group's operations, and hence no additional disclosure has been made in this announcement.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 20th December, 2002 to Tuesday, 24th December, 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 19th December, 2002. The dividend warrants and certificates for the new shares to be issued pursuant to the scrip dividend scheme will be distributed on or about Monday, 17th February, 2003.



DIRECTORS' INTERESTS IN SECURITIES

At 30th September, 2002, the interests of the Directors and their associates in the securities of the Company, as recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were as follows:

Directors	Number of Ordinary Shares		Number of Share Options
	Personal interest	Corporate interest	
Mr. Chau Cham Wong, Patrick	56,191,248	166,469,400 (note a)	–
Mr. Leung Yung	–	221,643,900 (note b)	–
Mr. Tsang Kwong Chiu, Kevin	–	–	5,500,000
Mr. Man Kwok Keung	–	–	990,000
Mr. Cheng Kwan Ling	–	–	990,000

Notes:

- This represents the interest held by A-ONE INVESTMENTS LIMITED, a company owned as to 50.45% by Mr. Chau Cham Wong, Patrick.
- 55,174,500 shares are held by United Success Enterprises Limited which is wholly owned by Mr. Leung Yung. The balance of 166,469,400 shares are held by A-ONE INVESTMENTS LIMITED, a company owned as to 49.55% by Mr. Leung Yung.

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 30th September, 2002, 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 period.



SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2002, 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	%
Mr. Chau Cham Wong, Patrick	56,191,248*	10.18
United Success Enterprises Limited**	55,174,500*	10.00
A-ONE INVESTMENTS LIMITED***	166,469,400*	30.17

Notes:

- * Identical to those disclosed above as Directors' Interests in Securities.
- ** United Success Enterprises Limited is wholly owned by Mr. Leung Yung.
- *** A-ONE INVESTMENTS LIMITED is owned as to 50.45% by Mr. Chau Cham Wong, Patrick and 49.55% by Mr. Leung Yung.

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 30th September, 2002.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the six months ended 30th September, 2002, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial statements.

CODE OF BEST PRACTICE

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 six months ended 30th September, 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at annual general meeting of the Company in accordance with the Company's Bye-laws.

On behalf of the Board
Chau Cham Wong, Patrick
Chairman

Hong Kong, 4th December, 2002