Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)
(Websites: http://www.peacemark.com and http://www.irasia.com/listco/hk/peacemark)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

FINANCIAL HIGHLIGHTS

Results

	2003	2002	Changes
	HK$'million	*HK$'million*	%
Turnover	**613.2**	502.6	+22
Earnings before interest, tax, depreciation and amortization	**66.4**	57.2	+16
Profit attributable to shareholders	**34.3**	23.9	+44
Earnings per share (HK cents)	**5.42**	8.65	-37
Dividend per share (HK cents)	**1.80**	1.50	+20
Total shareholders' funds	**707.3**	675.5	+5

Syndicated Loan

Signed on	14th October, 2003
Amount	HK$380,000,000
Tenor	3.5 years

The board of directors (the "Board") of Peace Mark (Holdings) Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2003 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30th September,	
		2003	2002 (Restated)
	Note	***HK$'000***	*HK$'000*
Turnover	*2*	**613,226**	502,658
Cost of sales		**(477,769)**	(421,472)
Gross profit		**135,457**	81,186
Other revenue		**4,596**	3,928
Selling and distribution costs		**(41,820)**	(24,935)
Administrative expenses		**(46,853)**	(23,170)
Other operating expenses		**(5,660)**	(1,831)
Profit from operations		**45,720**	35,178
Share of profit of an associate		**121**	–
Share of loss of a jointly controlled entity		**(1,535)**	(1,961)
Finance costs		**(6,785)**	(6,331)
Profit before taxation	*2, 3*	**37,521**	26,886
Taxation	*4*	**(1,657)**	(2,936)
Profit after taxation		**35,864**	23,950
Minority interests		**(1,596)**	–
Profit attributable to shareholders		**34,268**	23,950
Interim dividend	*5*	**11,544**	8,276
Earnings per share	*6*		
Basic (HK cents)		**5.42**	8.65
Diluted (HK cents)		**5.39**	8.50

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30th September, 2003 (Unaudited) HK$'000	As at 31st March, 2003 (Audited, restated) HK$'000
Non-current assets			
Property, plant and equipment	*7*	**368,072**	357,070
Intangible assets		**58,284**	60,912
Goodwill		**34,860**	19,381
Interest in an associate		**54,856**	29,738
Interest in a jointly controlled entity		**9,575**	9,535
Investments in securities		**15,611**	11
Deferred tax assets		**526**	–
Other financial assets		**29,225**	29,225
		571,009	505,872
Current assets			
Inventories		**230,358**	227,715
Trade and other receivables	*8*	**377,708**	342,478
Cash and bank balances		**237,536**	207,568
		845,602	777,761
Current liabilities			
Trade and other payables	*9*	**133,196**	90,471
Syndicated loan – due within one year	*10*	**114,286**	114,286
Other interest-bearing borrowings – due within one year	*10*	**284,410**	171,882
Obligations under finance leases – due within one year	*11*	**791**	773
Profits tax payable		**7,940**	4,204
		540,623	381,616
Net current assets		**304,979**	396,145
Total assets less current liabilities		**875,988**	902,017
Non-current liabilities			
Syndicated loan – due after one year	*10*	**28,571**	85,714
Other interest-bearing borrowings – due after one year	*10*	**89,480**	89,486
Obligations under finance leases – due after one year	*11*	**986**	1,390
Deferred tax liabilities		**4,660**	6,756
		123,697	183,346
Minority interests		**44,956**	43,149
Net assets		**707,335**	675,522
Capital and reserves			
Share capital	*12*	**64,132**	63,090
Reserves		**643,203**	612,432
Shareholders' funds		**707,335**	675,522

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital *HK$'000*	Share premium *HK$'000*	Merger deficit *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Leasehold properties revaluation reserve *HK$'000*	Other reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
As at 1st April, 2003	63,090	76,734	(11,988)	12,372	349,431	5,466	(26)	86	180,357	675,522
Issue of new shares pursuant to the exercise of share options	188	215	–	–	–	–	–	–	–	403
Issue of new shares pursuant to the exercise of warrants	1	8	–	–	–	–	–	–	–	9
Issue of new shares as 2003 final scrip dividend in lieu of cash	853	5,403	–	–	–	–	–	–	–	6,256
Exchange realignment	–	–	–	–	–	–	–	368	–	368
Profit for the period	–	–	–	–	–	–	–	–	34,268	34,268
2003 final dividend paid	–	–	–	–	–	–	–	–	(9,491)	(9,491)
As at 30th September, 2003	64,132	82,360	(11,988)	12,372	349,431	5,466	(26)	454	205,134	707,335

	Share capital *HK$'000*	Share premium *HK$'000*	Merger deficit *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Leasehold properties revaluation reserve *HK$'000*	Other reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30th September,	
	2003	2002
	HK$'000	*HK$'000*
Net cash from (used in) operating activities	**114,926**	(17,018)
Net cash used in investing activities	**(83,960)**	(71,023)
Net cash (used in) from financing activities	**(974)**	113,306
Net increase in cash and cash equivalents	**29,992**	25,265
Cash and cash equivalents at 1st April	**207,544**	153,999
Cash and cash equivalents at 30th September	**237,536**	179,264
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**237,536**	179,271
Bank overdrafts	**–**	(7)
	237,536	179,264

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 ("HKSA") and the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Interim Accounts should be read in conjunction with the 2003 annual accounts.

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, 2003, except that the Group has adopted SSAP 12 (revised) "Income Taxes" issued by the HKSA to account for deferred taxation which is effective for accounting periods commencing on or after 1st January 2003.

Under SSAP 12 (revised), deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future.

The adoption of the revised SSAP has had no material impact on the Group's financial statements. Accordingly, no prior period adjustment has been required.

2. Turnover and segmental information

Segment information is presented by way of geographical segments. As the Group's turnover and operating profit were contributed solely by manufacturing, trading and distributing timepieces products, business segments are not presented.

In determining the Group's geographical segments, segment revenue and results are based on the final destination of goods sold as follows:

	Turnover Six months ended 30th September,		**Segment results Six months ended 30th September,**	
	2003	2002 (Restated)	**2003**	2002 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
America	**341,141**	279,141	**54,348**	29,664
Asia	**159,827**	113,765	**22,376**	13,700
Europe	**112,258**	109,752	**16,913**	10,925
	613,226	502,658	**93,637**	54,289
Other revenue			**4,596**	3,928
Unallocated expenses			**(53,927)**	(25,000)
Finance costs			**(6,785)**	(6,331)
Profit before taxation			**37,521**	26,886

3. Profit before taxation

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

	Six months ended 30th September, 2003	**2002**
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**18,825**	20,693
Amortization of intangible assets	**2,713**	2,967
Amortization of goodwill	**518**	308
Interest expenses	**6,785**	6,331
Interest income	**(1,917)**	(1,227)

4. **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30th September, 2002: 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.

	Six months ended 30th September,	
	2003	2002
	HK$'000	*HK$'000*
Current period		
Hong Kong profits tax	**4,264**	1,712
Taxation in other jurisdictions	**15**	–
Deferred taxation	**(2,622)**	1,224
	1,657	2,936

5. **Interim dividend**

	Six months ended 30th September,	
	2003	**2002**
	HK$'000	*HK$'000*
2003 interim dividend declared of 1.8 HK cents (2002: 1.5 HK cents) per ordinary share	**11,544**	8,276

At a meeting held on 18th December, 2003, the Board declared an interim dividend of 1.8 HK cents per ordinary share. This dividend declared is not reflected as dividend payable in the Condensed interim accounts, but will be reflected as an appropriation of revenue reserves.

6. **Earnings per share**

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

	Six months ended 30th September,	
	2003	2002
	HK$'000	*HK$'000*
Profit attributable to shareholders	**34,268**	23,950
Weighted average number of shares for the purpose of basic earnings per share calculation	**632,026,715**	277,027,342
Potential dilutive shares		
– share options	**89,694**	4,713,652
– warrants	**3,120,493**	–
Weighted average number of shares for the purpose of diluted earnings per share calculation	**635,236,902**	281,740,994
Basic earnings per share (HK cents)	**5.42**	8.65
Diluted earnings per share (HK cents)	**5.39**	8.50

7. **Capital expenditure**

During the period, the Group spent approximately HK$29,827,000 (year ended 31st March, 2003: HK$101,676,000) on property, plant and equipment to expand its business. Net book value of property, plant and equipment of the Group disposed of during the period amounted to HK$Nil (year ended 31st March, 2003: HK$1,237,000).

8. 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 provision for bad and doubtful debts) as at 30th September, 2003 is as follows:

	As at 30th September, 2003 *HK$'000*	As at 31st March, 2003 *HK$'000*
0 – 90 days	**177,197**	151,872
91 – 180 days	**11,914**	7,493
Over 180 days	**5,568**	3,047
	194,679	162,412
Trade deposits	**105,154**	78,061
Prepayments and other receivables	**77,875**	102,005
	377,708	342,478

9. Trade and other payables

An aged analysis of the trade payables as at 30th September, 2003, is as follows:

	As at 30th September, 2003 *HK$'000*	As at 31st March, 2003 *HK$'000*
0 – 90 days	**88,418**	46,706
91 – 180 days	**10,281**	1,812
Over 180 days	**4,112**	1,856
	102,811	50,374
Accruals and other payables	**30,385**	40,097
	133,196	90,471

10. Syndicated loan and other interest-bearing borrowings

The syndicated loan and other interest-bearing borrowings are repayable as follows:

	As at 30th September, 2003 *HK$'000*	As at 31st March, 2003 *HK$'000*
Within one year	**398,696**	286,168
After one year but within two years	**72,904**	125,954
After two years but within five years	**45,147**	49,246
	516,747	461,368
Less: amount repayable within one year	**(398,696)**	(286,168)
	118,051	175,200

The balances of the syndicated loan and other interest-bearing borrowings are as follows:

	As at 30th September, 2003 *HK$'000*	As at 31st March, 2003 *HK$'000*
Syndicated loan, unsecured	**142,857**	200,000
Other interest-bearing borrowings, unsecured	**373,890**	261,368
	516,747	461,368

11. Obligations under finance leases

Obligations under finance leases are repayable as follows:

	As at 30th September, 2003 *HK$'000*	As at 31st March, 2003 *HK$'000*
Within one year	**851**	824
More than one year, but not exceeding two years	**807**	804
More than two years, but not exceeding five years	**210**	659
	1,868	2,287
Less: future finance charges	**(91)**	(124)
	1,777	2,163
Less: amount repayable within one year	**(791)**	(773)
	986	1,390

12. Share capital

	As at 30th September, 2003 *HK$'000*	As at 31st March, 2003 *HK$'000*
Authorized:		
6,000,000,000 (31st March, 2003: 6,000,000,000) ordinary shares of HK$0.10 each	**600,000**	600,000
Issued and fully paid:		
641,323,945 (31st March, 2003: 630,899,833) ordinary shares of HK$0.10 each	**64,132**	63,090

The movements in issued share capital of the Company are as follows:

		Number of shares issued	**Paid-up nominal value** *HK$'000*
As at 31st March, 2003		630,899,833	63,090
Issue of new shares pursuant to the exercise of share options	*(a)*	1,875,000	188
Issue of new shares pursuant to the exercise of warrants	*(b)*	14,294	1
Issue of new shares as 2003 final scrip dividend, in lieu of cash	*(c)*	8,534,818	853
As at 30th September, 2003		641,323,945	64,132

(a) During the period, 1,875,000 new shares of HK$0.10 each were issued under a share option scheme which became effective on 24th January, 2002 with exercise prices of HK$0.2 per share and HK$0.227 per share for 840,000 shares and 1,035,000 shares respectively. These shares rank pari passu with the existing shares of the Company.

(b) A bonus issue of warrants (the "Bonus Warrants") of the Company to its shareholders was approved by the Board on 1st August, 2003. The Bonus Warrants are exercisable at any time from 5th August, 2003 to 4th August, 2005, both dates inclusive. Each Bonus Warrant entitles the holder thereof to subscribe for one new share at an initial subscription price of HK$0.65. During the period, 14,294 new shares of HK$0.10 each were issued upon the exercise of 14,294 Bonus Warrants. These shares rank pari passu with the existing shares of the Company.

(c)

Number of shares issued as 2003 final dividend	Scrip price *HK$*	Proceeds credited to Share capital account *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
8,534,818	0.733	853	5,403	6,256

13. Contingent liabilities

As at 30th September, 2003, the Group has contingent liabilities in respect of bills discounted with recourse amounting to approximately HK$64,600,000 (31st March 2003: HK$67,951,000).

14. Subsequent events

On 14th October, 2003, the Company entered into a 3.5-year term loan facility of HK$380,000,000 with BNP Paribas Hong Kong Branch and 18 other international banks.

On 30th October, 2003, the Group entered into an agreement in relation to an acquisition of 60% equity interests in a timepiece distributor in the PRC at a consideration of RMB30 million.

FINANCIAL REVIEW

The Group's performance for the first half of the financial year was encouraging. Turnover for the six months ended 30th September, 2003 was HK$613,226,000, representing an increase of 22.0% compared with the same period in 2002. The increase in turnover was mainly attributable to contribution from the organic growth of its core manufacturing business and the contribution from its US distribution arm namely Omni Watch & Clock Co., LLC.

The gross profit margin of the Group gradually improved from 16.2% in the first half of FY2003 to 18.2% in the second half of FY2003 and further improved to 22.1% in this period. The margin enhancement was mainly due to a series of successful implementation of business plans including further integration of production processes as well as moving towards more branded products manufacturing and distribution.

Profit attributable to shareholders was HK$34,268,000, an increase of 43.1% as compared to the six months ended 30th September, 2002.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 1.8 HK cents (2002: 1.5 HK cents) per share for the six months ended 30th September, 2003. The interim dividend will be payable on Monday, 16th February, 2004 to shareholders whose names appear on the register of members of the Company on Wednesday, 7th January, 2004, 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 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.

REVIEW OF OPERATIONS

Peace Mark aims to become an internationally acclaimed timepiece company, valued for its design, manufacturing, and distribution accomplishments. For the six months ended 30th September, 2003, the Group made significant progress in these areas, especially in timepiece distribution. While the US distribution business grew steadily, opportunities to expand the Group's PRC downstream business were also realized. Development plans to further enhance its manufacturing capabilities are also being explored to place the Group in a position to attract a wider customer base including well-known foreign brands.

In September 2003, the Group's 20 years of success received further industry recognition with Peace Mark's receipt of "Prominent Manufacturer Award 2003" for product development and industry contribution awarded by a US based sourcing publication namely Global Sources Publication. The Group is confident that with the solid foundations established in the past, Peace Mark is poised to fully exploit present as well as future expansion plans.

Marketing and Product Development

The vertical integration strategy implemented over the past few years is yielding promising results including improved product development capabilities and higher margins. The Group achieved good results during the period despite of a volatile market and outbreak of SARS in Asia. During the Basel/Zurich Fair 2003, the management team reacted quickly and implemented various contingency measures to minimize the potential effects on the Group's business. Positively, during the period under review, the Group's OEM and ODM business remained relatively steady while the turnover for the license and OBM business increased in comparison to the corresponding period in 2002. On average, orders on hand were maintained at 2.5 month level and the outlook for Christmas sales is positive across the Group's major markets. Owing to various factors including seasonal demand cycles, and the need for retailers to replenish their inventory levels to meet increasing consumer demand, the Group expects stronger growth in the second half of the financial year 2004.

USA – Omni Watch & Clock Co., LLC. ("Omni")

During the period under review, the US joint venture company Omni reported positive results in line with the management expectations. Sales to major chain stores and drug chain stores in the US reported steady growth. Owing to the new business development in the supermarket chains and the upscale retail store sector, the number of points of sale is also increasing. The Bill Blass brand, a couture label targeting the high end of the US market, is expected to be available in specialty retail stores and luxury department stores in December 2003.

Omni is also beginning to gain further financial independence from the Group. On 25th September, 2003, a financial institution approved a trade facility line of US$4 million to this newly established joint venture based on its first six-month's performance record. The proceeds of the facility will facilitate business expansion needs of this US joint venture.

Production

From the production standpoint, the resulting benefits of capital expenditure and equipment upgrades over the past few years are continuing to materialize and overall margins throughout our production facilities are continuing to improve. This positive trend is expected to continue over the next few years. During the period, the capital base of the electroplating factory was further capitalized for further expansion. In addition, development of another production facility for manufacturing high-end timepieces in China is currently in progress. The Group estimates to invest around HK$40 million for this new production facility. The purpose is to further enhance the Group's design, R&D and components prototyping capabilities and to better position Peace Mark within the high-end market. This new facility will be equipped with world-class computerized equipment and be capable of achieving unprecedented lead times and quality products for upscale customers. Funding for the project will mainly come from the Group's internally generated cash flows and the syndicated loan. In short, the Group intends to serve high-end brands with advanced production facilities.

CEPA

With the implementation of the Closer Economic Partnership Agreement (the "CEPA"), the Group is optimistic that its downstream activities in the PRC will prosper. Starting from January 2004, the PRC Government will implement zero import tariffs on the imported timepiece products originating in Hong Kong. The Group expects that this bilateral agreement will facilitate the development of its downstream business as well as elevate the brand image of the various labels under the Group's brand portfolio. To take advantage of the benefits of CEPA, the Group plans to invest HK$30 million to add two production lines in Hong Kong solely for the PRC market. In the meantime, an intermediate production line is currently being set up and applications for government licenses and approvals have been approved. The production line is expected to be fully operational in the first quarter of 2004.

Downstream Developments – The PRC

The Group began to develop its PRC downstream business in October 2002. Since then, the Group has appointed 12 authorized distributors which cover over 100 points of sale including 27 Wal-Mart stores throughout the PRC.

During the period under review, to pave the way for its expansion plan in the PRC, the Group invested HK$15.6 million in the equity stake of a Japanese watch company. This company advises and assists Japanese brands in identifying and coordinating with PRC manufacturers, distribution partners and acquisition targets. This company assists the Group to serve its Japanese customers. On 30th October, 2003, the Group entered into an agreement to acquire a 60% equity stake in an established timepiece distributor, significantly enhancing its distribution and retail network in the PRC. The consideration for this acquisition was RMB30 million. The said PRC distribution company is a domestic limited liability enterprise established under the laws of the PRC whose principal activity is to sell and distribute timepieces bearing the Japanese watch brand "Citizen". This acquisition will not only raise the Group's distribution margins in the PRC, but will also increase the number of points of sale from over 100 to approximately 310,210 of which are self-managed and located in major department stores. The Group intends to make use of the distribution network to sell its owned and licensed brands, including Victorinox, Pierre Cardin, Montana, Fiorucci, and Umbro, while continuing to expand the network to sell the Citizen watches throughout the PRC.

Further, as part of the Group's expansion strategy, a PRC marketing and distribution company was acquired with a consideration of HK$12 million. The function of this company is to assist the Group to further penetrate the PRC distribution network and to provide overall image management and points of sale setup services for the PRC market. This PRC company also owns the PRC distribution rights of a famous international brand.

As a direct result of the increase in the number of points of sale in the PRC, the Group's license and OBM business will experience further turnover growth. In the PRC market, significant top and bottom line contributions are expected in FY 2005 and onwards accounting for the full year's operation of the newly acquired business and its synergy effects on the Group's downstream business.

Brand Developments

The Group participated in various trade exhibitions, such as the Basel Fair 2003, Hong Kong Watch & Clock Fair and the Shanghai Watch & Clock Fair. Innovative designs and house brands were introduced to the market and the general feedback has been extremely positive. In March 2003, the Group's upscale Swiss brand Milus was successfully re-launched to target the luxury segment. During the Hong Kong Watch & Clock Fair, the Group also hosted a 2003/2004 collection preview event for Milus. In addition, in August 2003, the Group's brand name division successfully gained the PRC distribution rights for the world-renowned Swiss Army brand Victorinox. The Victorinox brand was first displayed at the Hong Kong Watch & Clock Fair and was later launched in the PRC market during the Shanghai Watch & Clock Fair. A launch event was organized in Shanghai in November and upcoming prospects for the Victorinox brand are encouraging.

Other Developments

In November, the Group successfully obtained a license to operate a watch school within its manufacturing grounds in China mainly for internal training. This project is well supported by the relevant Chinese authorities and various watch repair institutes overseas. Along with important confirmation and recognition of the timepiece industry, this school will supply a steady flow of skilled technicians to meet the Group's increasing after sales service demand.

Corporate Events

While sound business results have been reported throughout the Peace Mark Group, there were other significant milestones. On 14th October, 2003, the Group signed a HK$380 million term loan facility arranged by BNP Paribas Hong Kong Branch. Nineteen local and international banks participated in this facility and the proceeds were used to refinance the then existing HK$200 million syndicated facility concluded in November 2001, with the remaining funds being used to fund the general future expansion plans of Peace Mark and its subsidiaries.

Further efforts for better investor relations were put forward and the senior management of Peace Mark participated in various investor road shows in Asia and Europe to enhance communications between the Company and the investment community. In recognition of Peace Mark's outstanding investor relationship efforts, the Group was short-listed and was highly recommended in the 2003 IR Magazine Asia Awards for the "Grand Prix for IR for a Small-Mid Cap Company".

Corporate Governance

The Board regrets to announce that Sir Oswald Cheung, an independent non-executive director since 1993, passed away on 10th December, 2003. The Board would like to take this opportunity to express its sincere appreciation to Sir Oswald Cheung for his invaluable contributions to the Company and its condolence to his family.

To further enhance the Group's corporate governance, on 18th December, 2003, the Board elected Mr. Wong Yee Sui, Andrew (FHKSA, CPA) and Mr. Tang Yat Kan (Solicitor) as Independent Non-executive Directors and members of the Audit Committee. With their extensive knowledge and experience in the auditing, finance and legal fields, this will strengthen the Board's ability to meet its continuing focus on corporate governance throughout the Group.

Future Outlook

Peace Mark will continue to further integrate the operation with its overseas subsidiaries and customers to ensure its long-term success. To maximize shareholder value, the management team will continue to open doors to new business opportunities, build a greater global presence and gain greater industry acknowledgment. While the US growth strategy has proven to be successful, the management team believes that the combination of CEPA and Peace Mark's downstream expansion will create ample growth prospects in the Group's PRC business. As mentioned, plans for enlarging the Group's production capabilities through the development of an additional manufacturing facility for the high-end market is currently under implementation. This is an important strategic breakthrough, taking the Peace Mark Group to the next level of market position.

The management team is optimistic in the development plans as mentioned above and believes that these plans will materialize in the years to come and will reward its long-term investors and shareholders.

FINANCIAL POSITION

The Group has maintained a stable financial position. As at 30th September, 2003, the gearing ratio of the Group, measured by reference to the financial indebtedness net of cash and bank balances to shareholders' funds, was approximately 39.7%.

As mentioned previously, on 14th October, 2003, the Company entered into a facility agreement with BNP Paribas Hong Kong Branch and 18 other international banks in respect of a 3.5-year term loan facility of HK$380 million. The proceeds of the facility was used to refinance the then existing HK$200 million syndicated facility of the Company concluded in November 2001 and to fund the general corporate purposes and future expansion of the Group.

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

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2003, the Group employed a total of approximately 1,800 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, 2003 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 Monday, 5th January, 2004 to Wednesday, 7th January, 2004, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Friday, 2nd January, 2004. 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, 16th February, 2004.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S SECURITIES

During the six months ended 30th September, 2003, 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, 2003, 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.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Chau Cham Wong, Patrick
Chairman

Hong Kong, 18th December, 2003

Please also refer to the published version of this announcement in The Standard.