



# Peace Mark (Holdings) Limited

*(Incorporated in Bermuda with limited liability)*

(Stock code: 0304)

## **OVERSEAS REGULATORY ANNOUNCEMENT**

(This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)

**Please refer to the attached document being:**

The Offer Document published on the Singapore Exchange Securities Trading Limited (“SGX-ST”) website and despatched to the shareholders of Sincere Watch Limited on 19 February 2008 in relation to the conditional voluntary general offer by A-A United Limited, an indirect, wholly-owned subsidiary of Peace Mark (Holdings) Limited for Sincere Watch Limited (listed on SGX-ST).

**Hong Kong, 19 February 2008**

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chau Cham Wong, Patrick, Mr. Leung Yung, Mr. Tsang Kwong Chiu, Kevin, Mr. Man Kwok Keung and Mr. Cheng Kwan Ling as executive directors and Ms. So, Susan, Mr. Kwok Ping Ki, Albert, Mr. Tang Yat Kan, Mr. Wong Yee Sui, Andrew and Mr. Mak Siu Wing, Clifford as independent non-executive directors.*

**OFFER DOCUMENT DATED 19 FEBRUARY 2008**

**THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, solicitor or other professional adviser immediately.

Macquarie Securities (Asia) Pte Limited ("**Macquarie**") is acting for and on behalf of A-A United Limited (the "**Offeror**"), an indirect wholly-owned subsidiary of Peace Mark (Holdings) Limited ("**Peace Mark**"), and does not purport to advise the shareholders of Sincere Watch Limited ("**Sincere**") or any other person.

If you have sold or transferred all your ordinary shares in the capital of Sincere Watch Limited ("**Shares**") held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Offer Document and the accompanying Form of Acceptance and Authorisation (the "**FAA**") to the purchaser or transferee, as CDP will arrange for a separate Offer Document and FAA to be sent to the purchaser or transferee. If you have sold or transferred all your Shares not held through CDP, you should immediately hand this Offer Document and the accompanying Form of Acceptance and Transfer (the "**FAT**") to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted into the United States of America, its territories and possessions, any State of the United States and the District of Columbia (the "**United States**"), Canada, Australia or New Zealand.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia or New Zealand, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia or New Zealand and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Canada, Australia or New Zealand.

The New Peace Mark Shares (as defined herein) have not been and will not be registered under the U.S. Securities Act of 1933. Accordingly, the New Peace Mark Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States.

**The views of the independent directors of Sincere and the independent financial adviser to the independent directors of Sincere on the Offer will be made available to you in due course. You may wish to consider their views before taking any decision on the Offer.**

**The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Offer Document.**

## **VOLUNTARY CONDITIONAL OFFER**

by



**MACQUARIE**

### **MACQUARIE SECURITIES (ASIA) PTE LIMITED**

(Incorporated in the Republic of Singapore)  
(Co. Reg. No: 199704430K)

for and on behalf of

### **A-A UNITED LIMITED**

(Incorporated in the British Virgin Islands)  
(Co. Reg. No: 1427855)

an indirect wholly-owned subsidiary of



Peace Mark (Holdings) Limited

宜進利(集團)有限公司

### **PEACE MARK (HOLDINGS) LIMITED**

(Incorporated in Bermuda with limited liability)  
(Co. Reg. No.: F-5867)

to acquire all of the issued ordinary shares  
in the capital of

### **SINCERE WATCH LIMITED**

(Incorporated in the Republic of Singapore)  
(Co. Reg. No.: 197700967)

other than those already owned, controlled or agreed to be acquired by  
A-A United Limited and parties acting in concert with it

**ACCEPTANCES SHOULD BE RECEIVED BY 5.30 P.M. (SINGAPORE TIME) ON 18 MARCH 2008.**

**THE OFFEROR DOES NOT INTEND TO REVISE OR EXTEND THE OFFER BEYOND 18 MARCH 2008. NOTICE IS HEREBY GIVEN THAT THE OFFER WILL NOT BE REVISED OR BE OPEN FOR ACCEPTANCE BEYOND 18 MARCH 2008 SAVE THAT SUCH NOTICE SHALL NOT BE CAPABLE OF BEING ENFORCED IN A COMPETITIVE SITUATION.**

The procedures for acceptance are set out on pages 29 to 33 of this Offer Document.

## **IMPORTANT NOTICE TO OVERSEAS SHAREHOLDERS**

### **Overseas Shareholders**

The availability of the Offer to Shareholders (as defined herein) whose addresses are outside Singapore, as shown on the Register (as defined herein) or, as the case may be, in the records of CDP, may be affected by the laws of relevant overseas jurisdictions. Accordingly, any Shareholders not resident in Singapore should inform themselves about and observe any applicable legal requirements in their own jurisdictions. For the avoidance of doubt, the Offer is made to all Shareholders, including those to whom this Offer Document, the FAAs and the FATs have not been, or will not be, sent, provided that this Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful and the Offer is not being made into any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

### **Overseas Jurisdictions**

It is the responsibility of any Shareholder outside Singapore who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction. Overseas Shareholders (as defined herein) should read Section 14 of this Offer Document and paragraph 5 of **Appendix 1** to this Offer Document.

### **United States, Canada, Australia and New Zealand**

This Offer Document is not for release, publication or distribution in or into the United States, Canada, Australia or New Zealand.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia or New Zealand, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia or New Zealand and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Canada, Australia or New Zealand.

The New Peace Mark Shares (as defined herein) have not been and will not be registered under the U.S. Securities Act of 1933. Accordingly, the New Peace Mark Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States.

### **Hong Kong**

The contents of this Offer Document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Offer Document, you should obtain independent professional advice.

### **The People's Republic of China**

This Offer Document does not constitute a public offering of the shares of Peace Mark. This Offer Document may not be circulated or distributed in the PRC (as defined herein) and the New Peace Mark Shares to be issued as a result of the Offer may not be offered or sold to any natural person or legal person residing in the PRC for re-offering or re-sale directly or indirectly except for being despatched to the Shareholder(s) residing in the PRC solely for the purpose of the Offer, subject to compliance by the Shareholder(s) with all applicable laws and regulations of the PRC.

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## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Offer Document:

<b>“Account Opening Form”</b>	:	Has the meaning ascribed to it in paragraph 1.2(i) of <b>Appendix 3</b> to this Offer Document
<b>“Authorisation Form”</b>	:	Has the meaning ascribed to it in paragraph 1.4(i) of <b>Appendix 3</b> to this Offer Document
<b>“Break Fee”</b>	:	Approximately S\$5.3 million, which is equivalent to one per cent. of the value of the maximum aggregate Offer Consideration
<b>“Break Fee Agreement”</b>	:	The break fee agreement dated 7 December 2007 entered into between Peace Mark and the Major Shareholder which sets out the terms for the payment of the Break Fee
<b>“Bye-laws”</b>	:	The Bye-laws of Peace Mark
<b>“Business Day”</b>	:	Any day (which is not a Saturday, Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore and Hong Kong
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Chrono Star”</b>	:	Chrono Star International Participations Groupe Franck Muller S.A.
<b>“Chrono Star Agreement”</b>	:	The conditional sale and purchase agreement entered into between Sincere and Mr. Tay on 3 January 2008, pursuant to which Sincere agreed to sell, and Mr. Tay agreed to purchase, the Chrono Star Shares held by Sincere at an aggregate consideration of S\$10,957,496, based on S\$62.6143 per ordinary share in the capital of Chrono Star
<b>“Chrono Star Announcement”</b>	:	The announcement by Sincere in relation to the Chrono Star Divestment, dated 3 January 2008
<b>“Chrono Star Divestment”</b>	:	Has the meaning ascribed to it in Section 2.13 of this Offer Document
<b>“Chrono Star Shares”</b>	:	175,000 existing ordinary shares, representing one per cent. of the total number of issued shares in the capital of Chrono Star as at the date of the Chrono Star Announcement, being the shareholding interest held by Sincere in Chrono Star
<b>“Closing Date”</b>	:	5.30 p.m. (Singapore time) on 18 March 2008
<b>“Code”</b>	:	The Singapore Code on Take-overs and Mergers
<b>“Companies Act”</b>	:	The Companies Act, Chapter 50 of Singapore

<b>“Competing Acquisition”</b>	:	A transaction with respect to a sale, lease, transfer, merger, reorganisation, share exchange, consolidation, business combination or similar disposition or transaction involving any person who is a competitor with Sincere in Singapore in the business of the distribution and retail of luxury watch brands (including, without limitation, The Hour Glass Ltd and Cortina Watch Ltd), its assets or its shares, its controlling shareholders (as defined in the Listing Manual) and its subsidiaries
<b>“Competing Proposal”</b>	:	<p>A transaction which would or which has an effect any of the following:</p> <ul style="list-style-type: none"> <li>(i) preclude or restrict or delay or prejudice the Offer;</li> <li>(ii) where any person (other than Peace Mark, the Offeror and their respective affiliates) (whether directly or indirectly) acquires or becomes the holder (whether by share purchase, scheme, capital reconstruction, purchase of assets, tender offer or otherwise) of, or otherwise has an economic interest in: <ul style="list-style-type: none"> <li>(a) all or any material part of the businesses, revenues, assets or undertakings of Sincere and/or any of its subsidiaries;</li> <li>(b) any five per cent. or more of the share capital of Sincere and/or any of its subsidiaries; or</li> <li>(c) any five per cent. or more of the securities issued by Sincere;</li> </ul> </li> <li>(iii) where any person (other than Peace Mark, the Offeror and their respective affiliates) acquires control of Sincere or any of its subsidiaries; or</li> <li>(iv) where any person (other than Peace Mark, the Offeror and their respective affiliates) otherwise acquires or merges with Sincere or any of its subsidiaries, whether by way of joint venture, dual listed company structure or otherwise</li> </ul>
<b>“competitive situation”</b>	:	Has the meaning ascribed to it in paragraph 1.1 of <b>Appendix 1</b> to this Offer Document
<b>“Culina”</b>	:	Has the meaning ascribed to it in Section 7 of this Offer Document
<b>“Date of Receipt”</b>	:	Has the meaning ascribed to it in paragraph 1.1.1(i)(b) of <b>Appendix 2</b> to this Offer Document
<b>“Despatch Date”</b>	:	The date on which this Offer Document is posted to Shareholders
<b>“FAA”</b>	:	Form of Acceptance and Authorisation, applicable to Shareholders whose Offer Shares are deposited with CDP, which forms part of this Offer Document

“Facility”	:	Has the meaning ascribed to it in Section 12 of this Offer Document
“FAT”	:	Form of Acceptance and Transfer, applicable to Shareholders whose Offer Shares are registered in their own names in the Register, which forms part of this Offer Document
“Firm Offer Announcement”	:	The announcement of the firm intention by the Offeror to make the Offer released by Macquarie, for and on behalf of the Offeror, on the Firm Offer Announcement Date
“Firm Offer Announcement Date”	:	1 February 2008, being the date of the Firm Offer Announcement
“Food Resources”	:	Has the meaning ascribed to it in Section 7 of this Offer Document
“HK SFC”	:	The Securities and Futures Commission of Hong Kong
“HK\$” and “Cents (HK)”	:	Hong Kong dollars and cents, respectively, being the lawful currency of Hong Kong
“Hong Kong”	:	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	:	The Rules Governing the Listing of Securities on the SEHK
“Identification Document”	:	Has the meaning ascribed to it in paragraph 1.2(ii) of <b>Appendix 3</b> to this Offer Document
“Latest Practicable Date”	:	12 February 2008, being the latest practicable date prior to the printing of this Offer Document
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended up to the Latest Practicable Date
“Macquarie”	:	Macquarie Securities (Asia) Pte Limited
“Major Shareholder”	:	TBJ Holdings Pte Ltd, the major shareholder of Sincere which holds an aggregate of 104,719,307 Shares representing approximately 50.67 per cent. of the issued Shares as at the Latest Practicable Date
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Mr. Muller”	:	Mr. Franck Muller
“Mr. Tay”	:	Mr. Tay Liam Wee, the Chief Executive Officer and Group Managing Director of Sincere, Chairman of Sincere Watch HK and the legal and beneficial owner of the Major Shareholder
“NAV”	:	Net asset value

<b>“New Peace Mark Shares”</b>	:	New ordinary shares of HK\$0.10 each in the capital of Peace Mark which are fully paid up to be issued in connection with the Offer as part of the Offer Consideration (assuming full acceptance of the Offer from all Shareholders, 47,123,291 New Peace Mark Shares will be issued)
<b>“Offer”</b>	:	The voluntary conditional offer made by Macquarie, for and on behalf of the Offeror, to acquire the Offer Shares on the terms and subject to the conditions set out in this Offer Document, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
<b>“Offer Consideration”</b>	:	The consideration for each Offer Share being as follows: <ul style="list-style-type: none"> <li>(a) S\$2.051 in cash; and</li> <li>(b) 0.228 New Peace Mark Shares at the issue price of HK\$12.096 (equivalent to S\$2.246 at the exchange rate ratio of S\$1 : HK\$5.385 as at 6 December 2007 being the date immediately preceding the Pre-Conditional Announcement Date) per New Peace Mark Share</li> </ul>
<b>“Offer Document”</b>	:	This document dated 19 February 2008 and any other document(s) which may be issued by Macquarie, for and on behalf of the Offeror, to amend, revise, supplement or update the document(s) from time to time
<b>“Offer Shares”</b>	:	All the Shares to which the Offer relates, as more particularly described in Section 2.4 of this Offer Document
<b>“Offeror”</b>	:	A-A United Limited, a private limited company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of Peace Mark
<b>“Overseas Shareholders”</b>	:	The persons defined as “Overseas Shareholders” in Section 14.1 of this Offer Document
<b>“Peace Mark”</b>	:	Peace Mark (Holdings) Limited
<b>“Peace Mark Circular”</b>	:	The circular released by Peace Mark to its shareholders dated 16 January 2008
<b>“Peace Mark Controlling Shareholders”</b>	:	Mr. Patrick Chau Cham Wong and Mr. Leung Yung
<b>“Peace Mark Group”</b>	:	The group comprising Peace Mark and its subsidiaries
<b>“Peace Mark Options”</b>	:	Peace Mark share options which are convertible into Peace Mark Shares
<b>“Peace Mark Resolutions”</b>	:	The resolutions which were proposed at the Peace Mark Special General Meeting and approved by the shareholders of Peace Mark as set out in Section 1.1(iii)(b) of this Offer Document



“Peace Mark Share Certificates”	:	Has the meaning ascribed to it in paragraph 2.1(ii) of <b>Appendix 1</b> to this Offer Document and “Peace Mark Share Certificate” shall be construed accordingly
“Peace Mark Share Registrar”	:	Tricor Secretaries Limited
“Peace Mark Shares”	:	Ordinary shares in the issued capital of Peace Mark
“Peace Mark Special General Meeting”	:	The special general meeting of Peace Mark held on 1 February 2008 to consider and approve the Peace Mark Resolutions
“per cent.” or “%”	:	Per centum or percentage
“PRC”	:	The People’s Republic of China
“Pre-Conditional Announcement”	:	The pre-conditional announcement of the Offer released by Macquarie on the Pre-Conditional Announcement Date for and on behalf of the Offeror announcing the Offer subject to the satisfaction of the Pre-Conditions
“Pre-Conditional Announcement Date”	:	7 December 2007, being the date of the Pre-Conditional Announcement
“Pre-Conditions”	:	The pre-conditions to the making of the Offer as described in Section 1.1(ii) of this Offer Document
“Purchaser”	:	Has the meaning ascribed to it in paragraph 1.1.1 of <b>Appendix 2</b> to this Offer Document
“Reference Period”	:	The period commencing on 7 September 2007, being three months prior to the Pre-Conditional Announcement Date and ending on the Latest Practicable Date
“Register”	:	The register of holders of the Shares, as maintained by the Registrar
“Registrar”	:	B.A.C.S. Private Limited
“Relevant Day”	:	Has the meaning ascribed to it in paragraph 3.1 of <b>Appendix 1</b> to this Offer Document
“Relevant Documents”	:	Has the meaning ascribed to it in paragraph 1.5 of <b>Appendix 3</b> to this Offer Document
“Relevant Peace Mark Shares”	:	All Peace Mark Shares which are beneficially owned by the Peace Mark Controlling Shareholders, which shall in aggregate be not less than 340,593,817 Peace Mark Shares
“Relevant Persons”	:	Peace Mark, the Offeror and parties acting or presumed to be acting in concert with Peace Mark and the Offeror
“S\$”	:	Singapore dollars, being the lawful currency of Singapore
“Securities Accounts”	:	Securities accounts maintained by CDP Depositors with CDP, but not including securities sub-accounts and “ <b>Securities Account</b> ” shall be construed accordingly

“SEHK”	:	The Stock Exchange of Hong Kong Limited
“SGX-ST”	:	The Singapore Exchange Securities Trading Limited
“Shareholders”	:	The holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP
“Shareholding Requirement”	:	Has the meaning ascribed to it in Section 9.2 of this Offer Document
“Shares”	:	Ordinary shares in the capital of Sincere
“SIC”	:	Securities Industry Council of Singapore
“Sincere”	:	Sincere Watch Limited
“Sincere EGM”	:	Has the meaning ascribed to it in Section 2.13 of this Offer Document
“Sincere Group”	:	The group comprising Sincere and its subsidiaries
“Sincere Notice of EGM”	:	Has the meaning ascribed to it in Section 2.13 of this Offer Document
“Sincere Watch HK”	:	Sincere Watch (Hong Kong) Limited
“Singapore”	:	The Republic of Singapore
“Transfer Form”	:	Has the meaning ascribed to it in paragraph 1.2(i) of <b>Appendix 3</b> to this Offer Document
“UOB Kay Hian”	:	UOB Kay Hian Pte Ltd
“UOB Kay Hian Letter”	:	Has the meaning ascribed to it in paragraph 1.1 of <b>Appendix 3</b> to this Offer Document

**Acting in Concert.** The expression “**acting in concert**” shall have the meaning ascribed to it in the Code.

**Announcement, Notice, etc.** References to the making of an announcement or the giving of notice by the Offeror shall include the release of an announcement by Macquarie or advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

**Depositors, etc.** The terms “**CDP Depositor**”, “**CDP Depositors**” shall have the meanings ascribed to “**Depositor**” and “**Depositors**”, respectively, in the Companies Act.

**Genders.** Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

**Headings.** The headings in this Offer Document are inserted for convenience only and shall be ignored in construing this Offer Document.

**Issued and Paid-Up Share Capital of Sincere.** In this Offer Document, the total number of issued shares in the capital of Sincere comprises 206,681,104 Shares as at the Latest Practicable Date.

**Offer Document.** References to “**Offer Document**” shall include the FAA and the FAT.

**Rounding.** Any discrepancies in the tables in this Offer Document between the listed amounts and the totals thereof are due to rounding.

**Shareholders.** References to “**you**”, “**your**” and “**yours**” in this Offer Document are, as the context so determines, to Shareholders.

**Statutes.** Any reference in this Offer Document to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Code or any modification thereof and used in this Offer Document shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code or that modification, as the case may be.

**Time and Date.** Any reference to a time of day and date in this Offer Document shall be a reference to a Singapore time and date, unless otherwise specified.



MACQUARIE

**MACQUARIE SECURITIES (ASIA) PTE LIMITED**

(Incorporated in the Republic of Singapore)  
(Co. Reg. No.: 199704430K)  
23 Church Street #11-11  
Capital Square  
Singapore 049481

19 February 2008

To: The Shareholders of Sincere Watch Limited

Dear Sir / Madam

**VOLUNTARY CONDITIONAL OFFER BY MACQUARIE FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES**

**1. INTRODUCTION**

**1.1 Background**

- (i) **Pre-Conditional Offer Announcement.** On 7 December 2007, Macquarie announced, for and on behalf of the Offeror, that the Offeror would make a voluntary conditional offer for all the Shares, other than those Shares (if any) already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror, subject to the satisfaction of the Pre-Conditions.

A copy of the Pre-Conditional Announcement is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

- (ii) **Pre-Conditions.** In the Pre-Conditional Announcement, it was stated that the Offeror will make the Offer subject to the satisfaction of the Pre-Conditions. The Pre-Conditions to the Offer were:
- (a) clearance by the SEHK of the Peace Mark Circular and clearance of documents or announcements required by the HK SFC and/or the SEHK, for or in connection with the structure of the Offer; and
  - (b) the passing of all resolutions as may be necessary to approve the making of the Offer at a general meeting of the shareholders of Peace Mark (or any adjournment thereof).
- (iii) **Satisfaction of Pre-Conditions.** As at the Firm Offer Announcement Date, the following Pre-Conditions had been satisfied:
- (a) the SEHK had confirmed it had no comments on the Peace Mark Circular, a copy of which is available on the website of the SEHK at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the SGX-ST at [www.sgx.com](http://www.sgx.com), and clearance (where necessary) has been obtained from the SEHK and the HK SFC in relation to the documents and announcements required for and in connection with the structure of the Offer; and

- (b) as Peace Mark announced on the SEHK on 1 February 2008, the shareholders of Peace Mark had approved the following Peace Mark Resolutions which were proposed at the Peace Mark Special General Meeting held in connection with the Offer:
- (1) the approval and authorisation of the making of the Offer by the Offeror;
  - (2) the approval of the participation by Peace Mark in the Offer;
  - (3) the authorisation of any director of Peace Mark to take any action on behalf of Peace Mark he considers necessary, desirable or expedient in connection with the Offer, including without limitation (A) directing the Offeror in connection with the Offer, (B) taking any action in connection with the listing of the New Peace Mark Shares on the SEHK, and (C) taking any action in connection with the matters contemplated by the Peace Mark Resolutions, including executing and delivering such agreements, documents and instruments (including witnessing the affixing of Peace Mark's seal thereto) in such forms and containing such terms as such person executing the same may think fit; and
  - (4) the authorisation, approval and, to the extent necessary, ratification of any and all past actions by the directors of Peace Mark which they may deem or have deemed in their sole discretion to be useful, necessary or conducive with respect to any of the matters contemplated by the Peace Mark Resolutions.

**1.2 Firm Offer Announcement.** Accordingly, all the Pre-Conditions had been satisfied as at the Firm Offer Announcement Date and on the same day Macquarie released the Firm Offer Announcement, for and on behalf of the Offeror, stating the firm intention on the part of the Offeror to make the Offer. A copy of the Firm Offer Announcement is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

**1.3 Offer Document.** This Offer Document contains the formal Offer by Macquarie, for and on behalf of the Offeror, to acquire the Offer Shares, being all the issued Shares other than the Shares (if any) already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror.

## **2. THE OFFER**

**2.1 Offer Terms.** For and on behalf of the Offeror, Macquarie hereby makes the Offer to acquire all the Offer Shares on the following basis:

**For each Offer Share:**

- (i) **S\$2.051 in cash; and**
- (ii) **0.228 New Peace Mark Shares at the issue price of HK\$12.096 (equivalent to S\$2.246 at the exchange rate ratio of S\$1 : HK\$5.385 as at 6 December 2007 being the date immediately preceding the Pre-Conditional Announcement Date) per New Peace Mark Share.**

**2.2 Fractional Entitlements.** Fractions of a New Peace Mark Share will not be issued to any Shareholder who accepts the Offer and will be disregarded.

**2.3 Illustrative Example.** A Shareholder who holds 100 Offer Shares and who accepts the Offer will receive S\$205.10 in cash and 22 New Peace Mark Shares, fractions of a New Peace Mark Share to be disregarded.

- 2.4 Offer Shares.** The Offer is extended to all the Shares not already owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with the Offeror in accordance with Section 139 of the Securities and Futures Act, Chapter 289 of Singapore, and the Code.

For the purpose of the Offer, the expression “**Offer Shares**” shall include the aforesaid Shares.

- 2.5 No Encumbrances.** The Offer Shares will be acquired (i) fully paid, (ii) free from any mortgage, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever, and (iii) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by Sincere on or after the Pre-Conditional Announcement Date.

- 2.6 New Peace Mark Shares.** Pursuant to the Offer, Peace Mark will issue (assuming full acceptance of the Offer) approximately 47,123,291 New Peace Mark Shares, representing approximately 4.5 per cent. of the issued share capital of Peace Mark as at the Pre-Conditional Announcement Date and 4.3 per cent. of the enlarged issued share capital of Peace Mark after issuance of the New Peace Mark Shares.

The New Peace Mark Shares will be listed on the SEHK and will rank *pari passu* with the existing ordinary shares of Peace Mark, save that the New Peace Mark Shares issued to the Major Shareholder will be subject to a three year lock-up period.

Peace Mark has been advised by its Bermudian legal counsel that in consideration of the issue of the New Peace Mark Shares, the Offeror should issue new ordinary shares to Peace Mark. The reason for this is that Peace Mark is offering New Peace Mark Shares as part of the Offer Consideration and therefore effectively settling part of the Offer Consideration on behalf of the Offeror (its indirect wholly-owned subsidiary). As at the Latest Practicable Date, the actual number of new ordinary shares in the Offeror to be issued to Peace Mark has not been determined. A further announcement will be made by Peace Mark on the SEHK upon such number of new ordinary shares in the Offeror being determined.

- 2.7 Conditional Offer.** The Offer is subject to the Offeror having received, by the Closing Date, valid acceptances in respect of such number of Offer Shares, which when taken together with the number of Shares owned, controlled or agreed to be acquired before or during the Offer by or on behalf of the Offeror and parties acting in concert with the Offeror, will result in the Offeror and parties acting in concert with the Offeror holding such number of Shares carrying more than 50 per cent. of voting rights attributable to the issued Shares as at the Closing Date.

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the number of Shares owned, controlled or agreed to be acquired before or during the Offer by or on behalf of the Offeror and parties acting in concert with the Offeror, will result in the Offeror and parties acting in concert with the Offeror holding such number of Shares carrying more than 50 per cent. of voting rights attributable to the issued Shares.

- 2.8 Clearance by the SEHK.** It was stated in the Pre-Conditional Announcement that the Offer would also be subject to clearance by the SEHK of the listing document to be issued by Peace Mark in relation to the New Peace Mark Shares to be issued by Peace Mark in connection with the Offer and listing approval by the SEHK for such New Peace Mark Shares. The SEHK has confirmed that no listing document is required, and by a letter dated 30 January 2008, the SEHK granted listing approval for the New Peace Mark Shares, subject to the fulfilment of all other conditions to the Offer and the proper allotment and issue of the New Peace Mark Shares and due despatch of the relevant share certificates to the Shareholders who have tendered their Shares in acceptance of the Offer.

**2.9 Major Shareholder Irrevocable Undertaking.** The Offeror has obtained an irrevocable undertaking dated 7 December 2007 from the Major Shareholder to tender all its Shares in acceptance of the Offer within three business days following the Despatch Date, in relation to an aggregate of 104,719,307 Shares representing approximately 50.67 per cent. of the issued Shares, upon and subject to the terms and conditions of the irrevocable undertaking. The New Peace Mark Shares which the Major Shareholder will receive as part of the Offer Consideration for its Shares will be subject to a three year lock-up period.

Mr. Tay, the Chief Executive Officer and Group Managing Director of Sincere and the Chairman of Sincere Watch HK, a subsidiary of Sincere, is the legal and beneficial owner of the Major Shareholder.

Save as disclosed in this Offer Document, neither the Offeror nor any party acting in concert with the Offeror has received any irrevocable undertaking from any party to accept or reject the Offer.

**2.10 Controlling Shareholders Irrevocable Undertaking.** The Major Shareholder has obtained an irrevocable undertaking dated 7 December 2007 from the Peace Mark Controlling Shareholders, in respect of the Relevant Peace Mark Shares, pursuant to which the Peace Mark Controlling Shareholders have agreed to:

- (i) vote, or procure the voting of, all of the Relevant Peace Mark Shares in favour of the Offer at a general meeting of Peace Mark (the resolutions approving the Offer were passed accordingly at the Peace Mark Special General Meeting); and
- (ii) take all steps or use reasonable endeavours to procure that Peace Mark seeks all relevant clearances and/or approvals in connection with the Offer.

**2.11 Break Fee Agreement.** Peace Mark and the Major Shareholder have entered into the Break Fee Agreement pursuant to which:

- (i) the Major Shareholder has agreed to pay Peace Mark the Break Fee if it enters into a Competing Proposal from the date of the Break Fee Agreement until the earliest of (a) the date the Offer is completed, terminated, lapses or is withdrawn, (b) the date falling 120 Business Days from the date of the Break Fee Agreement, or (c) the date Peace Mark and the Major Shareholder agree to terminate the Break Fee Agreement by mutual consent in writing; and
- (ii) Peace Mark has agreed to pay to Sincere an amount equivalent to the Break Fee if it enters into a Competing Acquisition during a period of 120 Business Days from 18 October 2007.

The rationale for the Break Fee Agreement is to demonstrate the commitment by both Peace Mark and the Major Shareholder to commit to the Offer. The quantum of the Break Fee was agreed as a result of arm's length negotiations between the parties involved.

**2.12 Mr. Tay.** As stated in the Pre-Conditional Announcement, it is the intention and desire of Peace Mark to retain Mr. Tay as the Chief Executive Officer and Group Managing Director of Sincere to facilitate the continued growth and expansion of Sincere. So far as Peace Mark is aware, as at the Latest Practicable Date, Mr. Tay and parties acting or presumed to be acting in concert with Mr. Tay hold no Peace Mark Shares or Peace Mark Options. Peace Mark (through the Offeror) will seek to procure the following, subject to the completion of the Offer:

- (i) Sincere and Mr. Tay will agree to extend Mr. Tay's service agreement with Sincere for a period of up to three years from the date of completion of the Offer based on substantially the same terms as Mr. Tay's current service agreement with Sincere; and

- (ii) Sincere Watch HK and Mr. Tay will agree to extend Mr. Tay's service agreement with Sincere Watch HK for a period of up to three years from the date of completion of the Offer based on substantially the same terms as Mr. Tay's current service agreement with Sincere Watch HK.

The foregoing proposals have not been discussed with Sincere and Sincere Watch HK and will be subject to discussions between Mr. Tay and Sincere and Sincere Watch HK respectively, after the completion of the Offer. In addition, Peace Mark proposes to appoint Mr. Tay as an Executive Director on the board of Peace Mark, subject to completion of the Offer and on terms to be discussed. Under the terms of the Facility, it is an event of default if Mr. Tay is not appointed as a director of Peace Mark within 45 days after the Offer has become or has been declared unconditional in all respects and he ceases at any time to be a director of Peace Mark after his appointment. Mr. Tay has no existing relationship with the Peace Mark Group.

It is intended that Peace Mark will appoint at least one director to the board of Sincere, however as at the Latest Practicable Date, the number and identity of such director(s) have not been confirmed.

**2.13 Chrono Star Divestment.** As stated in the Pre-Conditional Announcement, Peace Mark understands from Mr. Tay that Chrono Star had indicated that if the Major Shareholder ceased to be the controlling shareholder of Sincere, it would prefer Mr. Tay to acquire the Chrono Star Shares, which Sincere had acquired in December 2005 from Mr. Muller, one of the major shareholders in Chrono Star. The Chrono Star Shares were originally personally offered to Mr. Tay by the major shareholders of Chrono Star, who were agreeable to the Chrono Star Shares being held by Sincere while the Major Shareholder was a major shareholder in Sincere. Peace Mark has no existing interest in Chrono Star.

Chrono Star is a private limited company incorporated in Luxembourg and the parent company for the Franck Muller group, whose principal activities involve owning and operating the Franck Muller brand (amongst other brands). The Chrono Star Shares held by Sincere comprise an aggregate of 175,000 existing ordinary shares (representing one per cent. of the total number of issued shares) in the capital of Chrono Star. Based on the Chrono Star Announcement, as at 3 January 2008, Chrono Star had an issued share capital of 35,000,000 Swiss Francs divided into 17,500,000 ordinary shares.

Mr. Tay is an existing director of Chrono Star. It should be noted that Mr. Muller and the other major shareholders in Chrono Star have pre-emptive rights in respect of the Chrono Star Shares held by Sincere, but such pre-emptive rights would be waived upon the completion of the transfer of Sincere's interest in Chrono Star to Mr. Tay.

The SIC has ruled that the proposed sale of the Chrono Star Shares by Sincere to Mr. Tay does not constitute a special deal for the purpose of Rule 10 of the Code, subject to the independent financial adviser to the independent directors of Sincere publicly stating that the terms of the proposed sale of the Chrono Star Shares by Sincere to Mr. Tay are fair and reasonable in its opinion.

On 3 January 2008, the board of directors of Sincere announced that Sincere had entered into a conditional sale and purchase agreement dated 3 January 2008 (the "**Chrono Star Agreement**") with Mr. Tay pursuant to which Sincere has agreed to sell, and Mr. Tay has agreed to purchase, the Chrono Star Shares, amounting to an aggregate of 175,000 ordinary shares in Chrono Star, for an aggregate consideration of S\$10,957,496 (the "**Chrono Star Divestment**"). A copy of the Chrono Star Announcement is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).



According to the Chrono Star Announcement:

- (i) Sincere had appointed Sallmanns (Far East) Limited as independent valuer to determine the market value of the Chrono Star Shares, but on 31 December 2007, Sallmanns (Far East) Limited issued a report stating that they were unable to perform a valuation to reliably estimate the market value of the Chrono Star Shares because there was limited information available from Chrono Star and they were unable to obtain the necessary information to fulfil the requirements for an independent assessment of the market value of the Chrono Star Shares. Accordingly, the consideration is based on one per cent. of the latest available audited book value of Chrono Star of 863,400,000 Swiss Francs as at 31 December 2006, being 8,634,000 Swiss Francs, calculated at the exchange rate of 1.2691 Singapore Dollars to one Swiss Franc (the simple average of the exchange rates of Singapore Dollars to Swiss Francs quoted by Bloomberg over the 20-day period preceding the date of the Chrono Star Agreement). This is above the price paid by Sincere when it acquired the Chrono Star Shares, therefore the board of directors of Sincere is of the view that the consideration represents a reasonable return on the investment made by Sincere in Chrono Star;
- (ii) the obligations of Sincere and Mr. Tay under the Chrono Star Agreement are conditional upon the following:
  - (a) the approval of Shareholders being obtained at an extraordinary general meeting to be convened for the purpose of approving the sale of the Chrono Star Shares by Sincere to Mr. Tay. Pursuant to Chapter 9 of the Listing Manual, the approval of Shareholders is required to be obtained if the value of the Chrono Star Shares is equal to or exceeds S\$6,117,250 (being five per cent. of S\$122,345,000, the audited consolidated value of the net tangible assets of Sincere as at 31 March 2007). As the consideration of S\$10,957,496 for the Chrono Star Shares exceeds the relevant financial threshold of S\$6,117,250, the Chrono Star Divestment is subject to the approval of Shareholders;
  - (b) the Offer becoming or being declared unconditional as to acceptances; and
  - (c) such waivers or consents as may be necessary to enable Mr. Tay and/or his nominee(s) to be registered in the register of members of Chrono Star as holders of any and all of the Chrono Star Shares.

If any of the aforesaid conditions shall not be fulfilled on or before 2 April 2008 or such other date as Sincere and Mr. Tay shall mutually agree in writing, the Chrono Star Agreement shall terminate; and

- (iii) Sincere has appointed Kim Eng Capital Pte. Ltd. to advise the directors of Sincere who do not have an interest in the Chrono Star Divestment on whether the Chrono Star Divestment is on normal commercial terms and whether it is prejudicial to the interests of Sincere and its minority shareholders.

On 6 February 2008, a Notice of Extraordinary General Meeting (the “**Sincere Notice of EGM**”) was issued by Sincere to give notice that an extraordinary general meeting of Sincere (the “**Sincere EGM**”) will be held on 25 February 2008 for the purpose of considering and, if though fit, passing resolutions in connection with approving the Chrono Star Divestment, upon the terms of and subject to the conditions contained in the Chrono Star Agreement. A copy of the Sincere Notice of EGM is available on the website of the SGX-ST at [www.sgx.com](http://www.sgx.com). It was also announced by Sincere on 6 February 2008 that a circular to Shareholders in relation to the Sincere EGM was despatched to Shareholders on 6 February 2008.

At this stage, the parties do not know when the Chrono Star Divestment will complete. However, in the event that the Chrono Star Divestment completes, among other things, after completion of the Offer and the appointment of Mr. Tay as an Executive Director of Peace

Mark, Peace Mark will comply with the Hong Kong Listing Rules. As at the Latest Practicable Date, Peace Mark is not aware of any further material developments in the Chrono Star Divestment since the issue of the Sincere Notice of EGM.

### 3. WARRANTIES

A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to warrant that:

- (i) he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof: (a) fully paid, (b) free from any mortgage, debenture, lien, charge, pledge, title retention, right to acquire, security interest, option, pre-emptive or similar right, right of first refusal and any other encumbrance or condition whatsoever, and (c) together with all rights, benefits and entitlements attached thereto as of the Pre-Conditional Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (if any) declared, paid or made by Sincere on or after the Pre-Conditional Announcement Date; and
- (ii) he has not received or sent copies or originals of this Offer Document, the FAA or the FAT or any related documents in, into or from the United States, Canada, Australia or New Zealand and has not otherwise utilised in connection with the Offer, directly or indirectly, the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia or New Zealand, the FAA or the FAT has not been mailed or otherwise sent in, into or from the United States, Canada, Australia or New Zealand and he is not accepting the Offer from within the United States, Canada, Australia or New Zealand.

### 4. DETAILS OF THE OFFER

**Appendix 1** to this Offer Document sets out further details on (i) the duration of the Offer, (ii) the settlement of the Offer Consideration, (iii) the requirements relating to the announcement of the level of acceptances of the Offer, and (iv) the right of withdrawal of acceptances.

### 5. PROCEDURES FOR ACCEPTANCE AND ARRANGEMENTS FOR TRADING OR SALE OF NEW PEACE MARK SHARES

**Appendix 2** to this Offer Document sets out the procedures for acceptance of the Offer. In addition, **Appendix 3** to this Offer Document sets out the arrangements that the Offeror has put in place to facilitate trading in or sale of the New Peace Mark Shares by Shareholders who have tendered their Offer Shares in acceptance of the Offer.

### 6. DESCRIPTION OF PEACE MARK AND THE OFFEROR

The Offeror is an indirect wholly-owned subsidiary of Peace Mark which was incorporated in the British Virgin Islands as a special purpose vehicle for the purpose of acquiring the Offer Shares pursuant to the Offer.

Peace Mark was incorporated in Bermuda and is listed on the Main Board of the SEHK and has been trading on the SEHK since 1993. Peace Mark is a Hong Kong-based mid to luxury timepiece company with operations mainly located in Hong Kong and Mainland China.

The Peace Mark Group has expanded its business worldwide over the years since Peace Mark's founding in 1983. With strong design capability, the Peace Mark Group manufactures, distributes and sells international brand name timepieces to major markets including the United States, Europe, the PRC and other Asian countries. In the case of brands sold in the PRC, Peace Mark operates a number of service stores which provide after-sales services.

Headquartered in Hong Kong, Peace Mark boasts an extensive fashion watch retail network for the mid-range market in the Greater China Region, for instance through its TimeZone retail stores, as well as the Peace Mark Tourneau joint-venture and strategic partnerships with local players leading the retailing business of luxury watches in Mainland China. The Peace Mark Group has also diversified and expanded into the high-end jewellery market as it now operates two Boucheron stores in Hong Kong and Shanghai under a franchise arrangement (Boucheron being a French high-end jewellery brand under the Gucci Group). Its advanced production facilities are located in (i) Hong Kong, (ii) Shenzhen and Shanghai in the PRC, and (iii) Bienne in Switzerland, and the Peace Mark Group employs more than 10,000 staff.

**Appendix 4** and **Appendix 5** to this Offer Document set out certain additional information on Peace Mark and the Offeror, respectively. Information on Peace Mark is also available from its website at [www.peacemark.com](http://www.peacemark.com).

## 7. DESCRIPTION OF SINCERE

Sincere was incorporated in Singapore on 10 May 1977. It has been listed on SGX Sesdaq since 2 September 1993 and subsequently on the Main Board of the SGX-ST since 1 February 2005.

Sincere is the holding company in the Sincere Group. The Sincere Group is one of Singapore's oldest and most established retailers and distributors of brand-name luxury watches, with a network spanning Singapore, Malaysia, Thailand, Hong Kong, Mainland China, India, Australia, South Korea, Indonesia and other countries in both south-east and north-east Asia. Sincere's businesses include brand management, fine watch retailing, travel watch retailing and lifestyle watch retailing. The Sincere Group now carries a portfolio of over 40 internationally acclaimed brands and enjoys exclusive agency rights for 15 brands, such as Franck Muller, de GRISOGONO, A. Lange & Söhne and F.P. Journe.

The Sincere Group also operates a food and beverage business through its wholly-owned subsidiaries, Culina Holdings Pte Limited and Culina Pte Limited (together, "**Culina**") and Food Resources Pte Ltd ("**Food Resources**"). Culina has distributed fine food and beverages for the Sincere Group since its establishment in 1994. Culina has two gourmet shops and is one of the largest suppliers of imported premium food and beverages to hotels, retail stores and restaurants throughout Singapore. Food Resources was acquired by the Sincere Group in 2006 and distributes fast moving consumables such as beverages, fruit and vegetable juices, ice-cream and other frozen desserts and frozen foods. Unlike Culina, Food Resources focuses its channels of distribution on convenience stores and supermarkets.

As at 6 December 2007, Sincere had a market capitalisation of approximately S\$479.5 million. The audited consolidated net profit of Sincere for the financial year ended 31 March 2007 was approximately S\$25.385 million after tax (representing approximately HK\$136.698 million at the exchange rate ratio of S\$1 : HK\$5.385 on 6 December 2007) and S\$30.733 million before tax (representing approximately HK\$165.497 million at the exchange rate ratio of S\$1 : HK\$5.385 on 6 December 2007) and the audited consolidated net profit of Sincere for the financial year ended 31 March 2006 was approximately S\$35.096 million after tax (representing HK\$188.992 million at the exchange rate ratio of S\$1 : HK\$5.385 on 6 December 2007) and S\$42.252 million before tax (representing approximately HK\$227.527 million at the exchange rate ratio of S\$1 : HK\$5.385 on 6 December 2007), respectively. The audited consolidated net assets of Sincere as at 31 March 2006 and 31 March 2007 were approximately S\$131.692 million (representing approximately HK\$709.161 million at the exchange rate ratio of S\$1 : HK\$5.385 on 6 December 2007) and S\$135.800 million (representing approximately HK\$731.283 million at the exchange rate ratio of S\$1 : HK\$5.385 on 6 December 2007), respectively.

**Appendix 6** to this Offer Document sets out certain additional information on Sincere. Information on Sincere is also available from its website at [www.sincere.com.sg](http://www.sincere.com.sg).

## 8. RATIONALE FOR THE OFFER

The board of directors of Peace Mark believes that the Offer provides Peace Mark with an opportunity to complement and further develop its existing business by extending its geographic reach, expanding its existing luxury retail network and expanding its management team. It is expected over time that the combination of these factors will allow Peace Mark to increase the pace of expansion of its luxury retail operations in the PRC and Hong Kong, as well as enjoy greater customer and supplier recognition and economies of scale.

With respect to geographic reach, Sincere presently operates luxury watch retail shops in several markets where Peace Mark has no existing operations, namely Singapore, Malaysia, Thailand, India, Australia, South Korea and Indonesia. Peace Mark believes each of these markets offer positive growth prospects for the Peace Mark Group and an exposure to these markets is in line with Peace Mark's strategy of being a major regional player in the south-east Asian luxury watch retail segment.

In terms of brand portfolio, Sincere currently carries a portfolio of over 40 internationally acclaimed brands and has exclusive agency rights for 15 brands within certain territories, notably Franck Muller, de GRISOGONO, A. Lange & Söhne and F.P. Journe. Peace Mark currently has no involvement with these brands. Accordingly, completion of the Offer will allow Peace Mark to expand its brand reach and develop new relationships with leading watch makers.

Finally, Peace Mark's major revenue contribution to date has been from watch manufacturing and watch retail. While Peace Mark has some existing operations in the luxury segment, these are not presently of the scale that the Peace Mark Group would like and Peace Mark believes the Offer will allow it to increase its exposure to the luxury segment on a larger scale and within a shorter timeframe than would be possible through organic expansion. A key related element of this is the combined management depth of Peace Mark and Sincere which the board of directors of Peace Mark believes is complementary. In particular, the knowledge that Sincere's management has developed in the building of luxury watch brands and the operation of luxury watch retail stores will be of significant benefit in helping Peace Mark to expand its operation of luxury watch retail stores in Mainland China.

In the event that the Offer completes, the current intention is for Sincere to remain focused on the retail of luxury timepieces in south-east Asia and other new markets like India, while Sincere Watch HK will focus on brand management and the operation of its luxury mono-brand retail outlets in Hong Kong, Macau, the PRC and Taiwan. Peace Mark's focus will remain on retail expansion, especially in Mainland China.

## 9. THE OFFEROR'S INTENTIONS IN RELATION TO SINCERE

**9.1 Operations Review.** The Offeror intends for Sincere to continue with its existing activities and has no current intention to (i) introduce any major changes to the business of Sincere, (ii) re-deploy Sincere's fixed assets, (iii) affect the operations of any of its subsidiaries, or (iv) discontinue the employment of any of the existing employees of Sincere and its subsidiaries, other than in the ordinary course of business.

**9.2 Listing Status of Sincere.** Under Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the issued Shares, the SGX-ST may suspend the listing of the Shares on the SGX-ST until such time when the SGX-ST is satisfied that at least ten per cent. of the issued Shares are held by at least 500 shareholders who are members of the public.

In addition, under Rule 724 of the Listing Manual, if the percentage of the issued Shares held in public hands falls below ten per cent., Sincere must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Shares on the SGX-ST. Rule 725 of the Listing Manual states that the SGX-ST may allow Sincere a period of three months, or such longer

period as the SGX-ST may agree, for the proportion of issued Shares held by members of the public to be raised to at least ten per cent. (the “**Shareholding Requirement**”), failing which Sincere may be de-listed from the SGX-ST.

The Offeror’s intention is to acquire a controlling shareholding interest in Sincere and to maintain the present listing status of Sincere on the Main Board of the SGX-ST. Accordingly, the Offeror and/or Peace Mark will take steps to restore the minimum public float so that Sincere meets the Shareholding Requirement, in the event that the Offeror and parties acting in concert with the Offeror end up holding more than 90 per cent. of the issued Shares pursuant to the Offer.

**9.3 Compulsory Acquisition.** As stated in Section 9.2 above, as the Offeror’s intention is to acquire a controlling shareholding interest in Sincere and to maintain the present listing status of Sincere on the Main Board of the SGX-ST, the Offeror does not intend to avail itself of powers of compulsory acquisition pursuant to Section 215 of the Companies Act.

## **10. FINANCIAL ASPECTS OF THE OFFER**

**10.1 Determination of the Offer Price.** The Offer Price has been determined on the basis of willing buyer, willing seller negotiations having regard to various factors including, but not limited to, the prevailing market price of the Shares, the nature and performance of Sincere’s business, the broader industry outlook and the typical control premium paid in Singapore for transactions of this nature. In this Offer Document, the notional value of the Offer Price used is S\$2.564, being the aggregate of (i) the price of S\$2.051 to be paid in cash, and (ii) S\$0.513, being the aggregate issue price of 0.228 New Peace Mark Shares issued at the issue price of HK\$12.096 (equivalent to S\$2.246 at the exchange rate ratio of S\$1 : HK\$5.385 as at 6 December 2007 being the date immediately preceding the Pre-Conditional Announcement Date) per New Peace Mark Share.

### **10.2 Benchmarking the Offer.<sup>1</sup>**

The notional value of the Offer Price, namely S\$2.564:

- (i) represents a premium of approximately 9 per cent. to the last transacted price of S\$2.36 per Share as quoted on the SGX-ST on 11 February 2008 (being the last Market Day on which there were trades on the SGX-ST prior to the Latest Practicable Date);
- (ii) represents a premium of approximately 7 per cent. to the last transacted price of S\$2.39 per Share as quoted on the SGX-ST on 31 January 2008 (being the last Market Day on which there were trades on the SGX-ST prior to the Firm Offer Announcement Date);
- (iii) represents a premium of approximately 11 per cent. to the last transacted price of S\$2.32 per Share as quoted on the SGX-ST on 6 December 2007 (being the last Market Day on which there were trades on the SGX-ST prior to the Pre-Conditional Announcement Date);
- (iv) represents a premium of approximately 19 per cent. to the average closing price of approximately S\$2.146 per Share on the SGX-ST for the one-month period prior to the Pre-Conditional Announcement Date;
- (v) represents a premium of approximately 32 per cent. to the average closing price of approximately S\$1.941 per Share on the SGX-ST for the three-month period prior to the Pre-Conditional Announcement Date;
- (vi) represents a premium of approximately 47 per cent. over the average closing price of approximately S\$1.740 per Share on the SGX-ST for the six-month period prior to the Pre-Conditional Announcement Date; and

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<sup>1</sup> The figures set out in Section 10.2 are based on data extracted from Bloomberg on 6 December 2007, 31 January 2008 and 11 February 2008.

- (vii) represents a premium of approximately 71 per cent. over the average closing price of approximately S\$1.498 per Share on the SGX-ST for the twelve-month period prior to the Pre-Conditional Announcement Date.

**10.3 Comparison of the Offer Price to NAV per ordinary share.**<sup>2</sup> The notional value of the Offer Price, namely S\$2.564, implies a Price/NAV ratio of 3.8 times.

**10.4 Premium of Aggregate Offer Price to Net Asset Value of Sincere.** On the basis of the notional value of the Offer Price, namely S\$2.564, the issued Shares are valued at approximately S\$530 million, representing a premium of 290 per cent. to the audited consolidated net assets of Sincere as at 31 March 2007 of approximately S\$135.8 million.<sup>3</sup>

## 11. DISCLOSURES OF SHAREHOLDINGS AND DEALINGS

### 11.1 Shareholdings and Dealings in Shares

- (i) **No Shareholdings.** As at the Latest Practicable Date, none of the Relevant Persons owns, controls, or has agreed to acquire any (a) Shares, (b) securities which carry voting rights in Sincere, (c) securities which are convertible into Shares, or (d) rights to subscribe for, or options in respect of, such Shares or securities.
- (ii) **No Dealings.** As at the Latest Practicable Date, none of the Relevant Persons has dealt for value in any (a) Shares, (b) securities which carry voting rights in Sincere, (c) securities which are convertible into Shares, or (d) rights to subscribe for, or options in respect of, such Shares or securities during the Reference Period.

### 11.2 Shareholdings and Dealings in Peace Mark Shares

- (i) **Relevant Persons.** Appendix 9 to this Offer Document sets out:
- (a) the Peace Mark Shares and the Peace Mark Options owned, controlled or agreed to be acquired by certain directors of Peace Mark and certain directors of the Offeror as at the Latest Practicable Date; and
- (b) the dealings in Peace Mark Shares and Peace Mark Options by certain directors of Peace Mark and certain directors of the Offeror during the Reference Period.
- (ii) **No Other Holdings or Dealings.** Save as disclosed in this Offer Document, none of the Relevant Persons or the Major Shareholder owns, controls, or has agreed to acquire or has dealt for value in any (a) Peace Mark Shares, (b) securities which carry voting rights in Peace Mark, (c) securities which are convertible into Peace Mark Shares, or (d) rights to subscribe for, or options in respect of, such Peace Mark Shares or securities during the Reference Period.

## 12. FINANCING OF THE OFFER

The cash element of the Offer Consideration will be financed by a combination of Peace Mark's internal cash resources and a US\$500,000,000 term loan facility (of which up to US\$200,000,000 may be used to finance such cash element), which was entered into on the Firm Offer Announcement Date by, amongst others, the Offeror as borrower, Peace Mark as guarantor and a syndicate of banks (the "**Facility**").

Further details relating to the Facility are provided in the announcement made on the Firm Offer Announcement Date by Peace Mark, a copy of which is available on the website of the SEHK at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the SGX-ST at [www.sgx.com](http://www.sgx.com).

<sup>2</sup> In this Offer Document, the NAV per Share used is S\$0.6816 (as extracted from Sincere's half year financial statement for the period ended 30 September 2007).

<sup>3</sup> As extracted from the Annual Report 2006/2007 of Sincere for the financial year ended 31 March 2007.

### 13. CONFIRMATION OF FINANCIAL RESOURCES

Macquarie, as the financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer, on the basis of the Offer Consideration.

### 14. OVERSEAS SHAREHOLDERS

**14.1 Overseas Shareholders.** The availability of the Offer to Shareholders whose addresses are outside Singapore as shown on the Register (each, an “**Overseas Shareholder**”) or, as the case may be, in the records of the CDP, may be affected by the laws of relevant overseas jurisdictions. Accordingly, any Shareholders not resident in Singapore should inform themselves about and observe any applicable legal requirements in their own jurisdictions. For the avoidance of doubt, the Offer is made to all Shareholders, including those to whom this Offer Document, the FAAs and the FATs have not been, or will not be, sent, provided that this Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful and the Offer is not being made into any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

**14.2 Overseas Jurisdictions.** It is the responsibility of any Shareholder outside Singapore who wishes to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. If any Shareholder is in any doubt about his position, he should consult his professional adviser in the relevant jurisdiction.

**14.3 United States, Canada, Australia and New Zealand.** This Offer Document is not for release, publication or distribution in or into the United States, Canada, Australia or New Zealand.

The Offer is not being made, directly or indirectly, in or into the United States, Canada, Australia or New Zealand, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia or New Zealand and the Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Canada, Australia or New Zealand.

The New Peace Mark Shares have not been and will not be registered under the U.S. Securities Act of 1933. Accordingly, the New Peace Mark Shares may not be offered, sold or delivered, directly or indirectly, in or into the United States.

**14.4 Hong Kong.** The contents of this Offer Document have not been reviewed by any regulatory authority in Hong Kong. Shareholders in Hong Kong are advised to exercise caution in relation to the Offer. If they are in any doubt about any of the contents of this Offer Document, they should obtain independent professional advice.

**14.5 The People’s Republic of China.** This Offer Document does not constitute a public offering of the shares of Peace Mark in the PRC. This Offer Document may not be circulated or distributed in the PRC and the New Peace Mark Shares to be issued as a result of the Offer may not be offered or sold to any natural person or legal person residing in the PRC for re-offering or re-sale directly or indirectly except for being despatched to the Shareholder(s) residing in the PRC solely for the purpose of the Offer, subject to compliance by the Shareholder(s) with all applicable laws and regulations of the PRC.

**14.6 Copies of Offer Document.** Overseas Shareholders may obtain copies of this Offer Document, the FAAs, the FATs and any related documents, during normal business hours and up to the Closing Date from B.A.C.S. Private Limited at 63 Cantonment Road Singapore 089758. Alternatively, an Overseas Shareholder may write to A-A United Limited c/o B.A.C.S.

Private Limited, 63 Cantonment Road Singapore 089758 to request for this Offer Document, the FAAs, the FATs and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to three Market Days prior to the Closing Date.

**14.7 Notice.** The Offeror and Macquarie reserve the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders with a registered address outside Singapore or whom the Offeror or Macquarie knows to be custodians, nominees or trustees for such persons by announcement or paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement and all references in this Offer Document to notice in writing by or on behalf of the Offeror shall be construed accordingly.

**14.8 Other Provisions.** The attention of Overseas Shareholders is also drawn to paragraph 5 of Appendix 1 to this Offer Document.

## **15. GENERAL INFORMATION**

**15.1 Valid Acceptances.** The Offeror and Macquarie reserve the right to treat acceptances of the Offer as valid if received by or on behalf of either of them at any place or places determined by them otherwise than as stated herein or in the FAA or the FAT, as the case may be, or if made otherwise than in accordance with the provisions herein and instructions printed on the FAA and the FAT, as the case may be.

**15.2 Governing Law and Jurisdiction.** The Offer, this Offer Document, the FAA and the FAT and all acceptances of the Offer and all contracts made pursuant thereto and actions taken or made or deemed to be taken or made thereunder shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Offeror and accepting Shareholders submit to the non-exclusive jurisdiction of the Singapore courts.

**15.3 No Third Party Rights.** Unless expressly provided to the contrary in this Offer Document, the FAA and the FAT, a person who is not a party to any contracts made pursuant to the Offer, this Offer Document, the FAA and the FAT has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.

**15.4 Accidental Omission.** Accidental omission to despatch this Offer Document, the FAA and the FAT or any notice or announcement required to be given under the terms of the Offer or any failure to receive the same by any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way.

**15.5 Independent Advice.** Macquarie is acting for and on behalf of the Offeror and does not purport to advise Shareholders or any other person. The views of the independent directors of Sincere and the financial adviser to the independent directors of Sincere on the Offer will be made available to Shareholders in due course and, in any event, they are required under the Code to despatch their views within 14 days of the posting of this Offer Document. Shareholders may wish to consider their advice before taking any action in relation to this Offer.

**15.6 General Information.** Appendix 10 to this Offer Document sets out certain additional general information relating to the Offer.



## 16. RESPONSIBILITY STATEMENT

The directors of the Offeror and Peace Mark (including any who may have delegated detailed supervision of this Offer Document) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Offer Document are fair and accurate and that no material facts have been omitted from this Offer Document, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to Sincere), the sole responsibility of the directors of the Offeror and Peace Mark has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Offer Document.

Issued by

Rohit Elhence  
Managing Director  
**Macquarie Securities (Asia) Pte Limited**

For and on behalf of  
A-A United Limited

## DETAILS OF THE OFFER

### 1. DURATION OF OFFER

The Offer is open for acceptance by Shareholders for 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 18 March 2008. The Offeror does not intend to revise or extend the Offer beyond 18 March 2008. Notice is hereby given that the Offer will not be revised or be open for acceptance beyond 18 March 2008 save that such notice shall not be capable of being enforced in a competitive situation.**

For these purposes, a “**competitive situation**” shall be deemed (i) to arise when an offer or a possible offer for Sincere is announced by or on behalf of a person other than the Offeror, and (ii) to end when such offer or possible offer lapses or is withdrawn.

### 2. SETTLEMENT

**2.1 Accepting Shareholders whose Offer Shares are deposited with CDP.** Subject to the Offer becoming or being declared unconditional in all respects and the receipt by the Offeror from accepting Shareholders whose Offer Shares are deposited with CDP of all documents required by the Offeror which are complete in all respects and are in accordance with the requirements set out in this Offer Document and the FAA (including, without limitation, confirmation satisfactory to the Offeror that the number of Offer Shares tendered by the accepting Shareholders in acceptance of the Offer stands to the credit of the “Free Balance” of their respective Securities Accounts at the relevant time),

- (i) remittances in the form of S\$ cheques for the appropriate amounts or in such other manner as they may have agreed with CDP for the payment of any cash distributions; and
- (ii) share certificates in respect of the New Peace Mark Shares for the appropriate number of New Peace Mark Shares (“**Peace Mark Share Certificates**”),

will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholders by ordinary post, at the risk of the accepting Shareholders, at their respective addresses as they may appear in the records of CDP (save that nothing will be despatched in or into the United States, Canada, Australia or New Zealand) as soon as practicable and in any case:

- (a) in respect of acceptances of the Offer which are complete in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within 10 days of that date; or
- (b) in respect of acceptances which are complete in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within 10 days of the date of such receipt.

CDP will debit the respective Securities Accounts of the accepting Shareholders with the number of Offer Shares tendered by them in acceptance of the Offer and CDP will send by ordinary post to accepting Shareholders at their respective addresses as they appear in the records of CDP (save that nothing will be despatched in or into the United States, Canada, Australia or New Zealand), and at the risk of the accepting Shareholders, notification letters showing the number of Offer Shares which have been debited against their respective Securities Accounts.

## **2.2 Accepting Shareholders whose Offer Shares are represented by Share Certificates.**

Subject to the Offer becoming or being declared unconditional and the receipt by the Offeror from the accepting Shareholders of all relevant documents required by the Offeror which are complete in all respects and are in accordance with the requirements set out in this Offer Document and the FAT (including, without limitation, the share certificates relating to the Offer Shares tendered by the accepting Shareholders in acceptance of the Offer),

- (i) remittances in the form of S\$ cheques for the appropriate amounts; and
- (ii) Peace Mark Share Certificates,

will be despatched, pursuant to Rule 30 of the Code, to the accepting Shareholders by ordinary post, at the risk of the accepting Shareholders, at their respective addresses as they may appear in the Register (save that nothing will be despatched in or into the United States, Canada, Australia or New Zealand) as soon as practicable and in any case:

- (a) in respect of acceptances of the Offer which are complete in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within 10 days of that date; or
- (b) in respect of acceptances which are complete in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within 10 days of the date of such receipt.

## **3. ANNOUNCEMENTS**

**3.1 Timing and Contents.** By 8.00 a.m. (Singapore time) on the Market Day (“**Relevant Day**”) immediately after the day on which the Offer is due to expire, or the Offer becomes or is declared to be unconditional as to acceptances or the Offer is revised or extended, the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):

- (i) for which acceptances of the Offer have been received;
- (ii) held by the Offeror and any party acting in concert with it prior to the commencement of the offer period (as defined in the Code); and
- (iii) acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the offer period (as so defined),

and will specify the percentages of the Shares represented by such numbers.

**3.2 Suspension.** If the Offeror is unable, within the time limit, to comply with any of the requirements of paragraph 3.1 (“**Timing and Contents**”) of this **Appendix 1**, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.

**3.3 Valid Acceptances.** Subject to Section 15.1 (“**Valid Acceptances**”) of the Offer Document, in computing the number of Offer Shares represented by acceptances, the Offeror will, at the time of making an announcement, take into account:

- (i) acceptances which are valid in all respects; and
- (ii) acceptances which are duly completed and accompanied, in respect of a purchase by the accepting Shareholder of Offer Shares which are deposited with CDP (subject to the “Free Balance” of the Securities Account of the accepting Shareholder being credited with the relevant number of such Offer Shares within five Market Days of the date of the relevant original “bought” contract statement(s)), by the relevant original “bought” contract statements, validly issued by a member company of the SGX-ST in the name of the accepting Shareholder.

Acceptances of the Offer will only be treated as valid for the purposes of the acceptance condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

#### **4. RIGHT OF WITHDRAWAL**

**4.1 Acceptances Irrevocable.** Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

**4.2 Right of Withdrawal for Shareholders.** A Shareholder who has accepted the Offer may:

- (i) withdraw his acceptance immediately if the Offeror fails to comply with any of the requirements set out in paragraph 3.1 (“**Timing and Contents**”) of this **Appendix 1** by 3.30 p.m. (Singapore time) on the Relevant Day. The Offeror may terminate this right of withdrawal not less than eight days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in paragraph 3.1 (“**Timing and Contents**”) of this **Appendix 1**; and
- (ii) withdraw his acceptance immediately if a competing offer for the Shares becomes or is declared to be unconditional as to acceptances.

**4.3 Method of Withdrawal.** To withdraw his acceptance, a Shareholder who has accepted the Offer must give written notice to the Offeror at A-A United Limited c/o B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758. Such notice of withdrawal shall be effective only if signed by the accepting Shareholder or his agent duly appointed in writing and evidence whose appointment is produced in a form satisfactory to the Offeror within the said notice, and when actually received by the Offeror.

#### **5. OVERSEAS SHAREHOLDERS**

**5.1 Despatch into and receipt from the United States, Canada, Australia or New Zealand.** Persons receiving copies of this Offer Document, the FAA and the FAT (including, without limitation, custodians, nominees and trustees holding Shares for persons in the United States, Canada, Australia or New Zealand) should not distribute or send them in, into or from the United States, Canada, Australia or New Zealand or use such mails or any such means, instrumentality or facility in connection with the Offer, and so doing will render invalid any related purported acceptance of the Offer. Persons wishing to accept the Offer should not use such mails or any such means, instrumentality or facility for any purpose directly or indirectly relating to acceptance of the Offer. Envelopes containing the FAA and/or the FAT should not be postmarked in the United States, Canada, Australia or New Zealand, or otherwise despatched from the United States, Canada, Australia or New Zealand, and all accepting Shareholders must provide addresses outside the United States, Canada, Australia and New Zealand for the remittance of cash and receipt of New Peace Mark Shares or the return of the FAAs and the FATs, share certificate(s) relating to Shares and/or other document(s) of title.

**5.2 Invalid Acceptance.** A Shareholder will be deemed not to have accepted the Offer if (i) he is unable to make the representations and warranties set out in Section 3 (“**Warranties**”) of this Offer Document, or (ii) he completes the FAA or the FAT with an address in the United States, Canada, Australia or New Zealand, or has a registered address in the United States, Canada, Australia or New Zealand, or (iii) the FAA or the FAT from him is in an envelope postmarked in, or which otherwise appears to the Offeror or its agents to have been sent from, the United States, Canada, Australia or New Zealand. The Offeror reserves the right, in its absolute discretion, to investigate, in relation to any acceptance, whether the representations and warranties in Section 3 (“**Warranties**”) of this Offer Document given by any Shareholder are correct and, if such investigation is undertaken and as a result the Offeror determines (for any reason) that any such representation and warranty is not correct, such acceptance shall not be valid.

If the person executing the FAA or the FAT is an agent or fiduciary acting on a non-discretionary basis for a Shareholder as principal, the Offeror will only treat the acceptance as valid if the Shareholder as principal has given all instructions with respect to the Offer from outside the United States, Canada, Australia and New Zealand.

- 5.3 Third Party Action.** If, in connection with making the Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this Offer Document, the FAA or the FAT or any related offering documents in, into or from the United States, Canada, Australia or New Zealand, or uses the mails, or any means or instrumentality (including, without limitation, facsimile transmission, telephone and the internet) of interstate or foreign commerce, or any facility of a national securities exchange, of the United States, Canada, Australia or New Zealand in connection with such forwarding, such persons should (i) inform the recipient of such fact, (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient, and (iii) draw the attention of the recipient to this paragraph 5 (“**Overseas Shareholders**”) of this **Appendix 1**.

In addition, if any written notice from a Shareholder withdrawing his acceptance in accordance with paragraph 4 (“**Right Of Withdrawal**”) of this **Appendix 1** is received in an envelope postmarked in, or which otherwise appears to the Offeror or its agents to have been sent from, the United States, Canada, Australia or New Zealand, such notice will not be valid.

- 5.4 Discretion of the Offeror.** The provisions of this paragraph 5 (“**Overseas Shareholders**”) of this **Appendix 1** and any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Offeror in its absolute discretion but only if the Offeror is satisfied that such waiver, variance or modification will not constitute or give rise to a breach of applicable securities or other law.

The provisions of this paragraph 5 (“**Overseas Shareholders**”) of this **Appendix 1** supersede any terms of the Offer inconsistent herewith.

## PROCEDURES FOR ACCEPTANCE OF THE OFFER

### 1. OFFER

#### 1.1 CDP Depositors

1.1.1 **CDP Depositors whose Securities Accounts are credited with Offer Shares.** If you have Offer Shares standing to the credit of the “Free Balance” of your Securities Account, you should receive this Offer Document together with a FAA. If you wish to accept the Offer, you should:

- (1) complete and sign page 1 of the FAA strictly in accordance with this Offer Document and the instructions printed on the FAA. In particular, you must state in **Part A** of the FAA the number of Offer Shares already standing to the credit of the “Free Balance” of your Securities Account in respect of which you wish to accept the Offer. If you:
  - (a) do not specify such number; or
  - (b) specify a number which exceeds the number of Offer Shares standing to the credit of the “Free Balance” of your Securities Account as of 5.00 p.m. (Singapore time) on the date of receipt of the FAA by CDP (“**Date of Receipt**”), or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date, provided always that the Date of Receipt must fall on or before the Closing Date,

you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the “Free Balance” of your Securities Account as of 5.00 p.m. (Singapore time) on the Date of Receipt, or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date; and

- (2) deliver the completed and signed FAA:
  - (a) **by hand** to A-A United Limited c/o The Central Depository (Pte) Limited, 4 Shenton Way #02-01, SGX Centre 2, Singapore 068807; or
  - (b) **by post**, in the enclosed pre-addressed envelope at your own risk, to A-A United Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office P.O. Box 1984, Singapore 903934,

**in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date.** Settlement of the consideration under the Offer will be subject to the receipt of confirmation satisfactory to the Offeror that the Offer Shares to which the FAA relates are credited to the “Free Balance” of your Securities Account and such settlement cannot be made until all relevant documents have been properly completed and delivered.

If you have sold or transferred all your Offer Shares, you need not forward this Offer Document and/or the FAA to the purchaser or transferee (the “**Purchaser**”) as arrangements will be made by CDP for a separate Offer Document and a FAA to be issued to the Purchaser. Purchasers should note that CDP will, on behalf of the Offeror, send a copy of this Offer Document and the FAA by ordinary post at the Purchasers’ own risk to their respective addresses as they appear in the records of CDP (save that the Offer Document, the FAA and any related documents will not be sent in or into the United States, Canada, Australia or New Zealand).

- 1.1.2 **CDP Depositors whose Securities Accounts will be credited with Offer Shares.** If you have purchased Offer Shares on the SGX-ST and such Offer Shares are in the process of being credited to the “Free Balance” of your Securities Account, you should also receive this Offer Document together with a FAA.

**Acceptance.** If you wish to accept the Offer, you should:

- (1) complete and sign page 1 of the FAA strictly in accordance with this Offer Document and the instructions printed on the FAA. In particular, you must state in **Part B** of the FAA, the number of Offer Shares in respect of which you wish to accept the Offer and submit the relevant original “bought” contract statement(s) validly issued by a member company of the SGX-ST in your name together with the completed FAA, in respect of such Offer Shares. If you:
  - (a) do not specify such number; or
  - (b) specify a number which exceeds the number of Offer Shares represented by the relevant original “bought” contract statement(s) validly issued by a member company of the SGX-ST in your name, in respect of such Offer Shares,

you shall be deemed to have accepted the Offer in respect of all the Offer Shares represented by the relevant original “bought” contract statement(s). If the FAA is received by CDP without the relevant original “bought” contract statement(s) attached to it, then you shall be deemed to have accepted the Offer in respect of all the Offer Shares standing to the credit of the “Free Balance” of your Securities Account as at 5.00 p.m. (Singapore time) on the Date of Receipt, or, in the case where the Date of Receipt is on the Closing Date, as at 5.30 p.m. (Singapore time) on the Closing Date or the number of Shares specified in Part B, whichever is less; and

- (2) deliver the completed and signed FAA and the relevant original “bought” contract statement(s) validly issued by a member company of the SGX-ST in your name:
  - (a) **by hand** to A-A United Limited c/o The Central Depository (Pte) Limited, 4 Shenton Way #02-01, SGX Centre 2, Singapore 068807; or
  - (b) **by post**, in the enclosed pre-addressed envelope at your own risk, to A-A United Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office P.O. Box 1984, Singapore 903934,

**in each case so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date.** Settlement of the consideration under the Offer will be subject to the receipt of confirmation satisfactory to the Offeror that the Offer Shares to which the FAA relates are credited to the “Free Balance” of your Securities Account and such settlement cannot be made until all relevant documents have been properly completed and delivered.

**Credit into “Free Balance”.** By accepting the Offer, you undertake to procure that the “Free Balance” of your Securities Account will be credited with the number of Offer Shares within five Market Days of the date of the relevant original “bought” contract statement(s) or by 5.30 p.m. (Singapore time) on the Closing Date, whichever is earlier. If by the fifth Market Day following the date of the relevant original “bought” contract statement(s) or by 5.30 p.m. (Singapore time) on the Closing Date, whichever is earlier, the “Free Balance” of your Securities Account is not credited with, or is credited with less than the relevant number of Offer Shares as aforesaid, you shall be deemed to have accepted the Offer only in respect of the lower of:

- (1) the number of Offer Shares as may be standing to the credit of your “Free Balance” of your Securities Account on the fifth Market Day following the date of the relevant original “bought” contract statement(s) or as at 5.30 p.m. (Singapore time) on the Closing Date, whichever is earlier; or
- (2) the number of Offer Shares inserted in Part B of the FAA or, if no such number of Offer Shares is inserted, the number of Offer Shares represented by the relevant original “bought” contract statement(s).

**Rejection.** If upon receipt by CDP, on behalf of the Offeror, of the FAA and the relevant original “bought” contract statement(s) and other relevant documents, it is established that the Offer Shares represented by the relevant original “bought” contract statement(s) will not be credited or are not in the process of being credited to your Securities Account (as, for example, where you sell or have sold such Offer Shares), your acceptance is liable to be rejected and none of CDP, Macquarie, Peace Mark and the Offeror accept any responsibility or liability for the consequences of such a rejection.

If you purchase Offer Shares on the SGX-ST on a date close to the Closing Date, your acceptance in respect of such Offer Shares is liable to be rejected if the “Free Balance” of your Securities Account is not credited with such Offer Shares by 5.30 p.m. (Singapore time) on the Closing Date. Neither CDP, Macquarie, Peace Mark nor the Offeror accepts any responsibility or liability for the consequences of such a rejection.

- 1.1.3 **CDP Depositors whose Securities Accounts are and will be credited with Offer Shares.** If you have Offer Shares credited to your Securities Account, and have purchased additional Offer Shares on the SGX-ST which are in the process of being credited to your Securities Account, you may accept the Offer in respect of both the Offer Shares standing to the credit of the “Free Balance” of your Securities Account as well as the additional Offer Shares purchased which are in the process of being credited to your Securities Account. The provisions set out above shall apply *mutatis mutandis* to your acceptance of the Offer.
- 1.1.4 **Acknowledgements.** CDP will acknowledge receipt of the FAA if it is submitted by hand to CDP. No acknowledgement will be given for FAAs deposited into boxes located at CDP’s premises. For reasons of confidentiality, CDP will not entertain telephone enquiries relating to the number of Offer Shares credited to your Securities Account. You can verify such number by e-mail if you have registered for the CDP e-mail service. Alternatively, you may call personally at CDP with your identity card or passport to verify such number.
- 1.1.5 **Suspense Account.** Upon receipt of the FAA (and the relevant original “bought” contract statement(s), if applicable), CDP will transfer the Offer Shares in respect of which you have accepted the Offer from the “Free Balance” of your Securities Account to a “Suspense Account”. Such Offer Shares will be held in the “Suspense Account” until the Offer Consideration for such Offer Shares has been despatched to you in the event of the Offer becoming or being declared to be unconditional in all respects in accordance with its terms.
- 1.1.6 **Return of Offer Shares.** In the event that the Offer does not become unconditional in all respects in accordance with its terms, the relevant number of Offer Shares in respect of which you have accepted the Offer will be transferred to the “Free Balance” of your Securities Account as soon as possible but, in any event, not later than 14 days from the lapse of the Offer.
- 1.1.7 **Offer Unconditional in All Respects.** If the Offer becomes or is declared unconditional in all respects in accordance with its terms, CDP will send you a notification letter stating the number of Offer Shares debited from your Securities Account together with payment of the cash portion of the Offer Consideration by way of a cheque drawn on a bank in Singapore for the appropriate amount or in such other manner as you may have agreed



with CDP for the payment of any cash distributions. You will also receive the New Peace Mark Shares issued by the Peace Mark Share Registrar as part of the Offer Consideration.

1.1.8 **No Securities Account.** If you do not have any existing Securities Account in your name at the time of acceptance of the Offer, your acceptance as contained in the FAA will be rejected.

## 1.2 Scrip Holders

If you hold Offer Shares which are not deposited with CDP (“**in scrip form**”), you should receive this Offer Document together with a FAT.

**Acceptance by Shareholders.** If you wish to accept the Offer, you should:

- (1) complete and sign page 1 of the FAT strictly in accordance with this Offer Document and the instructions printed on the FAT. If you:
  - (a) do not specify a number in **Part A** of the FAT; or
  - (b) specify a number which exceeds the number of Offer Shares represented by the attached share certificate(s),

you shall be deemed to have accepted the Offer in respect of the total number of Offer Shares represented by the share certificate(s) accompanying the FAT; and

- (2) deliver:
  - (a) the completed and signed FAT;
  - (b) the share certificate(s), other document(s) of title and/or other relevant document(s) required by the Offeror relating to the Offer Shares in respect of which you wish to accept the Offer. If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk, are required to procure Sincere to issue such share certificate(s) in accordance with the Memorandum and Articles of Association of Sincere and then deliver such share certificate(s) in accordance with the procedures set out in this Offer Document. If your share certificate(s) and/or other document(s) of title and/or other relevant document(s) required by the Offeror is/are not readily available or is/are lost, this FAT should nevertheless be completed and returned by the time specified below and the share certificate(s) and/or other document(s) of title and/or other relevant document(s) required by the Offeror, should be forwarded to A-A United Limited c/o B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758, as soon as possible thereafter; and
  - (c) where such Offer Shares are not registered in your name, you may send in, at your own risk, the relevant share certificate(s) and/or other document(s) of title and/or other relevant document(s) required by the Offeror, accompanied by transfer form(s), duly executed by the person in whose name such share certificate(s) is/are registered and stamped, with the particulars of the transferee left blank (to be completed by the Offeror or a person authorised by it),

(I) **by hand**; or (II) **by post** (in the enclosed pre-addressed envelope at your own risk), to A-A United Limited c/o B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 **so as to arrive not later than 5.30 p.m. (Singapore time) on the Closing Date.**

The FAT must be sent in its entirety to A-A United Limited c/o B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 duly completed in accordance with the instructions in the FAT and no part may be detached or mutilated. Settlement of the consideration under the Offer will be subject to, amongst other things, the receipt of all relevant documents, properly completed.

**No Acknowledgements.** No acknowledgement of receipt of any FAT, share certificate, other document of title, transfer form and/or any other document required by the Offeror will be given.

## 2. GENERAL

- 2.1 Disclaimer.** The Offeror and Macquarie will each be entitled to reject any acceptance which does not comply with this Offer Document and the relevant acceptance forms or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title and/or any other relevant document(s) required by the Offeror, or which is otherwise incomplete, incorrect or invalid in any respect. If you wish to accept the Offer, it is your responsibility to ensure that the FAA and/or the FAT, as the case may be, is properly completed in all respects and all required documents are provided. Any decision to reject any acceptance will be final and binding and none of the Offeror, Peace Mark, Macquarie, the Registrar or CDP accepts any responsibility or liability for the consequences of such a decision.
- 2.2 Scrip and Scripless Offer Shares.** If you hold some Offer Shares in scrip form and others with CDP, you should complete a FAT for the former and a FAA for the latter in accordance with the respective procedures set out in this **Appendix 2** if you wish to accept the Offer in respect of such Offer Shares.
- 2.3 Deposit Time.** If you hold Offer Shares in scrip form, the Offer Shares may not be credited into your Securities Account with CDP in time for you to accept the Offer if you were to deposit your share certificate with CDP after the Despatch Date. If you wish to accept the Offer in respect of such Offer Shares, you should complete a FAT and follow the procedures set out in paragraph 1.2 (“**Scrip Holders**”) of this **Appendix 2**.
- 2.4 Correspondence.** All communications, certificates, notices, documents and remittances to be delivered or sent to you (or your designated agent or, in the case of joint accepting Shareholders who have not designated any agent, to the one first named in the Register) will be sent by ordinary post to your respective addresses as they appear in the records of CDP or the Register, as the case may be, at the risk of the person entitled thereto (or in the case of remittances only in respect of holders of Offer Shares in scrip form, to such different name and addresses as may be specified by you in the FAT, at your sole risk). However, please note that no such correspondence will be sent into the United States, Canada, Australia or New Zealand. The attention of Overseas Shareholders is also drawn to Section 14 (“**Overseas Shareholders**”) of this Offer Document and paragraph 5 (“**Overseas Shareholders**”) of **Appendix 1** to this Offer Document.

## ARRANGEMENTS FOR TRADING OR SALE OF NEW PEACE MARK SHARES

### 1. Trading in or Sale of New Peace Mark Shares through UOB Kay Hian

**1.1 UOB Kay Hian.** The Offeror has arranged for the services of UOB Kay Hian to be made available to Shareholders who have tendered their Offer Shares in acceptance of the Offer, in respect of the New Peace Mark Shares to be issued to such Shareholders. Please refer to the enclosed letter from UOB Kay Hian addressed to Shareholders for further information on the services and fees of UOB Kay Hian (the “**UOB Kay Hian Letter**”).

**1.2 Opening of Trading Account with UOB Kay Hian.** Shareholders who wish to trade their New Peace Mark Shares may wish to open a trading account with UOB Kay Hian:

- (i) an account opening form with UOB Kay Hian (the “**Account Opening Form**”) is enclosed with the UOB Kay Hian Letter. Shareholders should sign and complete the Account Opening Form and the transfer form (the “**Transfer Form**”) found on the reverse side of the Peace Mark Share Certificate. Shareholders should **not** fill in the name of the transferee in the Transfer Form;
- (ii) Shareholders should submit the duly completed Account Opening Form, together with (a) the Peace Mark Share Certificate and the duly completed Transfer Form, and (b) a certified true copy of their identification card (in respect of Singaporean citizens or permanent residents) or passport (in respect of foreigners) (the “**Identification Document**”), **in person** to UOB Kay Hian at the following address: 80 Raffles Place, 29th floor, UOB Plaza 1, Singapore 048624; and
- (iii) on receipt of the duly completed Account Opening Form and the Identification Document, UOB Kay Hian will open the trading account in the name of the Shareholder. UOB Kay Hian will allow trading of the New Peace Mark Shares by the Shareholder after approximately four working days following receipt of the Peace Mark Share Certificate and the duly completed Transfer Form for deposition.

**1.3 Trading with an existing trading account with UOB Kay Hian.** Shareholders who have an existing trading account with UOB Kay Hian and who wish to trade their New Peace Mark Shares may deposit their New Peace Mark Shares into their existing UOB Kay Hian trading account:

- (i) Shareholders should complete and sign the Transfer Form. Shareholders should **not** fill in the name of the transferee in the Transfer Form;
- (ii) Shareholders should submit the Peace Mark Share Certificate and the duly completed Transfer Form **in person** to UOB Kay Hian at the following address: 80 Raffles Place, 29th floor, UOB Plaza 1, Singapore 048624 and quote their existing UOB Kay Hian trading account number; and
- (iii) UOB Kay Hian will allow trading of the New Peace Mark Shares by the Shareholder after approximately four working days following receipt of the Peace Mark Share Certificate and the duly completed Transfer Form for deposition.

**1.4 Authorisation of Sale by UOB Kay Hian.** A Shareholder, who does not wish to open a trading account with UOB Kay Hian or does not wish to utilise his existing trading account with UOB Kay Hian, can authorise UOB Kay Hian to sell the New Peace Mark Shares on his behalf:

- (i) an authorisation form (the “**Authorisation Form**”) is enclosed with the UOB Kay Hian Letter. Shareholders should sign and complete the Authorisation Form and the Transfer Form. Shareholders should **not** fill in the name of the transferee in the Transfer Form;

- (ii) Shareholders should submit the duly completed Authorisation Form, together with the Peace Mark Share Certificate and the duly completed Transfer Form, **in person** to UOB Kay Hian at the following address: 80 Raffles Place, 29th floor, UOB Plaza 1, Singapore 048624;
- (iii) on receipt of the duly completed Authorisation Form, the Peace Mark Share Certificate and the duly completed Transfer Form for deposition, UOB Kay Hian will take steps to sell the New Peace Mark Shares on behalf of the Shareholder. Shareholders should note that share prices can fluctuate and the price(s) at which their New Peace Mark Shares are sold will be at the prevailing price(s) at the time UOB Kay Hian puts in its order to sell the New Peace Mark Shares. Whilst UOB Kay Hian will endeavour to sell the New Peace Mark Shares, it does not guarantee or undertake that it can necessarily sell at the highest prevailing price. The Shareholder will bear the risk of the volatility of the share price of Peace Mark Shares and its impact on the value of the sale of the New Peace Mark Shares by UOB Kay Hian on his behalf and accept that the price(s) at which the New Peace Mark Shares are sold by UOB Kay Hian may not be at the highest prevailing price and may not necessarily be the price at which the Shareholder would like to sell the New Peace Mark Shares;
- (iv) payment of the net sale proceeds of the New Peace Mark Shares (less commission, stamp duty and other expenses) will be by way of “account payee” cheque in the name of the Shareholder (or, in the case of joint Shareholders, in the name of the one first named on the Peace Mark Share Certificate) and despatched by post (at the risk of the Shareholder) to the address of the Shareholder as specified in the Authorisation Form (or, in the case of joint Shareholders, to the address of the one first named on the Peace Mark Share Certificate as specified in the Authorisation Form) approximately two working days after the sale of the New Peace Mark Shares by UOB Kay Hian. Alternatively, Shareholders can request to collect the cheque in person from UOB Kay Hian. If no election is made on the method of payment to be made to UOB Kay Hian or such election is incomplete, vague or incorrect as determined by UOB Kay Hian in its sole and absolute discretion, the cheque shall be despatched by post (at the risk of the Shareholder); and
- (v) Shareholders may elect to receive payment in Hong Kong dollars or Singapore dollars. If no election is made to receive payment in Hong Kong dollars or Singapore dollars, or such election is incomplete, vague or incorrect as determined by UOB Kay Hian in its sole and absolute discretion, payment shall be made in Singapore dollars. Payment in Singapore dollars shall be made based on the Hong Kong dollar / Singapore dollar rates of exchange prevailing on or around the date of sale of the New Peace Mark Shares as determined by UOB Kay Hian in its sole and absolute discretion.

**1.5 Overseas Shareholders.** Subject to compliance with and observation of the applicable laws of the relevant overseas jurisdictions, including the United States, Canada, Australia and New Zealand, Overseas Shareholders who wish to utilise the services of UOB Kay Hian may:

- (i) sign and complete the Account Opening Form and the Transfer Form if they wish to open a trading account with UOB Kay Hian to trade their New Peace Mark Shares;
- (ii) sign and complete the Transfer Form if they wish to trade their New Peace Mark Shares through an existing trading account which they have with UOB Kay Hian, and enclose a separate letter to UOB Kay Hian indicating their existing UOB Kay Hian trading account number; or
- (iii) sign and complete the Authorisation Form and the Transfer Form if they wish to authorise UOB Kay Hian to sell their New Peace Mark Shares without having to open a trading account with UOB Kay Hian.

Overseas Shareholders should **not** fill in the name of the transferee in the Transfer Form.

Overseas Shareholders should note that they must execute the Account Opening Form or the Authorisation Form, as the case may be, and the Transfer Form (the “**Relevant Documents**”) **before a notary public in their jurisdiction**. As stated above, the Account Opening Form must enclose the Identification Document.

Overseas Shareholders may then post the Relevant Documents, together with the Identification Document (as the case may be) and the Peace Mark Share Certificate, to UOB Kay Hian at the following address: 80 Raffles Place, #30-01 UOB Plaza 1, Singapore 048624 at their own risk. Overseas Shareholders should note that UOB Kay Hian shall be under no liability for any loss or damage to any of the Relevant Documents, the Identification Document (as the case may be) or the Peace Mark Share Certificate through the postage of the said documents.

On receipt of the duly completed Relevant Documents, together with the Identification Document (as the case may be) and the Peace Mark Share Certificate, for deposition, UOB Kay Hian will take steps to open the trading account in the name of the Overseas Shareholder or sell the New Peace Shares on behalf of the Overseas Shareholder. UOB Kay Hian will allow trading or sale (as the case may be) of the New Peace Mark Shares by the Shareholder after approximately four working days following receipt of the Peace Mark Share Certificate and the duly completed Transfer Form for deposition.

Overseas Shareholders should note that the Relevant Documents, the Identification Documents and the Peace Mark Share Certificates received in an envelope postmarked in, or which otherwise appears to have been sent from, the United States, Canada, Australia or New Zealand will not be accepted or processed.

Overseas Shareholders are to take note of Section 14 (“**Overseas Shareholders**”) of this Offer Document. In addition, the Overseas Shareholders as detailed in paragraph 5 (“**Overseas Shareholders**”) of **Appendix 1** to this Offer Document are subject to the restrictions and requirements as set out in paragraph 5 (“**Overseas Shareholders**”) of **Appendix 1** to this Offer Document.

## **2. Other Arrangements**

If the Shareholder does not wish to utilise any of the options above or has an existing trading account with another broker with whom he wishes to trade in his New Peace Mark Shares, the Peace Mark Share Certificate will be delivered to the address of the Shareholder as reflected in the Register (save that Peace Mark Share Certificates will not be delivered in or into the United States, Canada, Australia or New Zealand) and the Shareholder will have to make his own arrangements if he wishes to sell or trade in his New Peace Mark Shares.

## INFORMATION ON PEACE MARK

### 1. DIRECTORS

The names, addresses and descriptions of the directors of Peace Mark as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr. Chau Cham Wong, Patrick	28th Floor, 1 Robinson Road, Hong Kong	Executive Director, Chairman
Mr. Leung Yung	Flat B-2, 8th Floor, Tower B, Wilshire Towers, 200 Tin Hau Temple Road, Hong Kong	Executive Director
Mr. Tsang Kwong Chiu, Kevin	17E, Caineway Mansion, 128-130 Caine Road, Central, Hong Kong	Executive Director
Mr. Man Kwok Keung	Flat A, 6th Floor, Block 5, Peridot Court, Tuen Mun, New Territories, Hong Kong	Executive Director
Mr. Cheng Kwan Ling	Flat 6, 15/F, Hoi Chu Court, Aberdeen Centre, Aberdeen, Hong Kong	Executive Director
Ms. Susan So	Flat 11B, 6/F, South Bay Villa, 4 South Bay Close, Hong Kong	Independent Non-Executive Director
Mr. Kwok Ping Ki, Albert	19/F., Winfield Gardens, 38 Shan Kwong Road, Happy Valley, Hong Kong	Independent Non-Executive Director
Mr. Tang Yat Kan	Flat A1, 4th Floor, Beverley Heights, 67 Beacon Hill Road, Kowloon, Hong Kong	Independent Non-Executive Director
Mr. Wong Yee Sui, Andrew	10A, Greenview Garden, 125 Robinson Road, Hong Kong	Independent Non-Executive Director
Mr. Mak Sui Wing, Clifford	Apt. 42-F, Block 3, Estoril Court, 55 Garden Road, Hong Kong	Independent Non-Executive Director

## 2. SHARE CAPITAL

- 2.1 Authorised Share Capital.** As at the Latest Practicable Date, Peace Mark has an authorised share capital of HK\$600,000,000 comprising 6,000,000,000 ordinary shares of HK\$0.10 each.
- 2.2 Issued Share Capital.** As at the Latest Practicable Date, Peace Mark has an issued share capital of HK\$104,258,928 comprising 1,042,589,280 ordinary shares of HK\$0.10 each.
- 2.3 Issued Shares Since 31 March 2007.** As at 31 March 2007, being the end of Peace Mark's last financial year, Peace Mark had issued 993,080,780 Peace Mark Shares. Since 31 March 2007, Peace Mark has issued a further 49,508,500 Peace Mark Shares.
- 2.4 Peace Mark Shares.** Peace Mark has one class of ordinary shares. The rights and privileges attached to the Peace Mark Shares are stated in the Memorandum of Association of Peace Mark and the Bye-laws. For ease of reference, selected texts of the Bye-laws have been reproduced in this paragraph 2.4 of this **Appendix 4** and in this paragraph 2.4 of this **Appendix 4**, the "**Company**" refers to Peace Mark and "**Member**", "**Members**", "**Directors**", "**Board**" and "**Auditors**" refers to shareholders, directors, board of directors and auditors, respectively, of Peace Mark. The following provisions of the Bye-laws relate to:

(i) **the rights, preferences and restrictions attaching to Peace Mark Shares:**

**Bye-law 59 (Notice of General Meetings)**

- (a) An annual general meeting and any special general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) clear days' Notice (*as defined in the Bye-laws*). All other special general meetings may be called by not less than fourteen (14) clear days' Notice but a general meeting may be called by shorter notice if it is so agreed:
- (i) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.
- (b) The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the notice shall specify the time and place of the meeting and, in case of special business, the general nature of the business. The notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditor.

**Bye-law 85 (Written Resolution of Members)**

A resolution in writing signed (in such manner as to indicate, expressly or impliedly, unconditional approval) by or on behalf of all persons for the time being entitled to receive notice of and to attend and vote at general meetings of the Company shall, for the purposes of these Bye-laws, be treated as a resolution duly passed at a general meeting of the Company and, where relevant, as a special resolution so passed. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last Member to sign, and where the resolution states a date as being the date of his signature thereof by any Member the statement shall be prima facie evidence that it was signed by him on that date. Such a resolution may consist of several documents in the like form, each signed by one or more relevant Members.

Notwithstanding any provisions contained in these Bye-laws, a resolution in writing shall not be passed for the purpose of removing a Director before the expiration of his term of office under Bye-law 86(4) or for the purposes set out in Bye-law 154(3) relating to the removal and appointment of the Auditor.

**Bye-law 165 (Winding Up)**

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(ii) any change in capital:**

**Bye-law 4 (Alteration of Capital)**

The Company may from time to time by ordinary resolution in accordance with Section 45 of the Act:

- (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges conditions or such restrictions which in the absence of any such determination by the Company in General Meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the word "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";
- (d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (e) change the currency denomination of its share capital; and
- (f) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.



#### **Bye-law 5 (Alteration of Capital)**

The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Bye-law and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

#### **Bye-law 6 (Alteration of Capital)**

The Company may from time to time by special resolutions, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

#### **Bye-law 7 (Alteration of Capital)**

Except so far as otherwise provided by the conditions of issue, or by these Bye-laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Bye-laws with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

#### **Bye-law 148 (Capitalisation)**

The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Bye-law and subject to Section 40(2A) of the Act, a share premium account and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Act.

#### **Bye-law 149 (Capitalisation)**

The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Bye-law and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, any may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.

(iii) **dividends:**

**Bye-law 137 (Dividends and Other Payments)**

Subject to the Act, the Company in General Meeting may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board. The Company in general meeting may also make a distribution to the Members out of any contributed surplus (as ascertained in accordance with the Act).

**Bye-law 138 (Dividends and Other Payments)**

No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.

**Bye-law 139 (Dividends and Other Payments)**

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Bye-law as paid up on the share; and
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

**Bye-law 140 (Dividends and Other Payments)**

The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

**Bye-law 141 (Dividends and Other Payments)**

The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

**Bye-law 142 (Dividends and Other Payments)**

No dividends or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

**Bye-law 143 (Dividends and Other Payments)**

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

**Bye-law 144 (Dividends and Other Payments)**

All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

**Bye-law 145 (Dividends and Other Payments)**

Whenever the Board or the Company in general meeting have resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the person entitled to the dividend, and such appointment shall be effective. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

**(iv) voting rights:**

**Bye-law 66 (Voting)**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person or by proxy or (being a corporation) is present by a representative duly authorised under Section 78 of the Act shall have one vote and on a poll every Member present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be

decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (*as defined in the Bye-laws*) (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the Chairman of such meeting; or
- (b) by at least three Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having right to vote at the meeting; or
- (d) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the Member.

#### **Bye-law 74 (Voting)**

Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Bye-law be deemed joint holders thereof.

#### **Bye-law 76 (Voting)**

- (1) No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any General Meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.
- (2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, and votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

#### **Bye-law 78 (Proxies)**

Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. A proxy shall be entitled to exercise the same powers on

behalf of a Member who is an individual and for whom he acts as proxy as such Member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Member which is a corporation and for which he acts as proxy as such Member could exercise if it were an individual Member.

**Bye-law 79 (Proxies)**

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

**Bye-law 80 (Proxies)**

The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified at the Registration Office (*as defined in the Bye-laws*) or the Office (*as defined in the Bye-laws*), as may be appropriate) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than twenty-four (24) hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

**Bye-law 81 (Proxies)**

Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

**Bye-law 82 (Proxies)**

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimating in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other document sent therewith) two (2) hours at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, at which the instrument of proxy is used.

### **Bye-law 83 (Proxies)**

Anything which under these Bye-laws a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Bye-laws relating to proxies and instruments appointing proxies shall apply mutatis mutandis in relation to any such attorney and the instrument under which such attorney is appointed.

### **Bye-law 84 (Corporations Acting By Representatives)**

- (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.
- (2) If a Clearing House (*as defined in the Bye-laws*) (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it think fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorization shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the Clearing House (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorization including the right to vote individually on a show of hands.
- (3) Any reference in these Bye-laws to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Bye-law.

**2.5 Peace Mark Options.** As at the Latest Practicable Date, there are 90,846,500 Peace Mark Options in issue in respect of 90,846,500 Peace Mark Shares and the outstanding Peace Mark Options which were granted, the exercise prices at which such Peace Mark Options may be exercised and the periods during which such Peace Mark Options are exercisable are set out below:

<b>Number of Peace Mark Options</b>	<b>Exercise Price per Peace Mark Option (HK\$)</b>	<b>Exercise Period</b>
28,153,500	2.175	19 June 2006 - 19 June 2010
2,000,000	4.760	1 September 2007 - 31 August 2010
39,600,000	5.370	1 September 2007 - 31 March 2012
600,000	7.550	19 September 2007 - 19 March 2009
20,393,000	7.060	8 September 2007 - 8 March 2009
100,000	9.580	22 February 2008 - 22 August 2009

Save as disclosed in this Offer Document, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, Peace Mark Shares which carry voting rights affecting the Peace Mark Shares.

**2.6 Changes to the Share Capital.** In the three years immediately preceding the Latest Practicable Date, Peace Mark has not undergone any re-organisation of capital.

### 3. SUMMARY OF FINANCIAL INFORMATION

Set out below is certain financial information extracted from the published audited financial statements of Peace Mark for the financial years ended 31 March 2006 and 31 March 2007. The financial information was based on, and should be read in conjunction with, the consolidated audited financial statements of Peace Mark for those years. Copies of the published audited financial statements of Peace Mark for the financial years ended 31 March 2006 and 31 March 2007 are available on the website of Peace Mark at [www.peacemark.com](http://www.peacemark.com).

	Full Year 2005	Full Year 2006	Full Year 2007
	HK\$'000 (Restated)	HK\$'000	HK\$'000
Turnover before operating expenses	1,937,947	2,241,771	3,040,514
Exceptional items	–	–	–
Profit before tax	152,359	253,925	332,919
Profit after tax	129,201	216,001	304,603
Minority interests	5,284	15,382	4,327
Basic earnings per ordinary share (cents)	14.90	22.13	30.28

The above similar information of the Peace Mark Group for the six months ended 30 September 2007 and the balance sheet as at 30 September 2007 can also be found in **Appendix 8** to this Offer Document. The balance sheet of the Peace Mark Group as at 31 March 2007 can also be found in **Appendix 7** to this Offer Document.

Set out below is also a summary of the dividend per ordinary share declared in respect of each of the financial years ended 31 March 2005, 31 March 2006 and 31 March 2007 by Peace Mark. This information was also extracted from the aforesaid published audited financial statements of Peace Mark.

	Cents (HK)
<b>In respect of the financial year ended 31 March 2005</b>	
Interim dividend for every HK\$0.10 ordinary share	2.2
Final dividend for every HK\$0.10 ordinary share	2.8
<b>In respect of the financial year ended 31 March 2006</b>	
Interim dividend for every HK\$0.10 ordinary share	3.0
Final dividend for every HK\$0.10 ordinary share	4.3
<b>In respect of the financial year ended 31 March 2007</b>	
Interim dividend for every HK\$0.10 ordinary share	4.1
Final dividend for every HK\$0.10 ordinary share	6.2

A statement of the assets and liabilities shown in the last published audited accounts for the financial year ended 31 March 2007 is set out in **Appendix 7** to this Offer Document.

### 4. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in announcements made by Peace Mark, in this Offer Document and in the unaudited consolidated interim results of the Peace Mark Group for the six months ended 30 September 2007 as announced on 7 December 2007, there have been no material changes to the financial position of Peace Mark since 31 March 2007, being the date of the last audited accounts of Peace Mark laid before the shareholders of Peace Mark in general meeting.

A copy of the unaudited consolidated interim results of the Peace Mark Group for the six months ended 30 September 2007 is set out in **Appendix 8** to this Offer Document.

#### **5. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of Peace Mark which are of major relevance for the interpretation of the audited accounts of Peace Mark for the financial year ended 31 March 2007 are set out in Note 3 to the audited consolidated financial statements of the Peace Mark Group as set out in **Appendix 7** to this Offer Document.

#### **6. CHANGES IN ACCOUNTING POLICIES**

The changes in the significant accounting policies of Peace Mark are set out in Note 2 to the audited consolidated financial statements of the Peace Mark Group for the financial year ended 31 March 2007 as set out in **Appendix 7** to this Offer Document.

#### **7. INDEBTEDNESS**

Save as disclosed in announcements made by Peace Mark, in this Offer Document, in the audited consolidated financial statements of the Peace Mark Group for the financial year ended 31 March 2007 and in the unaudited consolidated interim results of the Peace Mark Group for the six months ended 30 September 2007 as announced on 7 December 2007 as to the indebtedness of the Peace Mark Group, there is no other material indebtedness (including contingent indebtedness) of the Peace Mark Group.

#### **8. MATERIAL LITIGATION**

As at the Latest Practicable Date, the directors of Peace Mark are not aware of any litigation, claims or proceedings pending or threatened against Peace Mark or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which, in the opinion of the directors of Peace Mark, might materially and adversely affect the financial position of the Peace Mark Group taken as a whole.

#### **9. MATERIAL CONTRACTS WITH INTERESTED PERSONS**

Save as disclosed in announcements made by Peace Mark, there are no material contracts entered into with an interested person (within the meaning of the Note to Rule 23.12 of the Code), not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by Peace Mark during the period from 19 February 2005 to the Latest Practicable Date.

In this regard, Peace Mark made a continuing connected transactions (as defined in the Hong Kong Listing Rules) announcement on 12 September 2007 concerning the purchase and distribution of timepiece movements and a call option agreement dated 12 September 2007 between A-One Investments Limited (which is owned by the Peace Mark Controlling Shareholders), PM Production Limited (which is an indirect wholly-owned subsidiary of Peace Mark) and A-1 Business Limited (which is owned by A-One Investments Limited), details of which are available on the website of the SEHK at [www.hkex.com.hk](http://www.hkex.com.hk).

#### **10. REGISTERED OFFICE**

The registered office of Peace Mark is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The business address of Peace Mark in Hong Kong is Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong. Peace Mark does not have a registered office in Singapore.



## INFORMATION ON THE OFFEROR

### 1. DIRECTORS

The names, addresses and descriptions of the directors of the Offeror as at the Latest Practicable Date are as follows:

Name	Address	Description
Mr. Chau Cham Wong, Patrick	28th Floor, 1 Robinson Road, Hong Kong	Executive Director
Mr. Leung Yung	Flat B-2, 8th Floor, Tower B, Wilshire Towers, 200 Tin Hau Temple Road, Hong Kong	Executive Director
Mr. Tsang Kwong Chiu, Kevin	17E, Caineway Mansion, 128-130 Caine Road, Central, Hong Kong	Executive Director

### 2. PRINCIPAL ACTIVITIES AND SHARE CAPITAL

The Offeror is an indirect wholly-owned subsidiary of Peace Mark which was incorporated in the British Virgin Islands on 28 August 2007 as a special purpose vehicle for the purpose of acquiring the Offer Shares pursuant to the Offer.

### 3. FINANCIAL SUMMARY

As the Offeror was incorporated on 28 August 2007, no audited financial statements of the Offeror have been prepared as at the Latest Practicable Date. Save as a result of making and financing the Offer, there have been no known material changes in the financial position of the Offeror since its incorporation.

### 4. REGISTERED OFFICE

The registered office of the Offeror is Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands. The Offeror does not have a registered office in Singapore.

## ADDITIONAL INFORMATION ON SINCERE

### 1. DIRECTORS

The names of the directors of Sincere as at the Latest Practicable Date are as follows:

Name	Description
Mr. Tay Boo Jiang	Director, Chairman
Mr. Tay Ngiap Jiang	Director
Mr. Soh Gim Teik	Director
Mr. Tay Liam Wee	Director
Mr. Tay Chok Yan	Director
Mr. Khong Teck Kim	Director
Mr. Cecil Vivian Richard Wong	Director
Mr. S. Chandra Das	Director
Mr. Teng Chee Kiong	Director

### 2. SHARE CAPITAL

As at the Latest Practicable Date, the total number of issued shares in the capital of Sincere comprises 206,681,104 Shares.

### 3. OPTIONS AND CONVERTIBLES

To the knowledge of the Offeror, there are no outstanding options or other securities convertible into Shares.

### 4. MATERIAL CHANGES IN FINANCIAL POSITION

To the knowledge of the Offeror, save for information on Sincere which is publicly available (including without limitation, the announcements released by Sincere on the SGX-ST), there are no material changes in the financial position or prospects of Sincere since the date of the last balance sheet laid before Sincere in general meeting.

### 5. REGISTERED OFFICE

The registered office of Sincere is at 8 Temasek Boulevard, #23-03 Suntec Tower 3, Singapore 038988.

## AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE PEACE MARK GROUP FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

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### Independent Auditor's Report

永正會計師事務所  
**CHU and CHU**  
 Certified Public Accountants

**A Member of AGN International**



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

We have audited the consolidated financial statements of Peace Mark (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 85, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Report**

**OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Chu and Chu**

*Certified Public Accountants*

Hong Kong  
12 July 2007

## Consolidated Income Statement

For the Year Ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Turnover	7	3,040,514	2,241,771
Cost of sales		(2,055,700)	(1,544,183)
Gross profit		984,814	697,588
Other revenue	7	132,846	80,444
Selling and distribution expenses		(363,782)	(261,145)
Administrative and general expenses		(283,896)	(185,650)
Other operating expenses		(13,644)	(17,806)
Profit from operations		456,338	313,431
Share of (loss) profit of associates		(9,512)	2,974
Share of loss of a jointly controlled entity		(2,027)	(2,134)
Finance costs	9	(111,880)	(60,346)
Profit before taxation	8	332,919	253,925
Taxation	11	(28,316)	(37,924)
Profit for the year		304,603	216,001
Attributable to:			
Equity holders of the Company	12	300,276	200,619
Minority interests		4,327	15,382
		304,603	216,001
Dividends	13	102,727	69,572
Earnings per share for profit attributable to equity holders of the Company during the year	14		
Basic (HK cents)		30.28	22.13
Diluted (HK cents)		29.54	22.03

The notes on pages 23 to 85 form part of these financial statements.

## Consolidated Balance Sheet

As at 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	17	518,010	401,288
Freehold land and interest in leasehold land	16	7,961	5,461
Intangible assets	18	239,289	196,143
Interest in associates	20	87,300	134,533
Interest in a jointly controlled entity	21	15,994	13,776
Other financial assets	22	181,057	44,941
Deferred tax assets	31	9,566	9,224
		<b>1,059,177</b>	<b>805,366</b>
<b>CURRENT ASSETS</b>			
Inventories	23	1,015,963	654,417
Derivative financial instruments	26	46,282	17,119
Other financial assets at fair value through profit or loss	27	6,585	9,364
Trade receivables	24	613,776	318,849
Trade deposits and other receivables	25	266,718	280,783
Cash and bank balances		1,460,091	1,185,789
		<b>3,409,415</b>	<b>2,466,321</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28	294,789	385,057
Derivative financial instruments	26	24,023	9,932
Interest-bearing borrowings	29	988,231	547,240
Obligations under finance leases	30	200	1,195
Tax payable		33,878	37,853
		<b>1,341,121</b>	<b>981,277</b>
<b>NET CURRENT ASSETS</b>		<b>2,068,294</b>	<b>1,485,044</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,127,471</b>	<b>2,290,410</b>

**Consolidated Balance Sheet**

As at 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	29	1,077,727	609,914
Obligations under finance leases	30	142	206
Deferred tax liabilities	31	13,064	11,392
		<b>1,090,933</b>	621,512
<b>NET ASSETS</b>			
		<b>2,036,538</b>	1,668,898
<b>CAPITAL AND RESERVES</b>			
Share capital	32	99,308	98,974
Reserves	33	1,707,171	1,462,351
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
		<b>1,806,479</b>	1,561,325
<b>MINORITY INTERESTS</b>			
		<b>230,059</b>	107,573
<b>TOTAL EQUITY</b>			
		<b>2,036,538</b>	1,668,898

The notes on pages 23 to 85 form part of these financial statements.

Approved and authorized for issue by the Board of Directors on 12 July 2007.

**Chau Cham Wong, Patrick**  
Chairman

**Leung Yung**  
Chief Executive Officer

## Balance Sheet

As at 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interest in subsidiaries	19	2,297,523	1,800,986
<b>CURRENT ASSETS</b>			
Other receivables		41,186	38,167
Derivative financial instruments	26	14,744	1,630
Cash and bank balances		94,047	60,416
		149,977	100,213
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		9,797	265
Derivative financial instruments	26	1,872	-
Interest-bearing borrowings	29	416,000	166,050
Tax payable		1,539	-
		429,208	166,315
<b>NET CURRENT LIABILITIES</b>			
		(279,231)	(66,102)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		2,018,292	1,734,884
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	29	804,000	570,000
<b>NET ASSETS</b>			
		1,214,292	1,164,884



**Balance Sheet**

As at 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>CAPITAL AND RESERVES</b>			
Share capital	32	99,308	98,974
Reserves	33	1,114,984	1,065,910
<b>TOTAL EQUITY</b>		<b>1,214,292</b>	<b>1,164,884</b>

The notes on pages 23 to 85 form part of these financial statements.

Approved and authorized for issue by the Board of Directors on 12 July 2007,

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

**Leung Yung**  
*Chief Executive Officer*

## Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2007

	Note	Attributable to equity holders of the Company		Minority interests HK\$'000	Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000		
Balance at 1 April 2006		98,974	1,462,351	107,573	1,668,898
Fair value adjustment of available-for-sale financial assets		-	(171)	-	(171)
Exchange realignment		-	220	-	220
Net gain recognized directly in equity		-	49	-	49
Profit for the year		-	300,276	4,327	304,603
Total recognized income for the year		-	300,325	4,327	304,652
Share-based payment		-	20,935	-	20,935
Issue of new shares pursuant to the exercise of options	32	334	6,941	-	7,275
Dividend paid during the year		-	(83,381)	-	(83,381)
Acquisition of minority interests in subsidiaries		-	-	(10,560)	(10,560)
Increase in investment from minority interests		-	-	123,057	123,057
Minority interests arising from acquisition of subsidiaries		-	-	5,662	5,662
		334	(55,505)	118,159	62,988
<b>BALANCE AT 31 MARCH 2007</b>		<b>99,308</b>	<b>1,707,171</b>	<b>230,059</b>	<b>2,036,538</b>

**Consolidated Statement of Changes in Equity**

For the Year Ended 31 March 2007

	Note	Attributable to equity holders of the Company		Minority interests HK\$'000	Total HK\$'000
		Share capital HK\$'000	Reserves HK\$'000		
Balance at 1 April 2005		86,808	1,020,983	84,812	1,192,603
Fair value adjustment of available-for-sale financial assets		-	(146)	-	(146)
Exchange realignment		-	(4,761)	-	(4,761)
Net loss recognized directly in equity		-	(4,907)	-	(4,907)
Profit for the year		-	200,619	15,382	216,001
Total recognized income for the year		-	195,712	15,382	211,094
Disposal of subsidiaries		-	7,310	-	7,310
Share-based payment		-	3,588	-	3,588
Issue of new shares for subscription		9,000	276,919	-	285,919
Issue of new shares pursuant to the exercise of warrants		3,763	20,693	-	24,456
Share repurchased and cancelled		(597)	(10,502)	-	(11,099)
Dividend paid during the year		-	(52,352)	-	(52,352)
Increase in investment from minority interests		-	-	4,874	4,874
Minority interests arising from acquisition of subsidiaries		-	-	2,505	2,505
		12,166	245,656	7,379	265,201
Balance At 31 March 2006		98,974	1,462,351	107,573	1,668,898

The notes on pages 23 to 85 form part of these financial statements.

## Consolidated Cash Flow Statement

For the Year Ended 31 March 2007

Note	2007 HK\$'000	2006 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit from ordinary activities before taxation	332,919	253,925
Adjustments for:		
Depreciation of property, plant and equipment	70,508	70,802
Amortization of land lease premium	141	103
Impairment loss on intangible assets	12,484	7,133
Interest expenses	111,880	60,346
Interest income	(64,293)	(42,039)
Share-based payment	20,935	3,588
Gain on fair value adjustment on derivative financial instruments	(15,072)	(5,657)
Share of loss of a jointly controlled entity	2,027	2,134
Share of loss (profit) of associates	9,512	(2,974)
Loss on disposal of property, plant and equipment	2,981	1,203
Unrealized gain on other financial assets at fair value through profit or loss	–	(556)
Provision for impairment loss on trade receivables	120	553
Loss on written down of inventories to net realizable value	1,217	8,552
Gain on disposal of subsidiaries	(10,054)	(15,123)
Operating profit before changes in working capital	475,305	341,990
Increase in inventories	(269,045)	(143,916)
Decrease in other financial assets at fair value through profit or loss	2,779	–
Increase in trade receivables	(289,806)	(38,370)
Increase in deposits and other receivables	(107,896)	(42,077)
(Decrease) Increase in trade and other payables	(146,325)	215,076
Increase in trust receipt loans	94,974	14,675
Cash (used in) generated from operations	(240,014)	347,378
Profits tax paid	(30,961)	(22,891)
<b>NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES</b>	<b>(270,975)</b>	<b>324,487</b>

**Consolidated Cash Flow Statement**

For the Year Ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Payment for purchase of property, plant and equipment		(184,440)	(77,575)
Payment for purchase of interest in leasehold land		(2,641)	–
Proceed from disposal of property, plant and equipment		926	703
Proceed from disposal of available-for-sale financial assets		698	–
Proceed from sales of debt instruments		774,344	344,776
Payment for purchase of other financial assets at fair value through profit or loss		–	(8,808)
Interest-bearing advances to associates		(115,310)	–
Interest-bearing advances from associates		21,339	–
Movement in amount due from a jointly controlled entity		(4,245)	(269)
Movement in amounts due from associates		12,338	(34,782)
Movement in amounts due to associates		139,290	–
Proceed for disposal of subsidiaries, net of cash disposed of	37	(356)	(20,678)
Payment for purchase of subsidiaries, net of cash acquired	36	(83,477)	(13,327)
Payment for purchase of available-for-sale financial assets		(100)	(230)
Deposit payment for investment in a subsidiary		–	(75,660)
Payment for investment in an associate		(19,936)	–
Payment for acquisition of minority interest in subsidiary		(20,414)	–
Investment in debt instruments		(741,000)	(325,260)
Repayment from an associate		–	1,765
Increase investment from minority shareholders		123,057	4,874
Interest received		30,949	22,523
Exchange realignment		(530)	(4,120)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(69,508)</b>	<b>(186,068)</b>
<b>FINANCING ACTIVITIES</b>			
Capital element of finance lease rentals paid		(1,255)	(3,221)
Interest element of finance lease rentals paid		(211)	(306)
Proceed from subscription of new shares		–	285,919
Premium paid on repurchase of shares		–	(10,502)
Proceed from exercise of options		7,275	–
Proceed from exercise of warrants		–	24,455
Nominal value of shares repurchased		–	(597)
Proceed from bank loans		973,813	829,287
Repayment of bank loans		(169,787)	(631,440)
Interest paid		(111,669)	(60,040)
Interim dividend paid		(40,801)	(26,992)
Final dividend paid		(42,580)	(25,360)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>614,785</b>	<b>381,203</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>274,302</b>	<b>519,622</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>1,185,789</b>	<b>666,167</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>1,460,091</b>	<b>1,185,789</b>
– Cash and bank balances			

The notes on pages 23 to 85 form part of these financial statements.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

### 1. GENERAL

Peace Mark (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 19 to the financial statements.

### 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standard ("HKASs") and Interpretations ("HK-Ints")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the financial statements.

#### (a) Standards, amendments and interpretations effective in year 2007

The following new standards, amendments and interpretations are mandatory for the financial year ended 31 March 2007:

• HKAS 19 (Amendment)	- Actuarial Gains and Losses, Group Plans and Disclosures
• HKAS 21 (Amendment)	- Net Investment in a Foreign Operation
• HKAS 39 (Amendment)	- Cash Flow Hedge Accounting of Forecast Intragroup Transactions
• HKAS 39 (Amendment)	- The Fair Value Option
• HKAS 39 & HKFRS 4 (Amendment)	- Financial Guarantee Contracts
• HKFRS 6	- Exploration for and Evaluation of Mineral Resources
• HKFRS 1 (Amendment) & HKFRS 6 (Amendment)	- First-time Adoption of International Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
• HKFRS-Int 4	- Determining whether an Arrangement Contains a Lease
• HKFRS-Int 5	- Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
• HK(IFRIC)-Int 6	- Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment
• HK(IFRIC)-Int 7	- Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The adoption of the above new standards, amendments to standards and interpretations did not have a significant impact to the Group.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

### 2. BASIS OF PREPARATION (Continued)

(b) Standards, amendment to standards and interpretations that are not yet effective and have not been early adopted by the Group

The following standards and interpretations have been published and are mandatory for accounting periods beginning on or after 1 May 2006 or later periods that the Group has not been early adopted:

- HKFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). HKAS 1, Amendments to capital disclosures (effective for annual periods beginning on or after 1 January 2007). The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from 1 April 2007.
- HKFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). HKFRS 8 supersedes HKAS 14, Segment Reporting, which requires segments to be reported based on the Group's internal reporting pattern as they represent components of the Group regularly reviewed by management. Management considers the adoption of HKFRS 8 will have no significant impact on the segment disclosures of the Group. The Group will apply HKFRS 8 from 1 April 2009.
- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 April 2007, but it is not expected to have any impact on the Group's financial statements;
- HK(IFRIC)-Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply HK(IFRIC)-Int 9 from 1 April 2007;
- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 April 2007, but it is not expected to have any impact on the Group's financial statements;
- HK(IFRIC)-Int 11, HKFRS 2 – Group and Treasury Share Transfer (effective for accounting periods beginning on or after 1 March 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFRIC)-Int 11 from 1 April 2008 but it is not expected to have any significant impact on the Group's financial statements; and
- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008). This interpretation sets out general principles on recognising and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

The adoption of the above amendments to standards and interpretations did not have any significant impact on the financial statements of the Group.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries. A subsidiary is a company whose financial and operating policies are under the Company's control, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. The equity and net income attributable to minority shareholders' interests, representing the interests of outside shareholders, are shown separately in the Group's balance sheet and income statement, respectively.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Intragroup balances and transactions and resulting unrealized profits are eliminated in full. Unrealized losses resulting from intragroup transactions are eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

In the Company's financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

(b) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

The consolidated income statement includes the Group's share of the post-acquisition results of associates and jointly controlled entities for the year. In the consolidated balance sheet, interest in associates are stated at the Group's share of the net assets plus the goodwill less any identified impairment loss.

In the Company's balance sheet, the investments in associates and jointly controlled entities are stated at cost less impairment losses. The results of associates and jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.



## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(d) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in long-term deposits, trade receivables, trade deposits and other receivables in the balance sheet.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(d) Investments (Continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date—the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loan and receivables are carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(e) Interest in leasehold land

Interest in leasehold land held for own use are stated at cost less accumulated amortization and accumulated impairment losses if any. Costs mainly represents the consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years from the date the respective right was granted. Amortization of costs is calculated on a straight-line basis over the period of the rights.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(f) Property, plant and equipment

Property, plant and equipment, other than plant and machinery under installation, are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item to working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, the expenditure is capitalized as additional cost of the item.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives with a residual value of approximately 10% of the original cost.

Freehold land	Nil
Buildings	2% straight line method or over the term of lease whichever is shorter
Leasehold improvements	20% reducing balance method
Other assets	20% reducing balance method

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and the carrying amount of the relevant item, and is recognized in the income statement.

(g) Plant and machinery under installation

Plant and machinery under installation is stated at cost less any impairment losses. Cost comprises direct and indirect costs of acquisition and installation. Installed items are transferred from plant and machinery under installation to other categories of property, plant and equipment. No provision for depreciation is made on these assets until such time as the relevant assets are installed and ready for use.

(h) Intangible assets (other than goodwill)

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably.

Subsequent expenditure on an intangible asset after its purchase or its completion is recognized as an expense when it is incurred unless it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and can be measured and attributed to the asset reliably in which case it will be added to the cost of the intangible asset.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(h) Intangible assets (other than goodwill) (Continued)

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets mainly comprise the trademark, which is stated at acquisition cost and is amortized on a straight line basis over its useful life.

The amortization period and the amortization method are reviewed annually at each financial year end.

(i) Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that property, plant and equipment, interest in leasehold land, intangible assets (including goodwill), investments in subsidiaries, associates and a jointly controlled entity have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use of an asset. The fair value less costs to sell is the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal, while value in use is the present value of the future cash flows expected to be derived from an asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset other than goodwill is increased to the revised estimate of its recoverable amount, which is restricted to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately. An impairment loss in respect of goodwill is not reversed.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the first-in first-out basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(k) Taxation

- (i) Taxation for the year comprises current tax and movements in deferred tax assets and liabilities. Taxation are recognized in the income statement except to the extent that they relate to items recognized directly in equity, in which case they are recognized in equity.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional taxation that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously, or
- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(l) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) *Group companies*

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(l) Foreign currency translation (Continued)

(iii) Group companies (Continued)

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(m) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

(n) Trade and other payables

Trade and other payables are recognized initially at fair value and thereafter stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Provisions and contingencies

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognized are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(p) Revenue recognition

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income is recognized when the services are rendered.

Rental income under operating leases is recognized on a straight-line basis over the respective terms of the leases.

Interest income is recognized as it accrues using the effective interest method.

(q) Leases

*Finance leases*

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

The Group recognizes finance leases as assets and liabilities in the balance sheet at amounts equal, at the inception of the lease, to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

*Operating leases*

An operating lease is a lease other than a finance lease.

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.



## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(r) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(ii) *Pension obligations*

The Group operates a number of defined contribution plans in Hong Kong, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(s) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel of the Company or its holding companies, significant shareholders and/or their close family members) or other entities and include entities which are under the control, joint control or significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group/Company or of any entity that is a related party of the Group.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of cash flow statement.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

#### (u) Segments

A segment is a distinguished component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting policy, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

#### (v) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (w) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to income statement, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

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

(x) Share capital

Ordinary share are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 4. FINANCIAL RISK MANAGEMENT

The Group manages its financial resources and liquidity as well as financial risk management according to a set of policies and procedures approved by the Board of directors.

The overall objectives is to act prudently to ensure that the Group has adequate cash flow and access to funding sources, both debt or equity, to fund the operations and the potential investments. Hedging arrangement of currency and interest rate risks will be entered into with consideration being given to the hedging costs and the risk level.

The risk is managed through prudent treasury policies, which include the following:

1. The Group closely monitors the cash-resources. The Group maintain a conservative cash reserve and review our position regularly to ensure that cost-efficient funding is available for operating expenses, capital expenditure needs and business expansion;
2. The Group's policy is to deposit surplus cash with creditworthy financial institutions or invest in low risk and liquid instruments; and
3. To the extent possible the financing and cash management of the subsidiaries have been managed by the centralized treasury functions for the efficient allocation of capital, lower funding costs and control purposes.

The Group will continue to maintain sufficient liquidity and further diversify the funding sources and extend maturities profile, if necessary, to meet business requirements.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

### 4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Interest Rate Risk

The Group manages its interest rate exposure with a view to increasing the predictability of the interest payment and lower the overall cost of debt. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments that mitigate current and future interest rate volatility.

As part of balance sheet management, the Group have matched the maturity of the assets and liabilities to the greatest possible extent. Certain shorter-term tenor bank borrowings have been refinanced by longer term debt with flexible interest rate reset. This enabled the financial flexibility of the Group. Interest rate movement and hedging advices are provided from time to time by leading banks to the Group.

After taking into consideration of interest rate swap, the Group's fixed rate debt was at an effective interest rate ranging from 4.95%-5.20% as a percentage of total debt was approximately 40%.

(b) Foreign Exchange Risk

The Group manages its foreign currency exposure by entering into currency hedging instruments, like currency forwards, to hedge currency exposure at an optimal level. Operating exposure of currency movement will be closely monitored. Currency derivatives (e.g. EUR, GBP and CHF) will be entered into to hedge the change of expected cash flows arising from an unexpected change in exchange rates. For RMB, the Company tends to naturally hedge its RMB denominated liabilities and expenses by the RMB denominated assets and revenue.

Currency transaction loss was HK\$3.8 million and was expensed during the year.

(c) Credit Risk

The Group deals with the credit exposure according to the risk management policies. Credit extended to business associates are based on the credit analysis provided by credit agencies and trade intelligence sourced through industry participants.

All finance-related hedging transactions and deposits are made with counter-parties with high credit ratings.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation and amortization

The Group's carrying amount of property, plant and equipment as at 31 March 2007 was approximately HK\$518,010,000. The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the reducing balance method, at 20% per annum. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(b) Allowances for inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are slowing moving as defined in the internal accounting policies. The management estimates the net realizable value for such finished goods and consumables based primarily on the latest invoice prices and current market conditions.

(c) Indefinite useful lives of intangible assets

The Group reassessed the useful lives of previously recognized intangible assets. As a result of this assessment, the acquired trademarks were classified as an indefinite lived intangible asset in accordance with HKAS 38 Intangible Assets. This conclusion is supported by the fact that the trademarks legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration and based on future financial performance of the Group, they are expected to generate positive cash flows indefinitely. Under HKAS 38, the Group re-evaluates the useful life of the trademarks each year to determine whether events or circumstances and continues to support the view of indefinite useful lives for this asset.

(d) Impairment testing on goodwill and intangible assets with indefinite useful lives

The Group completed its annual impairment test for goodwill related to the various cash generating units ("CGUs") and intangible assets with indefinite useful lives by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amounts of the CGUs are determined based on value-in-use calculation. Save as the impairment loss disclosed in note 18 to the financial statements, the Group determined that there was no impairment of any of its CGUs containing goodwill or intangible assets with indefinite useful lives.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Impairment testing on goodwill and intangible assets with indefinite useful lives (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amount of the CGUs are determined based on a value-in-use calculation. These calculations uses cashflow projections based on financial forecasts covering a five to ten-year periods with cashflows beyond that periods are extrapolated using an estimated growth rate of 3%. The discount rates used were 9.5%. The growth rate used does not exceed the average long-term growth rates for the businesses and the relevant markets in which in CGUs operate.

(e) Taxation

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognized in the income statement for the period in which such a recognition takes place.

(f) Share option benefit expenses

The share option benefit expense is subject to the limitations of the Binominal model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

The number of options to be vested at the end of vesting period involves management estimation. Should the number of options being vested at the end of vesting period be changed, there would be material changes in the amount of share option benefits recognized in the profit and loss account and share option reserve.

(g) Fair value of derivative financial instruments

The fair value of derivative financial instruments is based on estimated value provided by financial institutions for equivalent instruments at the balance sheet date. The amount is estimated by using a discount cash flow model with incorporate market data, discount rates and other assumptions. Should these assumptions be changed, there would be material changes to the carrying amount of the derivative financial instruments.

### 6. SEGMENT 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 manufacturing, trading, distributing, retailing and related service income of timepiece products.

Geographical segments are presented as secondary reporting format, segment revenue is based on the final destination of goods sold.

Segment assets and capital expenditure are based on the geographical location in which the assets are located at the balance sheet date.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 6. SEGMENT INFORMATION (Continued)

	2007			
	Turnover HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
The Americas	823,139	123,329	358,983	24,490
Asia (excluding China)	336,356	33,263	21,890	11,709
Europe	337,249	32,397	116,844	12,295
China and Hong Kong	1,543,770	276,135	3,940,908	136,142
	3,040,514	465,124	4,438,625	184,636
Unallocated expenses		(70,649)		
Gain on disposal of subsidiaries		10,054		
Impairment loss of intangible assets		(12,484)		
Finance costs net of interest income		(47,587)		
Share of loss of associates		(9,512)		
Share of loss of a jointly controlled entity		(2,027)		
Profit before taxation		332,919		
Unallocated assets			29,967	
Total assets			4,468,592	

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**6. SEGMENT INFORMATION** (Continued)

	2006			
	Turnover HK\$'000	Segment results HK\$'000 (Restated)	Segment assets HK\$'000	Capital expenditure HK\$'000
The Americas	884,780	135,060	351,979	167
Asia (excluding China)	400,126	42,036	8,985	-
Europe	322,027	33,143	63,358	1,526
China and Hong Kong	634,838	124,068	2,793,912	75,883
	2,241,771	334,307	3,218,234	77,576
Unallocated expenses		(70,905)		
Gain on disposal of subsidiaries		15,123		
Impairment loss of intangible assets		(7,133)		
Finance costs net of interest income		(18,307)		
Share of profit of associates		2,974		
Share of loss of a jointly controlled entity		(2,134)		
Profit before taxation		253,925		
Unallocated assets			53,453	
Total assets			3,271,687	



**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**7. TURNOVER AND OTHER REVENUE**

## (a) Turnover

The principal activities of the Group are manufacturing, trading, distributing, retailing and related service of timepiece products.

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

## (b) Other revenue

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Interest income	30,949	22,523
Interest income from debt instruments	33,344	19,516
Sale of scrapped materials	993	1,690
Rental income	2,484	2,432
Net unrealized gain on other financial assets at fair value through profit or loss	–	556
Net realized gain on other financial assets at fair value through profit or loss	1,612	3,464
Fair value adjustment on derivative financial instruments	16,398	7,187
Net realized gains on derivative financial instruments	23,208	–
Technical service income	2,084	1,121
Gain on disposal of subsidiaries	10,054	15,123
Commission income from brand subsidy	5,212	791
Sundry income	6,508	6,041
	<b>132,846</b>	<b>80,444</b>

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**8. PROFIT BEFORE TAXATION**

	2007 HK\$'000	2006 HK\$'000
Profit before taxation is arrived at after charging:		
Auditors' remuneration	3,275	2,354
Depreciation of property, plant and equipment	70,508	70,802
Amortization of land lease premium	141	103
Impairment loss of intangible assets	12,484	7,133
Loss on write-down of inventories to net realizable value	1,217	8,552
Loss on disposal of property, plant and equipment	2,981	1,203
Staff costs, including directors' emoluments		
– Wages, salaries and benefits in kind	177,532	136,611
– Pension costs: defined contribution plans, net of forfeited contributions	4,278	3,223
– Share option expense	14,804	2,093
Minimum lease payments in respect of properties under operating leases	70,650	27,853
Provision for impairment loss on trade receivables	120	553
Exchange loss	3,765	10,959

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 9. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on:		
Term loans, syndicated loans and bank overdrafts wholly repayable within five years	111,669	60,040
Obligations under finance leases	211	306
	<b>111,880</b>	<b>60,346</b>

## 10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

## (a) Directors' emoluments

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

## For the year ended 31 March 2007

Name of Director	Fees HK\$'000	Salary HK\$'000	Employer's			Total HK\$'000
			Other benefits (Note i) HK\$'000	contribution to pension scheme HK\$'000	Share-based payments (Note ii) HK\$'000	
Mr. Chau Cham Wong, Patrick	–	900	840	41	3,747	5,528
Mr. Leung Yung	–	900	864	41	3,747	5,552
Mr. Tsang Kwong Chiu, Kevin	–	1,200	–	55	563	1,818
Mr. Man Kwok Keung	–	690	288	32	191	1,201
Mr. Cheng Kwan Ling	–	450	110	21	191	772
Ms. Susan So	80	–	–	–	99	179
Mr. Kwok Ping Ki, Albert	80	–	–	–	99	179
Mr. Tang Yat Kan	80	–	–	–	99	179
Mr. Wong Yee Sui, Andrew	80	–	–	–	99	179
Mr. Mak Siu Wing, Clifford	80	–	–	–	99	179
	<b>400</b>	<b>4,140</b>	<b>2,102</b>	<b>190</b>	<b>8,934</b>	<b>15,766</b>

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

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

(a) Directors' emoluments (Continued)

For the year ended 31 March 2006

Name of Director	Fees HK\$'000	Salary HK\$'000	Other benefits (Note i) HK\$'000	Employer's contribution to pension scheme HK\$'000	Share-based payments (Note ii) HK\$'000	Total HK\$'000
Mr. Chau Cham Wong, Patrick	–	780	–	36	–	816
Mr. Leung Yung	–	780	–	36	–	816
Mr. Tsang Kwong Chiu, Kevin	–	1,040	–	48	239	1,327
Mr. Man Kwok Keung	–	390	260	18	80	748
Mr. Cheng Kwan Ling	–	390	–	18	80	488
Ms. Susan So	50	–	–	–	40	90
Mr. Kwok Ping Ki, Albert	50	–	–	–	40	90
Mr. Tang Yat Kan	50	–	–	–	40	90
Mr. Wong Yee Sui, Andrew	50	–	–	–	40	90
Mr. Mak Siu Wing, Clifford	50	–	–	–	40	90
	250	3,380	260	156	599	4,645

Notes:

(i) Other benefits include leave pay, insurance premium and club membership.

(ii) Share-based payments represent the estimated value of share options granted to the Directors under the Company's share option schemes. The value of these share options is measured according to the Group's accounting policies for share-based compensation as set out in note 3r(iii).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: nil).

The details of share-based payments are disclosed in note 34 to the financial statements.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

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

## (b) Five highest paid individuals

During the year ended 31 March 2007, the five (2006: six) highest paid individuals included four Directors (2006: three), details of whose emoluments are set out in note 10(a) to the financial statements above. The emoluments of the remaining individuals for the year are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	1,795	3,353
Pension scheme contributions	–	–
	<b>1,795</b>	<b>3,353</b>

The emoluments of the one (2006: three) individuals with the highest emoluments are within the following bands:

	2007 Number of individuals	2006 Number of individuals
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	3
HK\$1,500,001 to HK\$2,000,000	1	–
	<b>1</b>	<b>3</b>

During the year, no remuneration was paid by the Group to any of the one (2006: three) highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**11. TAXATION**

(a) Income tax in the consolidated income statement represents:

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current profits tax		
Hong Kong	<b>37,197</b>	36,940
The People's Republic of China (the "PRC")	<b>800</b>	556
Overseas	<b>1,038</b>	997
Over provision in prior years	<b>(12,049)</b>	–
Deferred taxation		
Origination and reversal of temporary differences	<b>1,330</b>	(569)
	<b>28,316</b>	37,924

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on other overseas profits for the year has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

The PRC profits tax has been provided at the rate of 15% to 33% on the assessable profits of the PRC subsidiaries. Some of the subsidiaries operating in the PRC has unused tax losses of HK\$8,750,000 (2006: HK\$4,990,000) available for offset against future profits. No deferred tax asset has been recognized in respect of such losses due to the unpredictability of future profit streams. These unrecognized tax losses will expire before 2012.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**11. TAXATION** (Continued)

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	2007 HK\$'000	2006 HK\$'000
Profit before taxation	332,919	253,925
Notional tax charge on profit before taxation, calculated at the applicable tax rate of 17.5% (2006: 17.5%)	58,261	44,437
Tax effect of income not taxable for tax purpose	(15,263)	(5,244)
Tax effect of expenses not deductible for tax purpose	16,894	18,936
Utilization of tax losses previously not recognized	(1,973)	(61)
Recognition of previously unrecognized tax losses	(19)	(742)
Tax effect of unused tax losses not recognized	21,048	1,800
Effect of different tax rates for certain subsidiaries	(41,159)	(23,264)
Overprovision in prior years	(12,049)	–
Others	2,576	2,062
Actual tax expense	28,316	37,924

**12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The Group's profit attributable to equity holders of the Company includes a profit of HK\$104,579,000 (2006: HK\$35,891,000) which has been dealt with in the financial statements of the Company.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**13. DIVIDENDS**

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Interim dividend paid of HK4.1 cents per share (2006: HK3.0 cents)	<b>40,704</b>	26,992
Final dividend proposed of HK6.2 cents per share (2006: HK4.3 cents)	<b>62,023</b>	42,580
	<b>102,727</b>	69,572

A final dividend in respect of 2007 of HK6.2 cents per share amounting to approximately HK\$62,023,000 was proposed by the Boards of Directors after the balance sheet date. The proposed dividend has not been accounted for as a liability until it is approved at the forthcoming Annual General Meeting.

**14. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is as follows:

	<b>2007</b>	2006
Profit attributable to equity holders of the Company (in HK\$'000)	<b>300,276</b>	200,619
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	<b>991,796</b>	906,636
Potential dilutive shares – share options (in '000)	<b>24,548</b>	3,960
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	<b>1,016,344</b>	910,596
Basic earnings per share (HK cents)	<b>30.28</b>	22.13
Diluted earnings per share (HK cents)	<b>29.54</b>	22.03



**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**15. RELATED PARTY TRANSACTIONS**

Significant related party transactions which were carried out in the normal course of the Group's business and were conducted on normal commercial terms are as follows:

	Note	2007 HK\$'000	2006 HK\$'000
Sale of finished goods to			
– Associates	(a)	6,600	44,232
– A substantial shareholder of an associate	(a)	58,610	–
Purchase of finished goods from	(b)		
– An associate		–	1,697
– A substantial shareholder of a non-wholly owned subsidiary		1,298	–
Rental for use of leasehold properties provided from and charged from an associate	(c)	6,410	3,151
Rental for use of plant and machinery provided to and charged to a jointly controlled entity	(c)	2,400	1,846
Electroplating services provided by and respective fee charged by a jointly controlled entity	(d)	14,723	9,841
Royalty payment to a substantial shareholder of a non-wholly owned subsidiary	(e)	546	–
Interest income charged to	(f)		
– An associate		573	–
– A jointly controlled entity		393	303
Interest payment to an associate	(f)	848	272
Key management compensation	(g)	2,418	2,030

Notes:

- (a) Sale of finished goods to associates and a substantial shareholder of an associate were conducted in the normal course of business at prices and terms as determined by the transaction parties.
- (b) Purchase of finished goods from an associate and a substantial shareholder of a non-wholly owned subsidiary were conducted in the normal course of business at prices and terms as determined by the transaction parties.
- (c) The amount of the rental received from/charged to a jointly controlled entity and an associate was agreed between the transaction parties on arm's length basis.
- (d) Fee for electroplating services provided by a jointly controlled entity was charged at prices and terms as agreed between the transaction parties.
- (e) The royalty payment to a substantial shareholder of a non-wholly owned subsidiary was conducted in the normal course of business at rates and terms under the license agreement between the transaction parties.
- (f) Details of amounts due (to)/from an associate and a jointly controlled entity were set out in note 20 and note 21 to the financial statements respectively.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**15. RELATED PARTY TRANSACTIONS (Continued)**

Notes: (Continued)

(g) Details of key management compensation of the Group are as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other short-term employee benefits	1,660	1,669
Post-employment benefits	71	74
Share-based payment	687	287
	<b>2,418</b>	<b>2,030</b>

**16. FREEHOLD LAND AND INTEREST IN LEASEHOLD LAND**

The carrying value of the freehold land and interest in leasehold land held for own use are analyzed as follows:

	Group	
	2007 HK\$'000	2006 HK\$'000
Freehold land outside Hong Kong	1,220	1,220
Interest in leasehold land in Hong Kong under leases of between 10 to 50 years (Note)	6,741	4,241
	<b>7,961</b>	<b>5,461</b>

Note:

Interest in leasehold land held for own use represent prepaid operating lease premium payments.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 17. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Plant and machinery under installation	Buildings for own use	Leasehold improvements	Plant and machinery	Other assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>						
At 1 April 2006	66	121,406	149,362	317,864	80,474	669,172
Additions	2,448	796	116,392	43,634	21,366	184,636
Acquisition of subsidiaries	-	172	4,130	-	1,282	5,584
Disposals	-	-	(4,250)	-	(2,364)	(6,614)
Disposal of subsidiaries	-	-	-	-	(17)	(17)
Reclassification	(1,067)	-	1,422	209	(564)	-
Exchange realignment	-	562	(1,176)	(253)	(948)	(1,815)
<b>AS AT 31 MARCH 2007</b>	<b>1,447</b>	<b>122,936</b>	<b>265,880</b>	<b>361,454</b>	<b>99,229</b>	<b>850,946</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2006	-	12,453	53,699	167,297	34,435	267,884
Provided for the year	-	2,399	30,477	27,243	10,389	70,508
Eliminated on disposal	-	-	(1,712)	-	(995)	(2,707)
Disposal of subsidiaries	-	-	-	-	(7)	(7)
Reclassification	-	-	88	-	(88)	-
Exchange realignment	-	64	(724)	(884)	(1,198)	(2,742)
<b>AS AT 31 MARCH 2007</b>	<b>-</b>	<b>14,916</b>	<b>81,828</b>	<b>193,656</b>	<b>42,536</b>	<b>332,936</b>
<b>CARRYING AMOUNT</b>						
<b>AS AT 31 MARCH 2007</b>	<b>1,447</b>	<b>108,020</b>	<b>184,052</b>	<b>167,798</b>	<b>56,693</b>	<b>518,010</b>
As at 31 March 2006	66	108,953	95,663	150,567	46,039	401,288

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Group					
	Plant and machinery under installation HK\$'000	Buildings for own use HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Other assets HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 April 2005	-	176,888	123,139	304,836	81,322	686,185
Additions	2,486	-	52,893	12,692	9,505	77,576
Acquisition of subsidiaries	-	-	153	149	215	517
Disposals	-	-	(1,267)	(191)	(932)	(2,390)
Disposal of subsidiaries	(2,420)	(55,577)	(27,601)	(4,887)	(10,238)	(100,723)
Exchange realignment	-	95	2,045	5,265	602	8,007
<b>AS AT 31 MARCH 2006</b>	66	121,406	149,362	317,864	80,474	669,172
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2005	-	17,616	47,680	131,885	31,475	228,656
Provided for the year	-	3,347	20,062	35,985	11,408	70,802
Eliminated on disposal	-	-	(200)	(30)	(254)	(484)
Disposal of subsidiaries	-	(8,347)	(14,819)	(4,050)	(8,403)	(35,619)
Exchange realignment	-	(163)	976	3,507	209	4,529
<b>AS AT 31 MARCH 2006</b>	-	12,453	53,699	167,297	34,435	267,884
<b>CARRYING AMOUNT</b>						
<b>AS AT 31 MARCH 2006</b>	66	108,953	95,663	150,567	46,039	401,288
As at 31 March 2005	-	159,272	75,459	172,951	49,847	457,529

As at 31 March 2007, the carrying amount of the Group's property, plant and equipment held under finance leases was approximately HK\$5,561,000 (2006: HK\$7,242,000).

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 18. INTANGIBLE ASSETS

	Group		
	Goodwill HK\$'000	Trademarks HK\$'000	Total HK\$'000
<b>COST</b>			
At 1 April 2005	160,570	61,860	222,430
Additions	11,693	–	11,693
Disposals	(9,865)	–	(9,865)
Exchange realignment	–	(190)	(190)
As at 31 March 2006	162,398	61,670	224,068
Additions	54,450	1,000	55,450
Exchange realignment	–	193	193
<b>AS AT 31 MARCH 2007</b>	<b>216,848</b>	<b>62,863</b>	<b>279,711</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES</b>			
At 1 April 2005	12,575	8,231	20,806
Impairment loss (Note a)	7,133	–	7,133
Exchange realignment	–	(14)	(14)
As at 31 March 2006	19,708	8,217	27,925
Impairment loss (Note a)	10,484	2,000	12,484
Exchange realignment	–	13	13
<b>AS AT 31 MARCH 2007</b>	<b>30,192</b>	<b>10,230</b>	<b>40,422</b>
<b>CARRYING AMOUNT</b>			
<b>AS AT 31 MARCH 2007</b>	<b>186,656</b>	<b>52,633</b>	<b>239,289</b>
As at 31 March 2006	142,690	53,453	196,143

Note:

(a) Impairment testing on goodwill on consolidation and intangible assets with indefinite useful lives.

The Group completed its annual impairment test for goodwill related to the various cash generating units ("CGUs") and intangible assets with indefinite useful lives by comparing their recoverable amounts to their carrying amounts as at the balance sheet date. The recoverable amounts of the CGUs are determined based on value-in-use calculation. Save as the impairment loss provided during the year, the Group determined that there was no impairment of any of its CGUs containing goodwill or intangible assets with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of the CGUs are determined based on a value-in-use calculation. These calculations use cashflow projections based on financial forecasts covering a five to ten-year periods with cashflows beyond that periods are extrapolated using an estimated growth rate of 3% (2006: 2%-3%). The discount rates used were 9.5% (2006: ranging from 8% to 14%). The growth rate used does not exceed the average long-term growth rates for the businesses and the relevant markets in which the CGUs operate.

(b) As at 31 March, 2007, the accumulated amortization and impairment losses for trademarks are HK\$8,230,000 (2006: HK\$8,217,000) and HK\$2,000,000 (2006: nil) respectively.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**19. INTEREST IN SUBSIDIARIES**

	<b>The Company</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>51,398</b>	51,398
Amounts due from subsidiaries	<b>2,246,125</b>	1,749,588
	<b>2,297,523</b>	1,800,986

Included in amounts due from subsidiaries is an amount of HK\$1,797,781,000 (2006: HK\$1,547,559,000) advances to a subsidiary which are unsecured, interest-bearing at annual rates around 3.8% (2006: 2.5%) and are not expected to be realized within one year from the balance sheet date. The remaining balances with subsidiaries are unsecured, non-interest bearing and not repayable within the next twelve months.

As at 31 March 2007, the underlying value of interests in subsidiaries is, in the opinion of the Board of Directors, not less than the carrying amount in the books of the Company.

Details of the Company's principal subsidiaries as at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company		Principal place of operation	Principal activities
			Direct %	Indirect %		
Aerostar Timewear International Limited	British Virgin Islands	US\$1 Ordinary	-	100	The Americas	Trademark holding
Bensonic International Limited	British Virgin Islands	US\$100 Ordinary	-	51	The Americas	Timepiece distribution, trading and marketing
Cornell Worldwide International Holdings Limited	British Virgin Islands	US\$1 Ordinary	-	100	The Americas	Trademark holding
Eastern Group (Asia) Limited	Hong Kong	HK\$2,000,000 Ordinary	-	100	Hong Kong	Timepiece distribution, trading and marketing
Eastco Business Limited	British Virgin Islands	US\$10 Ordinary	-	100	Hong Kong	Trademark holding

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**19. INTEREST IN SUBSIDIARIES** (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company		Principal place of operation	Principal activities
			Direct %	Indirect %		
Easy Winner Development Limited	Hong Kong	HK\$1 Ordinary	-	100	Hong Kong	Timepiece retail
Ever Precision Corporation	British Virgin Islands	US\$1 Ordinary	-	100	The People's Republic of China	Trademark holding
Epoch World Company Limited <sup>4</sup>	Taiwan	NTD19,000,000	-	100	Taiwan	Timepiece distribution, trading and marketing
Fiorucci Timewear (Far East) Limited	British Virgin Islands	US\$1 Ordinary	-	100	Hong Kong	License holding
Gala City Limited <sup>4</sup>	Taiwan	NTD1,000,000	-	100	Taiwan	Timepiece distribution, trading and retail
Hausman Group Limited	Hong Kong	HK\$5,000,000 Ordinary	-	70	Hong Kong	Jewellery distribution and retail
Inter Mark Worldwide Limited	Hong Kong	HK\$100 Ordinary	-	100	Hong Kong	Timepiece distribution and marketing
Madison N.Y. Limited	Hong Kong	HK\$10,000 Ordinary	-	51	Germany	Timepiece distribution, trading and marketing
Mega Chains (China) Limited	Hong Kong	HK\$100 Ordinary	-	100	Hong Kong	Timepiece trading and marketing
Mega Chains (Taiwan) Limited <sup>4</sup>	Taiwan	NTD1,000,000	-	100	Taiwan	Timepiece distribution and marketing
Milus (Far East) Co., Limited	Hong Kong	HK\$100 Ordinary	-	100	Hong Kong	Timepiece distribution, trading and marketing
Milus International S.A. <sup>4</sup>	Switzerland	CHF760,000	-	100	Switzerland	Timepiece manufacturing and trading

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 19. INTEREST IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company		Principal place of operation	Principal activities
			Direct %	Indirect %		
Omni Watch & Clock Co., LLC. <sup>4</sup>	State of New York, United States	US\$8,698,090	-	51	United States	Timepiece distribution, trading and marketing
Peace Mark (B.V.I.) Limited	British Virgin Islands	HK\$10,000 Ordinary	100	-	British Virgin Islands	Investment holding
Peace Mark Distribution & Marketing Limited	British Virgin Islands	US\$10 Ordinary	-	100	British Virgin Islands	Investment holding
Peace Mark Limited	Hong Kong	HK\$110,000 Ordinary HK\$10,000 Non-voting deferred <sup>3</sup>	-	100	Hong Kong	Timepiece trading, marketing and manufacturing
Peace Mark Production Limited	British Virgin Islands	US\$10 Ordinary	-	100	British Virgin Islands	Investment holding
Peace Mark Timepiece (Guangzhou) Limited <sup>2</sup>	The People's Republic of China	RMB10,000,000	-	100	The People's Republic of China	Timepiece distribution and retail
Peace Mark Timepiece (Shenzhen) Limited <sup>2</sup>	The People's Republic of China	RMB10,000,000	-	100	The People's Republic of China	Timepiece distribution and retail
Peace Mark Tourneau (Holdings) Limited	Hong Kong	14,250,000 Ordinary Shares of US\$0.8 each 750,000 Preference Shares of US\$0.8 each	-	65	Hong Kong	Timepiece distribution, trading and marketing
PM License Management Limited	British Virgin Islands	US\$100 Ordinary	-	100	British Virgin Islands	License holding
Pure Riches Industries Limited	Hong Kong	HK\$2,760,000 Ordinary	-	100	The People's Republic of China	Manufacturing of timepiece components
Shenzhen Winning Wealth Trading Co., Limited <sup>2</sup>	The People's Republic of China	RMB10,000,000	-	100	The People's Republic of China	Timepiece distribution and retail
Sinotop Investment Limited	British Virgin Islands	US\$1 Ordinary	-	100	Hong Kong	Investment holding
Sky Type Limited	Hong Kong	HK\$10,000 Ordinary	-	100	Hong Kong	Asset holding



**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**19. INTEREST IN SUBSIDIARIES** (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company		Principal place of operation	Principal activities
			Direct %	Indirect %		
Solomon Trademark Management Limited	British Virgin Islands	US\$10 Ordinary	-	100	Hong Kong	Trademark holding
Solomon Watch & Jewellery Co., Limited	Hong Kong	HK\$1 Ordinary	-	100	Hong Kong	Timepieces distribution, trading and marketing
Timetech Industrial Limited	Hong Kong	HK\$100 Ordinary	-	100	The People's Republic of China	Manufacturing of timepiece components
Timezone Trademark Management Limited	British Virgin Islands	US\$10 Ordinary	-	100	Hong Kong	Trademark holding
T&T Timepieces Co., Limited	Hong Kong	HK\$1 Ordinary	-	100	Hong Kong	Timepieces distribution, trading and marketing
World Grade Industries Limited	Hong Kong	HK\$10,000 Ordinary	-	100	Hong Kong	Property holding
富明高鐘錶(深圳)有限公司 <sup>2</sup> (Transliteration: Flamingo Watch (Shenzhen) Co., Ltd)	The People's Republic of China	RMB10,000,000	-	70	The People's Republic of China	Timepiece retail
深圳市大元錶業有限公司 <sup>1</sup> (Transliteration: Shenzhen Dayuan Watches Co., Limited)	The People's Republic of China	RMB15,000,000	-	100	The People's Republic of China	Timepiece distribution and retail
深圳現代世界鐘錶精品有限公司 <sup>1</sup> (Transliteration: Shenzhen Modern Watch Showpiece Co. Ltd.)	The People's Republic of China	RMB1,000,000	-	51	The People's Republic of China	Timepiece retail
廣州金匠時計有限公司 <sup>2</sup> (Transliteration: Guangzhou Goldsmith Timepiece Co., Limited)	The People's Republic of China	RMB500,000	-	100	The People's Republic of China	Timepiece distribution and retail
廣州表匠鐘錶維修有限公司 <sup>2</sup> (Transliteration: Guangzhou Watchsmith Timepiece Servicing Co., Limited)	The People's Republic of China	RMB100,000	-	100	The People's Republic of China	Provision of after sales service and timepiece components trading

**Notes to the Financial Statements**

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**19. INTEREST IN SUBSIDIARIES** (Continued)

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company		Principal place of operation	Principal activities
			Direct %	Indirect %		
重慶美達實業有限公司 (Transliteration: Chongqing Meida Enterprise Co., Limited)	The People's Republic of China	RMB10,000,000	-	51	The People's Republic of China	Timepiece retail
上海金時精密機械有限公司 <sup>1</sup> (Transliteration: Shanghai Golden Time Precision Instrument Co., Limited)	The People's Republic of China	RMB30,000,000	-	51	The People's Republic of China	Manufacturing of mechanical movement
上海世琪貿易有限公司 <sup>1</sup> (Transliteration: Shanghai Shigi Trading Co., Limited)	The People's Republic of China	RMB500,000	-	51	The People's Republic of China	Timepiece distribution and retail
君時鐘錶(上海)有限公司 <sup>2</sup> (Transliteration: Lord Time (Shanghai) Co., Ltd.)	The People's Republic of China	US\$16,818,000	-	100	The People's Republic of China	Timepiece distribution and retail
寧波美和時計珠寶鐘錶有限公司 (Transliteration: Ningbo Meihe Watch and Jewellery Company Limited)	The People's Republic of China	RMB16,000,000	-	51	The People's Republic of China	Timepiece retail

Notes:

1. Represents a Sino-foreign equity joint venture.
2. Represents a wholly foreign owned enterprise.
3. The deferred shares, which are not held by the Group, practically carry no rights to dividend or to receive notice of or to attend or vote at any general meeting of the subsidiary or to participate in any distribution on winding up.
4. Companies not audited by Chu and Chu, Certified Public Accountants. The financial statements of the subsidiaries not audited by Chu and Chu, Certified Public Accountants reflect total net assets and total turnover constituting approximately 0.45% and 7.85% respectively of the related consolidated totals.

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

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

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 20. INTEREST IN ASSOCIATES

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets	43,611	35,687
Unamortized goodwill	30,940	28,440
	74,551	64,127
Amount due from associates (Note a)	173,378	70,406
Amount due to associates (Note b)	(160,629)	-
	12,749	70,406
	87,300	134,533

Notes:

- (a) Included in amounts due from associates is an amount of HK\$115,310,000 (2006: HK\$ nil) advances to an associate which are unsecured, interest-bearing at around 6.7% (2006: nil) and is not expected to be realized within one year from the balance sheet date. The remaining balances with associates are unsecured, non-interest bearing and not repayable within the next twelve months.
- (b) Included in amounts due to associates is an amount of HK\$21,339,000 (2006: HK\$ nil) advances from an associate which are unsecured, interest-bearing at rates ranging from 5% to 6.7% (2006: nil) and are not expected to be realized within one year from the balance sheet date. The remaining balances with associates are unsecured, non-interest bearing and not repayable within the next twelve months.

Details of the Group's associates as at 31 March 2007 are as follows:

Name of associate	Place of incorporation/ registration	Issued and fully paid capital/ registered capital	Percentage of equity interest held indirectly by the Company %	Principal activities
Niceworld Group Corporation	British Virgin Islands	US\$12 Ordinary	50	Timepiece distribution in Latin America*
Capricon Company Limited	British Virgin Islands	US\$2 Ordinary	50	Investment holding**
瀋陽大公鐘錶有限公司	The People's Republic of China	RMB4,000,000	51	Timepiece retail

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**20. INTEREST IN ASSOCIATES (Continued)**

\* Niceworld holds three subsidiaries which have their respective places of incorporation in Mexico, Panama and Peru. These three subsidiaries have their distribution networks covering the whole of Latin America.

\*\* Capricorn Company Limited holds a wholly owned subsidiary, 金百利實業(深圳)有限公司 which is a properties holding company incorporated in The People's Republic of China.

Summary of financial information of associates:

	Assets HK\$'000	Liabilities HK\$'000	Equity HK\$'000	Revenue HK\$'000	Profit (Loss) for the year HK\$'000
<b>2007</b>					
<b>100 percent</b>					
<b>Group's effective interest</b>	<b>641,717</b>	<b>(549,214)</b>	<b>92,503</b>	<b>51,082</b>	<b>(17,913)</b>
	<b>305,156</b>	<b>(263,267)</b>	<b>41,889</b>	<b>20,734</b>	<b>(9,512)</b>
<b>2006</b>					
100 percent	365,866	(287,243)	78,623	69,045	7,145
Group's effective interest	167,034	(132,500)	34,534	29,423	2,974

**21. INTEREST IN A JOINTLY CONTROLLED ENTITY**

	Group	
	2007 HK\$'000	2006 HK\$'000
Share of net assets of a jointly controlled entity	5,445	7,535
Amount due from a jointly controlled entity (Note)	10,549	6,241
	<b>15,994</b>	<b>13,776</b>

Note:

Included in amount due from a jointly controlled entity is an amount of HK\$3,100,000 (2006: HK\$3,100,000) advances to a jointly controlled entity which is unsecured, interest-bearing at prime rate (2006: prime rate) and are not expected to be realized within one year from the balance sheet date. The remaining balance with a jointly controlled entity is unsecured, interest-free and not repayable within the next twelve months.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**21. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)**

Details of the Group's jointly controlled entity as at 31 March 2007 are as follows:

<b>Name of jointly controlled entity</b>	<b>Place of incorporation and operation</b>	<b>Issued and fully paid capital/ registered capital</b>	<b>Percentage of equity interest held indirectly by the Company %</b>	<b>Principal activities</b>
Pearl Link Limited	British Virgin Islands	US\$300 Ordinary	49	Investment holding*

\* Pearl Link Limited directly holds 100% equity interest in the capital of Gar Shun Enterprises Development Ltd., an electroplating and ionized plating production company in the PRC.

There are no contingent liabilities relating to the Group's investment in the jointly controlled entity, and no contingent liabilities of the entity itself.

Summary of financial information on the jointly controlled entity:

	<b>Non-current assets</b>	<b>Current assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>	<b>Equity</b>	<b>Revenue</b>	<b>Profit (Loss) for the year</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2007</b>							
<b>100 percent</b>	<b>2,341</b>	<b>42,397</b>	<b>(9,495)</b>	<b>(36,199)</b>	<b>(956)</b>	<b>48,589</b>	<b>(4,137)</b>
<b>Group's effective interest</b>	<b>1,147</b>	<b>20,775</b>	<b>(4,652)</b>	<b>(17,738)</b>	<b>(468)</b>	<b>23,808</b>	<b>(2,027)</b>
<b>2006</b>							
100 percent	1,757	40,891	(5,740)	(33,618)	3,290	41,076	(4,355)
Group's effective interest	861	20,037	(2,813)	(16,473)	1,612	20,127	(2,134)

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**22. OTHER FINANCIAL ASSETS**

	2007 HK\$'000	2006 HK\$'000
Long term deposits (Note a)	136,885	–
Available-for-sale financial assets comprise:		
Unlisted investments:		
– China and Hong Kong	830	1,428
– Japan (Note b)	15,600	15,600
Other unlisted investments (Note c)	27,742	27,913
	<b>181,057</b>	44,941

Notes:

- (a) In the year, the Group placed an amount of HK\$136,885,000 in the form of long-term deposits to business associates for joint business development purpose. Such deposits are unsecured, interest bearing at an annual rate of prime rate plus 1% and are expected to be realized within 24 months from the balance sheet date. The carrying value of the long term deposits approximated to their fair value.
- (b) In 2004, the Group invested HK\$15,600,000 in 20% of the capital of a watch company incorporated in Japan, for long-term purpose. This company advises and assists Japanese brands in identifying and co-ordinating with PRC manufacturers, distribution partners and acquisition targets. It also assists the Group to serve its Japanese customers. They are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair value at balance sheet date cannot be measured reliably.
- (c) The amount of HK\$27,742,000 (2006:HK\$27,913,000) represents investments in three investment and insurance combined policies issued by an international insurance group. A minimum annual return of 4% is guaranteed by the insurance group. Fair value of the investments have been determined by reference to the year ended review by the insurance group.

**23. INVENTORIES**

	Group	
	2007 HK\$'000	2006 HK\$'000
Raw materials	103,057	109,361
Work in progress	187,481	177,636
Finished goods	725,425	367,420
	<b>1,015,963</b>	654,417

The carrying amount of inventories that are carried at net realizable value, with the original cost of HK\$21,311,000 (2006: HK\$16,079,000) is HK\$nil (2006: HK\$nil).

The cost of inventories recognized as expense and included in cost of sales amount to HK\$1,797,255,000 (2006: HK\$1,333,661,000).

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**24. TRADE RECEIVABLES**

An aging analysis of trade receivables is as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Trade receivables		
Not yet due	<b>369,553</b>	168,203
Overdue within 90 days	<b>221,559</b>	141,189
Overdue between 91 to 180 days	<b>14,739</b>	9,457
Overdue over 180 days	<b>7,925</b>	–
	<b>613,776</b>	318,849

Credit policy:

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 120 days of issuance. Each customer has a pre-set maximum credit limit.

The carrying value of trade receivables approximated its fair value.

**25. TRADE DEPOSITS AND OTHER RECEIVABLES**

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Trade and other deposits, prepayments and other receivables	<b>256,718</b>	160,123
Deposit payment for investment in a joint venture (Note)	–	75,660
Sale proceeds receivable from the disposal of subsidiaries	<b>10,000</b>	45,000
	<b>266,718</b>	280,783

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**25. TRADE DEPOSITS AND OTHER RECEIVABLES (Continued)**

Note:

On 31 March 2006, the Group entered into a subscription agreement and shareholders' agreement, pursuant to which the Group, Tourneau Investment LLC ("Tourneau Investment") and Beat Time Group Limited ("Beat Time") will establish Peace Mark Tourneau (Holdings) Limited ("Peace Mark Tourneau") as a joint venture to engage in the supply, wholesale, retail and distribution of luxury-brand timepieces for the high-end market in Mainland China, Hong Kong, Macau and Taiwan. Upon its establishment, Peace Mark Tourneau will be owned by the Group, Tourneau Investment and Beat Time in the proportion of 65%, 25% and 10%, respectively. The Group has placed HK\$75,660,000 as deposit for such investment. In current year, Peace Mark Tourneau has been set up which the details are set out in note 19 to the financial statements.

**26. DERIVATIVE FINANCIAL INSTRUMENTS**

As at 31 March 2007, the details of derivative financial instruments are as follows:

	<b>Group</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Assets HK\$'000</b>	<b>Liabilities HK\$'000</b>	<b>Assets HK\$'000</b>	<b>Liabilities HK\$'000</b>
Foreign currency forward contracts	13,651	7,151	11,518	357
Interest rate swap contracts	32,631	16,872	5,601	9,575
	<b>46,282</b>	<b>24,023</b>	17,119	9,932
	<b>The Company</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Assets HK\$'000</b>	<b>Liabilities HK\$'000</b>	<b>Assets HK\$'000</b>	<b>Liabilities HK\$'000</b>
Foreign currency forward contracts	8,964	15	-	-
Interest rate swap contracts	5,780	1,857	1,630	-
	<b>14,744</b>	<b>1,872</b>	1,630	-

Note:

- (a) The above derivatives are measured at fair value at each balance sheet date. Their fair values are determined based on estimated value provided by financial institutions for equivalent instruments at the balance sheet date.
- (b) The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2007 for the Group and the Company were HK\$3,926 million (2006: HK\$874 million) and HK\$644 million (2006: HK\$78 million) respectively. The fixed interest rates vary from 3.6% to 7% and main floating rates are LIBOR.



**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**27. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2007 HK\$'000	2006 HK\$'000
Listed Securities:		
– Equity securities – Hong Kong	4,696	9,364
– Bond – Oversea	1,889	–
	<b>6,585</b>	9,364

Other financial assets at fair value through profit or loss are held for trading with changes in fair values recorded in administrative and general expenses in the consolidated income statement.

**28. TRADE AND OTHER PAYABLES**

An aging analysis of trade payables is as follows:

	2007 HK\$'000	2006 HK\$'000
Trade payables:		
Not yet due	67,054	56,722
Overdue within 90 days	42,300	39,053
Overdue between 91 to 180 days	16,334	8,355
Overdue over 180 days	24,806	9,506
	<b>150,494</b>	113,636
Accruals and other payables	144,295	271,421
	<b>294,789</b>	385,057

The carrying value of trade payables, accruals and other payables approximated to their fair value.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 29. INTEREST-BEARING BORROWINGS

	Group	
	2007 HK\$'000	2006 HK\$'000
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	988,231	547,240
– More than one year, but not exceeding two years	285,815	291,478
– More than two years, but not exceeding five years	791,912	318,436
	<b>2,065,958</b>	<b>1,157,154</b>
Representing:		
Current portion	988,231	547,240
Non-current portion	1,077,727	609,914
	<b>2,065,958</b>	<b>1,157,154</b>
Analyzed as:		
– Secured	–	–
– Unsecured	2,065,958	1,157,154
	<b>2,065,958</b>	<b>1,157,154</b>

The carrying value of interest-bearing borrowings approximated to their fair value.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 29. INTEREST-BEARING BORROWINGS (Continued)

	The Company	
	2007 HK\$'000	2006 HK\$'000
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	416,000	166,050
– More than one year, but not exceeding two years	264,000	268,000
– More than two years, but not exceeding five years	540,000	302,000
	<b>1,220,000</b>	<b>736,050</b>
Representing:		
Current portion	416,000	166,050
Non-current portion	804,000	570,000
	<b>1,220,000</b>	<b>736,050</b>
Analyzed as:		
– Secured	–	–
– Unsecured	1,220,000	736,050
	<b>1,220,000</b>	<b>736,050</b>

The carrying value of interest-bearing borrowings approximated to their fair value.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**30. OBLIGATIONS UNDER FINANCE LEASES**

	Group	
	2007 HK\$'000	2006 HK\$'000
Within one year	208	1,240
More than one year, but not exceeding two years	128	141
More than two years, but not exceeding five years	23	66
	<b>359</b>	1,447
Less: Finance charges	(17)	(46)
	<b>342</b>	1,401
Representing:		
Current portion	200	1,195
Non-current portion	142	206
	<b>342</b>	1,401

All leases were on a fixed repayment basis and no arrangements were entered into for contingency rental payment. The carrying amount of the Group's obligations under finance leases approximated their fair value.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**31. DEFERRED TAXATION**

The followings are the components of deferred tax assets (liabilities) recognized in the consolidated balance sheet and the movements thereon during the year and prior reporting periods:

	<b>Group</b>				<b>Total</b> HK\$'000
	<b>Accelerated tax depreciation</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Unrealized profits on inventories</b> HK\$'000	<b>Revaluation of properties</b> HK\$'000	
As at 31 March 2005	(15,314)	11,878	653	46	(2,737)
Credited (Charged) to consolidated income statement for the year	3,922	(3,508)	201	(46)	569
As at 31 March 2006	(11,392)	8,370	854	–	(2,168)
Credited (Charged) to consolidated income statement for the year	(1,672)	555	(213)	–	(1,330)
<b>AS AT 31 MARCH 2007</b>	<b>(13,064)</b>	<b>8,925</b>	<b>641</b>	<b>–</b>	<b>(3,498)</b>

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable rates prevailing in the countries/places in which the subsidiaries of the Group operate.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**31. DEFERRED TAXATION** *(Continued)*

The analysis of the deferred tax balances is as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Deferred tax assets	9,566	9,224
Deferred tax liabilities	(13,064)	(11,392)
	<b>(3,498)</b>	<b>(2,168)</b>

Deferred tax assets are recognized for unused tax losses to the extent that realization of the related tax benefits through the future taxable profit is probable. As at 31 March 2007, the Group has unrecognized tax losses of approximately HK\$35,659,000 (2006: HK\$32,545,000) to carry forward indefinitely against future taxable income.

The Company has no significant unprovided deferred taxation for the year or at the balance sheet date.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 32. SHARE CAPITAL

	Note	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each			
<i>Authorized:</i>			
<b>AS AT 31 MARCH 2005, 31 MARCH 2006 AND 31 MARCH 2007</b>		<b>6,000,000,000</b>	<b>600,000</b>
As at 31 March 2005		868,082,259	86,808
Issue of new shares for subscription	(a)	90,000,000	9,000
Issue of new shares pursuant to the exercise of warrants	(b)	37,623,521	3,763
Shares repurchased and cancelled	(c)	(5,970,000)	(597)
As at 31 March 2006		989,735,780	98,974
Issue of new shares pursuant to the exercise of options (Note 34)		3,345,000	334
<b>AS AT 31 MARCH 2007</b>		<b>993,080,780</b>	<b>99,308</b>

Notes:

- (a) On 3 February 2006, A-ONE Investments Limited and United Success Enterprises Limited, substantial shareholders of the Company, subscribed for 90,000,000 new shares in total at HK\$3.25 per share.
- (b) As at 31 March 2006, 37,623,521 shares were issued pursuant to the exercise of warrant holders' right to purchase the shares at HK\$0.65. The gross proceeds were approximately HK\$24,455,000. The share capital increase in relation to the exercises of warrants was HK\$3,762,352. These shares rank pari passu with existing shares of the Company.
- (c) The Company repurchased its own shares on the Stock Exchange as follows:

## Year 2006

Month of repurchase	Number of shares	Price per share HK\$	Aggregate consideration paid HK\$'000
October 2005	4,050,000	1.77-1.90	7,576
November 2005	1,920,000	1.77-1.88	3,523
	5,970,000		11,099

The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premiums on repurchase were charged against share premium.

**Notes to the Financial Statements**  
For the Year Ended 31 March 2007

**33. RESERVES**

	Group										
	Share premium	Merger deficit	Capital reserve	Contributed surplus	Other reserve	Fair value reserve	Share option reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2005	339,498	(11,988)	12,372	349,431	(26)	(1,166)	-	2,209	306,121	24,532	1,020,983
Issue of new share for subscription	276,919	-	-	-	-	-	-	-	-	-	276,919
Shares repurchased and cancelled	(10,502)	-	-	-	-	-	-	-	-	-	(10,502)
Exercise of warrants	20,693	-	-	-	-	-	-	-	-	-	20,693
Disposal of subsidiaries	-	1	-	7,309	-	-	-	-	-	-	7,310
Fair value adjustment of available-for-sale investment	-	-	-	-	-	(146)	-	-	-	-	(146)
Share-based payment	-	-	-	-	-	-	3,588	-	-	-	3,588
2005 final cash dividend	-	-	-	-	-	-	-	-	(828)	(24,532)	(25,360)
2006 interim cash dividend	-	-	-	-	-	-	-	-	(26,992)	-	(26,992)
Exchange realignment	-	-	-	-	-	-	-	(4,761)	-	-	(4,761)
Net profit for the year	-	-	-	-	-	-	-	-	200,619	-	200,619
Proposed 2006 final cash dividend	-	-	-	-	-	-	-	-	(42,580)	42,580	-
As at 31 March 2006	626,608	(11,987)	12,372	356,740	(26)	(1,312)	3,588	(2,552)	436,340	42,580	1,462,351
Issue of new share pursuant to the exercise of options	6,941	-	-	-	-	-	-	-	-	-	6,941
Fair value adjustment of available-for-sale investment	-	-	-	-	-	(171)	-	-	-	-	(171)
Share-based payment	-	-	-	-	-	-	20,935	-	-	-	20,935
Transfer from share option reserve to share premium upon exercise of options	1,067	-	-	-	-	-	(1,067)	-	-	-	-
2006 final cash dividend	-	-	-	-	-	-	-	-	(97)	(42,580)	(42,677)
2007 interim cash dividend	-	-	-	-	-	-	-	-	(40,704)	-	(40,704)
Exchange realignment	-	-	-	-	-	-	-	220	-	-	220
Net profit for the year	-	-	-	-	-	-	-	-	300,276	-	300,276
Proposed 2007 final cash dividend	-	-	-	-	-	-	-	-	(62,023)	62,023	-
<b>AS AT 31 MARCH 2007</b>	<b>634,616</b>	<b>(11,987)</b>	<b>12,372</b>	<b>356,740</b>	<b>(26)</b>	<b>(1,483)</b>	<b>23,456</b>	<b>(2,332)</b>	<b>633,792</b>	<b>62,023</b>	<b>1,707,171</b>



**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**33. RESERVES (Continued)**

	The Company					Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Share option reserve HK\$'000	Proposed final dividend HK\$'000	
As at 31 March 2005	339,498	388,830	38,813	-	24,532	791,673
Issue of new shares for subscription	276,919	-	-	-	-	276,919
Shares repurchase and cancelled	(10,502)	-	-	-	-	(10,502)
Exercise of warrants	20,693	-	-	-	-	20,693
Share-based payment	-	-	-	3,588	-	3,588
2005 final cash dividend	-	-	(828)	-	(24,532)	(25,360)
2006 interim cash dividend	-	-	(26,992)	-	-	(26,992)
Profit for the year	-	-	35,891	-	-	35,891
Proposed 2006 final cash dividend	-	-	(42,580)	-	42,580	-
As at 31 March 2006	626,608	388,830	4,304	3,588	42,580	1,065,910
Issue of new shares pursuant to the exercise of options	6,941	-	-	-	-	6,941
Share-based payment	-	-	-	20,935	-	20,935
Transfer from share option reserve to share premium upon exercise of options	1,067	-	-	(1,067)	-	-
2006 final cash dividend	-	-	(97)	-	(42,580)	(42,677)
2007 interim cash dividend	-	-	(40,704)	-	-	(40,704)
Profit for the year	-	-	104,579	-	-	104,579
Proposed 2007 final cash dividend	-	-	(62,023)	-	62,023	-
<b>AS AT 31 MARCH 2007</b>	<b>634,616</b>	<b>388,830</b>	<b>6,059</b>	<b>23,456</b>	<b>62,023</b>	<b>1,114,984</b>

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

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

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**33. RESERVES (Continued)**

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

The fair value reserve represents the amount of unrealized holding loss from the available for sale investment.

Under the Bermuda Companies Act, the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Contributed surplus	<b>388,830</b>	388,830
Retained profits	<b>6,059</b>	4,304
Proposed final dividend	<b>62,023</b>	42,580
	<b>456,912</b>	435,714

**34. 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 24 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.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**34. SHARE OPTION SCHEME** *(Continued)*

Under the Scheme, the Board of Directors of the Company (the "Directors") may at their discretion grant options to (i) any director (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group; or (ii) any advisors, consultants, suppliers, customers of the Group as may be determined by the Directors from time to time to subscribe for the shares of the Company (the "Shares").

Options granted must be taken up within 28 days of the date of grant. The maximum number of Shares in respect of which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company at any point in time. The maximum number of Shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the Shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules.

Options may be exercised during such period (including the minimum period, if any, for which an option must be held before it can be exercised) as may be determined by the Directors (which shall be less than ten years from the date of issue of the relevant option). Options may be granted without initial payment except the payment of HK\$1 as consideration for grant of option each time. The exercise price is equal to the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of the grant; and (ii) the average 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 date of the grant.

## Notes to the Financial Statements

For the Year Ended 31 March 2007

## 34. SHARE OPTION SCHEME (Continued)

The terms and conditions of the unexpired and unexercised share options at balance sheet date are as follows:-

	Date of grant	Vesting Period	As at 1 April 2006	Granted during the year	Exercised during the year	At as 31 March 2007	Price of Company's shares (Note b)		
							Exercise price (Note a) HK\$	At grant date of options HK\$	At exercise date of options HK\$
<b>Director</b>									
Chau Cham Wong, Patrick	29/12/2006	01/09/2007 – 31/03/2012	–	19,800,000	–	19,800,000	5.37	6.95	–
Leung Yung	29/12/2006	01/09/2007 – 31/03/2012	–	19,800,000	–	19,800,000	5.37	6.95	–
Tsang Kwong Chiu, Kevin	19/12/2005	19/06/2006 – 19/06/2010	3,000,000	–	–	3,000,000	2.175	2.175	–
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
Man Kwok Keung	19/12/2005	19/06/2006 – 19/06/2010	1,000,000	–	(250,000)	750,000	2.175	2.175	5.08
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
Cheng Kwan Ling	19/12/2005	19/06/2006 – 19/06/2010	1,000,000	–	(250,000)	750,000	2.175	2.175	4.10
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
Susan So	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	–	500,000	2.175	2.175	–
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
Kwok Ping Ki, Albert	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	(125,000)	375,000	2.175	2.175	3.91
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
Tang Yat Kan	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	(125,000)	375,000	2.175	2.175	4.10
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
Wong Yee Sui, Andrew	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	–	500,000	2.175	2.175	–
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
Mak Siu Wing, Clifford	19/12/2005	19/06/2006 – 19/06/2010	500,000	–	–	500,000	2.175	2.175	–
	19/03/2007	19/09/2007 – 19/03/2008	–	100,000	–	100,000	7.55	7.55	–
<b>Employees in aggregate</b>									
	19/12/2005	19/06/2006 – 19/06/2010	18,750,000	–	(2,595,000)	16,155,000	2.175	2.175	4.48
	01/09/2006	01/09/2007 – 31/08/2010	–	2,000,000	–	2,000,000	4.76	4.76	–
	08/03/2007	08/09/2007 – 08/03/2012	–	14,785,000	–	14,785,000	7.06	7.03	–
<b>Others</b>									
	19/12/2005	19/06/2006 – 19/06/2010	18,750,000	–	–	18,750,000	2.175	2.175	–
	08/03/2007	08/09/2007 – 08/03/2012	–	41,415,000	–	41,415,000	7.06	7.03	–
			45,000,000	98,600,000	(3,345,000)	140,255,000			

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**34. SHARE OPTION SCHEME** *(Continued)*

Notes:

- (a) The exercise prices of the share options are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
- (b) The prices of the Company's shares disclosed as at the dates of the grant of the share options are the Stock Exchange closing prices on the trading days immediately prior to the dates of the grant of the options. The prices of the Company's shares disclosed as at the dates of the exercise of the share options are the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.

As at 31 March 2007, the Company had 140,255,000 (2006: 45,000,000) share options outstanding under the Scheme, with exercise period from 19 June 2006 to 31 March 2012 (both dates inclusive) and exercise price from HK\$2.175 to HK\$7.55. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 140,255,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$715,584,000 (2006: HK\$97,875,000).

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**34. SHARE OPTION SCHEME (Continued)**

These fair values were calculated using Binominal model. The valuation of fair values for share options granted during the year were carried out by Sallmanns (Far East) Limited. The inputs used in the model were as follows:

Date of grant	Share price at date of grant	Exercise price	Expected volatility (note 5)	Risk-free interest rate (note 6)	Expected option life	Expected annual dividend yield
19 December 2005 (note 1)	HK\$2.175	HK\$2.175	43.45%	4.16%	4.5 years	3.42%
1 September 2006	HK\$4.76	HK\$4.76	41%	3.98%	4 years	3%
29 December 2006 (note 2)	HK\$6.95	HK\$5.37	48%	3.70%	5 years	2.23%
8 March 2007 (note 3)	HK\$7.03	HK\$7.06	47.3%	4.12%	5 years	1.42%
19 March 2007 (note 4)	HK\$7.55	HK\$7.55	36.21%	3.97%	1 year	1.40%

Notes:

(1) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follow:

	Percentage of options granted
On or after 19 June 2006	25%
On or after 19 June 2007	another 25%
On or after 19 June 2008	another 25%
On or after 19 June 2009	another 25%

(2) (a) The options granted to Mr. Chau Cham Wong, Patrick and Mr. Leung Yung ("the Grantees") have a maximum term of five years and the maximum percentage of the options which may be exercised in the following manners:

- i. 20% of the Options (the "First Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2007 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2007 as set forth in paragraph (b) below shall have been met;
- ii. In addition to any Options that may have become exercisable as referred to in paragraph (a)(i) above, 20% of the Options (the "Second Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2008 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2008 as set forth in paragraph (b) below shall have been met;

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**34. SHARE OPTION SCHEME (Continued)**

- iii. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) and (a)(ii) above, 20% of the Options (the "Third Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2009 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2009 as set forth in paragraph (b) below shall have been met;
- iv. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) to (a)(iii) above, 20% of the Options (the "Forth Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2010 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2010 as set forth in paragraph (b) below shall have been met; and
- v. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) to (a)(iv) above, 20% of the Options (the "Fifth Tranche of Options") will be exercisable at any time during the period commencing on 1 September 2011 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2011 as set forth in paragraph (b) below shall have been met;
- (b) The Options may only be exercised by the Grantees if the following performance targets are met for the following financial years:

<b>Financial year ending</b>	<b>Performance target</b>
31 March 2007	The First Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 125% of the Net Profit for the year ended 31 March 2006
31 March 2008	The Second Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 150% of the Net Profit for the year ended 31 March 2006
31 March 2009	The Third Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 180% of the Net Profit for the year ended 31 March 2006
31 March 2010	The Forth Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 207% of the Net Profit for the year ended 31 March 2006
31 March 2011	The Fifth Tranche of Options could only be exercised if the Net Profit for such financial year is not less than 238% of the Net Profit for the year ended 31 March 2006

The Options granted to Mr. Chau Cham Wong, Patrick and Mr. Leung Yung will exceed 1% of the issued share capital of the Company within a 12-month period. Pursuant to note to Rule 17.03(4) of the Listing Rules, where any further grant of options to a participant would result in the Shares issued or to be issued upon exercise of all options granted and to be granted to such person in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant was approved by the Independent Shareholders in general meeting. It is proposed that voting in respect of the Independent Shareholders' approval to be sought at the Special General Meeting shall be taken by poll with Mr. Chau Cham Wong, Patrick, Mr. Leung Yung and their respective associates abstaining from voting, and all other connected persons of the Company abstaining from voting in favour, at the Special General Meeting.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**34. SHARE OPTION SCHEME (Continued)**

- (3) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follow:

	<b>Percentage of options granted</b>
On or after 8 September 2007	25%
On or after 8 September 2008	another 25%
On or after 8 September 2009	another 25%
On or after 8 September 2010	another 25%

- (4) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follow:

	<b>Percentage of options granted</b>
On or after 19 September 2007	50%
On or after 19 March 2008	another 50%

- (5) Expected volatility was determined by using historical volatility of the price return of the ordinary shares of the Company.
- (6) The risk-free interest rate was based on the yield of Exchange Fund Notes issued by the Hong Kong Monetary Authority.

The estimated fair value of HK\$20,935,000 (2006: HK\$3,588,000) with respect to share options granted to directors, employees and other eligible persons were charged to the income statement during the year.

**35. SHARE INCENTIVE SCHEME**

On 31 March 2006, the Company adopted a share incentive scheme (the "2006 Scheme") which will enable selected eligible persons to purchase shares of the Company (the "Shares") at a 5% discount to the market price. The selected eligible persons have the option of paying for their Shares in one lump sum, or by monthly installments. Where eligible persons choose the latter option, they will pay an additional finance charge to cover the Company's finance costs.

The Group has obtained a loan in the amount up to HK\$150 million from a bank for the purpose of financing the operation of the 2006 Scheme. Shares to be purchased pursuant to the 2006 Scheme will be purchased on behalf of the eligible persons by the custodian. The custodian will hold the Shares on behalf of the eligible persons until they are permitted under the rules of the Scheme to dispose of their Shares.

The aggregate number of Shares to be offered under the 2006 Scheme and a share incentive scheme adopted by the Company on 13 December 2004 shall at all times be less than 5% of the issued share capital of the Company from time to time and the aggregate acquisition cost of all Shares purchased under the 2006 Scheme shall not exceed HK\$150 million.

For the year ended 31 March 2007, the discount expenses incurred by the Group amounted to HK\$7,583,000 (2006: HK\$785,000) approximately.

Subsequent to the balance sheet date on 20 April 2007, the Company adopted a share incentive scheme (the "2007 Scheme"). Details of which are disclosed in note 42 to the financial statements.



**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**36. ACQUISITION OF SUBSIDIARIES**

	2007 HK\$'000	2006 HK\$'000
Net assets of the subsidiaries acquired comprise of:		
Building for own use	172	–
Furniture, fixtures and office equipment	1,282	356
Leasehold improvements	4,130	–
Plant and machinery	–	161
Deferred tax assets	–	23
Intangible asset	1,000	–
Inventories	93,718	5,754
Trade and other receivables	15,684	4,996
Cash and bank balances	1,467	972
Trade and other payables	(47,589)	(6,722)
Tax payable	(9,117)	(429)
Shareholders' loan	(31,022)	–
Bank loan	(10,060)	–
Minority interests	(5,662)	(2,505)
	14,003	2,606
Assignment of shareholders' loan	26,346	–
Goodwill arising on consolidation	44,595	11,693
Total purchase price paid, satisfied in cash	84,944	14,299
Less: cash of the subsidiaries acquired	(1,467)	(972)
Net outflow of cash and cash equivalents in connection with the acquisition of the subsidiaries	83,477	13,327

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**37. DISPOSAL OF SUBSIDIARIES**

Net assets of the subsidiaries disposed comprise of:

	2007 HK\$'000	2006 HK\$'000
Interest in leasehold land, property, plant and equipment	–	80,797
Furniture, Fixtures and office equipment	10	–
Goodwill	–	9,865
Trade receivables, deposits and other receivables	6,289	131,979
Cash and bank balances	356	20,678
Loans and other payables	(6,709)	(187,586)
Contributed surplus and merger reserve	–	7,310
Gain on disposal	10,054	15,123
	<b>10,000</b>	<b>78,166</b>
Satisfied by:		
Cash consideration receivable	10,000	45,000
Reclassification of interest in associates	–	33,166
	<b>10,000</b>	<b>78,166</b>

Analysis of net outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2007 HK\$'000	2006 HK\$'000
Cash and bank balances disposed of	(356)	(20,678)

## Notes to the Financial Statements

For the Year Ended 31 March 2007

### 38. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance lease arrangement in respect of assets with a total capital value at the inception of the leases of HK\$196,000. The Group did not enter into any finance lease arrangement last year.

During the year, the proceeds from the disposal of subsidiaries to an independent third party of HK\$10,000,000 has not yet be settled as at year end.

### 39. RETIREMENT BENEFIT SCHEME

- (i) Plan for Hong Kong employees

*Defined contribution plan*

The Group contributes to a defined contribution retirement scheme which is available to all employees. Employees are required to contribute each month an amount equal to 5% of the basic monthly salary and contributions are made by the employer at 5% of the employee's basic monthly salary. The assets of the scheme are held separately from those of the Group in an independently administered fund. The Group's contributions to this scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

A mandatory provident fund scheme (the "MPF") was established under the MPF Ordinance in December 2000. Since the Company has obtained exemption for its existing retirement schemes, all staff were offered the choice of switching to the MPF scheme or staying in existing schemes. Where staff elected to join MPF, both the Company and staff are required to contribute 5% of the employees' relevant income (capped at HK\$20,000 per month). Staff may elect to contribute more than the minimum as a voluntary contribution. The Group's contributions to this mandatory provident fund scheme are expensed as incurred.

- (ii) Plan for PRC employees

The Group also contributes to employees pension schemes established by municipal government in respect of certain companies in Mainland China. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the income statement as incurred.

**Notes to the Financial Statements**

For the Year Ended 31 March 2007

**40. CONTINGENT LIABILITIES**

As at 31 March 2007, the Group had no material contingent liabilities.

The Company has given corporate guarantees to banks in respect of general banking facilities and derivative facilities granted to subsidiaries amounting to approximately HK\$2.52 billion (2006: HK\$1.85 billion) and in respect of the general banking facilities granted to associates amounting to approximately HK\$268,000,000 (2006: HK\$217,000,000).

As at 31 March 2007, there was no material capital commitment.

**41. OPERATING LEASE ARRANGEMENTS**

As at 31 March 2007, the total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings were payable as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
– Within one year	<b>105,260</b>	49,985
– After one year but within five years	<b>226,110</b>	58,484
– After five years	<b>22,700</b>	8,201
	<b>354,070</b>	116,670

**42. POST BALANCE SHEET EVENT**

On 20 April 2007, the Company adopted a share incentive scheme (the "2007 Scheme") which will enable selected eligible persons of the Group to purchase the shares of the Company at a 5% discount to their market price. A wholly owned subsidiary of the Company obtained a loan facility of up to HK\$350,000,000 from a bank for the purpose of financing the operation of the 2007 Scheme.

On 22 June 2007, the Group entered into a facility agreement with ABN AMRO Bank N.V., Hong Kong Branch and ING Bank N.V. and other international banks and financial institutions as lenders in relation to a term-loan in an aggregate amount of HK\$1,200,000,000. The term-loan has a tenor of 48 months.

## UNAUDITED CONSOLIDATED INTERIM RESULTS OF THE PEACE MARK GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

5 Interim Report 2007 > PEACE MARK (HOLDINGS) LIMITED

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 30 September, 2007 together with the comparative figures for the corresponding period as follows:

### Condensed Consolidated Income Statement

	Note	Six months ended 30 September,	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	1,793,871	1,292,624
Cost of sales		(1,214,958)	(894,055)
Gross profit		578,913	398,569
Other revenue		56,480	59,647
Selling and distribution expenses		(185,254)	(158,507)
Administrative and general expenses		(175,074)	(113,819)
Other operating expenses		(20,966)	(9,619)
Profit from operations		254,099	176,271
Share of profit (loss) of associates		2,436	(723)
Share of profit (loss) of a jointly controlled entity		1,276	(618)
Finance costs		(56,372)	(47,117)
Profit before taxation	3, 4	201,439	127,813
Taxation	5	(21,646)	(7,300)
Profit for the period		179,793	120,513
Attributable to:			
Equity holders of the Company		172,505	119,395
Minority interests		7,288	1,118
		179,793	120,513
Interim dividend	6	52,115	40,704
Earnings per share for profit attributable to equity holders of the Company during the period			
Basic (HK cents)	7	16.78	12.05
Diluted (HK cents)		16.00	11.81

## Condensed Consolidated Balance Sheet

	Note	As at 30 September, 2007 (Unaudited) HK\$'000	As at 31 March, 2007 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		677,435	518,010
Freehold land and interest in leasehold land		7,877	7,961
Intangible assets		251,452	239,289
Interest in associates		130,324	87,300
Interest in a jointly controlled entity		16,298	15,994
Other financial assets		269,171	181,057
Deferred tax assets		9,131	9,566
		<b>1,361,688</b>	<b>1,059,177</b>
<b>Current assets</b>			
Inventories		1,450,596	1,015,963
Derivative financial instruments		51,903	46,282
Other financial assets at fair value through profit or loss		29,938	6,585
Trade receivables	8	773,147	613,776
Trade deposits and other receivables		435,942	266,718
Cash and bank balances		1,813,314	1,460,091
		<b>4,554,840</b>	<b>3,409,415</b>
<b>Current liabilities</b>			
Trade and other payables	9	472,207	294,789
Derivative financial instruments		57,592	24,023
Interest-bearing borrowings	10	817,812	988,231
Obligations under finance leases		146	200
Tax payable		49,192	33,878
		<b>1,396,949</b>	<b>1,341,121</b>
<b>Net current assets</b>		<b>3,157,891</b>	<b>2,068,294</b>
<b>Total assets less current liabilities</b>		<b>4,519,579</b>	<b>3,127,471</b>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	10	2,013,868	1,077,727
Obligations under finance leases		82	142
Deferred tax liabilities		12,729	13,064
		<b>2,026,679</b>	<b>1,090,933</b>
<b>Net assets</b>		<b>2,492,900</b>	<b>2,036,538</b>
<b>Capital and reserves</b>			
Share capital		104,153	99,308
Reserves		2,144,907	1,707,171
<b>Equity attributable to equity holders of the Company</b>		<b>2,249,060</b>	<b>1,806,479</b>
<b>Minority interests</b>		<b>243,840</b>	<b>230,059</b>
<b>Total equity</b>		<b>2,492,900</b>	<b>2,036,538</b>

## Condensed Consolidated Statement of Changes in Equity

	Attributable to Equity Holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Merger deficit HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Other reserve HK\$'000	Fair value reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 April, 2007	99,308	634,616	(11,987)	12,372	356,740	(26)	(1,483)	23,456	(2,332)	695,815	1,806,479	230,059	2,036,538
Issue of new shares pursuant to the exercise of options	4,845	271,313	-	-	-	-	-	-	-	-	276,158	-	276,158
Fair value adjustment of available-for-sale investment	-	-	-	-	-	-	321	-	-	-	321	-	321
Share-based payment	-	-	-	-	-	-	-	46,960	-	-	46,960	-	46,960
Transfer from share option reserve to share premium upon exercise of options	-	45,580	-	-	-	-	-	(45,580)	-	-	-	-	-
Exchange realignment	-	-	-	-	-	-	-	-	8,660	-	8,660	-	8,660
Profit for the period	-	-	-	-	-	-	-	-	-	172,505	172,505	7,288	179,793
Increase in investment from minority interests	-	-	-	-	-	-	-	-	-	-	-	2,005	2,005
Minority interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	16,188	16,188
Acquisition of minority interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(11,700)	(11,700)
2007 final dividend paid	-	-	-	-	-	-	-	-	-	(62,023)	(62,023)	-	(62,023)
As at 30 September, 2007	104,153	951,509	(11,987)	12,372	356,740	(26)	(1,162)	24,836	6,328	806,297	2,249,060	243,840	2,492,900
As at 1 April, 2006	98,974	626,608	(11,987)	12,372	356,740	(26)	(1,312)	3,588	(2,552)	478,920	1,561,325	107,573	1,668,898
Issue of new shares pursuant to the exercise of options	289	6,008	-	-	-	-	-	-	-	-	6,297	-	6,297
Fair value adjustment at available-for-sale investment	-	-	-	-	-	-	411	-	-	-	411	-	411
Share-based payment	-	-	-	-	-	-	-	4,000	-	-	4,000	-	4,000
Exchange realignment	-	-	-	-	-	-	-	-	(3,706)	-	(3,706)	-	(3,706)
Profit for the period	-	-	-	-	-	-	-	-	-	119,395	119,395	1,118	120,513
Increase in investment from minority interests	-	-	-	-	-	-	-	-	-	-	-	1,441	1,441
Minority interests arising from setting up new subsidiaries	-	-	-	-	-	-	-	-	-	-	-	42,992	42,992
Acquisition of minority interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(10,559)	(10,559)
2006 final dividend paid	-	-	-	-	-	-	-	-	-	(42,664)	(42,664)	-	(42,664)
As at 30 September, 2006	99,263	632,616	(11,987)	12,372	356,740	(26)	(901)	7,588	(6,258)	555,651	1,645,058	142,565	1,787,623

## Condensed Consolidated Cash Flow Statement

	Note	Six months ended 30 September,	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash (used in) from operating activities		(251,198)	104,126
Net cash used in investing activities		(341,500)	(61,123)
Net cash from (used in) financing activities		945,921	(11,188)
Net increase in cash and cash equivalents		353,223	31,815
Cash and cash equivalents at 1 April,		1,460,091	1,185,789
Cash and cash equivalents at 30 September,		1,813,314	1,217,604
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances		1,813,314	1,217,604



## Notes to Condensed Consolidated Interim Financial Information

### 1. BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with applicable requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 2. ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March, 2007 except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards ("HKFRS"), amendments to standards and interpretations (collectively referred to as the "New HKFRSs"), which have become effective for accounting periods beginning on or after 1 April, 2007. The applicable New HKFRSs adopted in this condensed consolidated interim financial information are set out below.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above New HKFRSs did not result in substantial changes to the Group's balance sheet and income statement.

The following new standards, amendments to standards and interpretations, which are relevant to the Group, have been issued but are not effective for the year ending 31 March, 2008 and have not been early adopted by the Group:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

## Notes to Condensed Consolidated Interim Financial Information

**3. 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, distributing and retailing and related service income of 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 30 September,		Segment results Six months ended 30 September,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
The Americas	386,400	421,124	53,255	56,129
Asia (excluding China)	139,788	179,523	13,492	16,693
Europe	159,609	124,912	15,935	11,614
China	1,108,074	567,065	182,823	102,099
	<b>1,793,871</b>	<b>1,292,624</b>	<b>265,505</b>	<b>186,535</b>
Unallocated expenses, net			(7,694)	(11,605)
Finance costs			(56,372)	(47,117)
Profit before taxation			<b>201,439</b>	<b>127,813</b>

## Notes to Condensed Consolidated Interim Financial Information

## 4. PROFIT BEFORE TAXATION

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

	Six months ended 30 September,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	41,077	31,303
Net exchange loss	12,837	244
Staff costs, including Directors' emoluments		
– Wages, salaries and benefits in kind	105,835	82,316
– Pension cost	3,434	1,607
– Share option expense	25,404	2,856
Minimum lease payments in respect of properties under operating leases	75,721	28,402
Interest expenses	56,372	47,117
Interest income	(29,671)	(21,039)
Interest income from debt instruments	(14,820)	(15,795)
Net (gain) loss on derivative financial instruments	(3,679)	1,852
Net gain on other financial assets at fair value through profit or loss	(829)	(1,165)

## 5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (30 September 2006: 17.5%) on the estimated assessable profits. Taxation on other overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

	Six months ended 30 September,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current period		
– Hong Kong profits tax	10,013	6,202
– The People's Republic of China (the "PRC")	9,874	760
– Overseas	1,859	651
Deferred taxation		
– Origination and reversal of temporary differences	(100)	(313)
	21,646	7,300

## Notes to Condensed Consolidated Interim Financial Information

## 6. INTERIM DIVIDEND

	Six months ended 30 September,	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
2007 interim dividend declared of 5.0 HK cents (2006: 4.1 HK cents) per ordinary share	52,115	40,704

This dividend declared after the balance sheet date has not been recognized as a liability at the balance sheet date.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

	Six months ended 30 September,	
	2007 (Unaudited)	2006 (Unaudited)
Profit attributable to equity holders of the Company (in HK\$'000)	172,505	119,395
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	1,028,085	990,740
Potential dilutive shares – share options (in '000)	50,395	20,038
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	1,078,480	1,010,778
Basic earnings per share (HK cents)	16.78	12.05
Diluted earnings per share (HK cents)	16.00	11.81

## Notes to Condensed Consolidated Interim Financial Information

**8. TRADE RECEIVABLES**

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 120 days of issuance. Each customer has a pre-set maximum credit limit.

An aging analysis of trade receivables is as follows:

	<b>As at 30 September, 2007 (Unaudited) HK\$'000</b>	As at 31 March, 2007 (Audited) HK\$'000
Trade receivables:		
Not yet due	599,099	369,553
Overdue within 90 days	109,030	221,559
Overdue between 91 to 180 days	48,753	14,739
Overdue over 180 days	16,265	7,925
	<b>773,147</b>	<b>613,776</b>

**9. TRADE AND OTHER PAYABLES**

An aging analysis of trade payables is as follows:

	<b>As at 30 September, 2007 (Unaudited) HK\$'000</b>	As at 31 March, 2007 (Audited) HK\$'000
Trade payables:		
Not yet due	143,955	67,054
Overdue within 90 days	117,663	42,300
Overdue between 91 to 180 days	7,359	16,334
Overdue over 180 days	12,208	24,806
	<b>281,185</b>	<b>150,494</b>
Accruals and other payables	<b>191,022</b>	<b>144,295</b>
	<b>472,207</b>	<b>294,789</b>

## Notes to Condensed Consolidated Interim Financial Information

## 10. INTEREST-BEARING BORROWINGS

	As at 30 September, 2007 (Unaudited) HK\$'000	As at 31 March, 2007 (Audited) HK\$'000
Interest-bearing borrowings are repayable as follows:		
– Not exceeding one year or upon demand	817,812	988,231
– More than one year, but not exceeding two years	837,866	285,815
– More than two years, but not exceeding five years	1,176,002	791,912
	<b>2,831,680</b>	<b>2,065,958</b>
Representing:		
Current portion	817,812	988,231
Non-current portion	2,013,868	1,077,727
	<b>2,831,680</b>	<b>2,065,958</b>
Analyzed as:		
– Secured	–	–
– Unsecured	2,831,680	2,065,958
	<b>2,831,680</b>	<b>2,065,958</b>

The carrying value of interest-bearing borrowings approximated to their fair value.

**Notes to Condensed Consolidated Interim Financial Information****11. OPERATING LEASE ARRANGEMENTS**

As at 30 September, 2007 the Group had total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings falling due as follows:

	<b>As at 30 September, 2007 (Unaudited) HK\$'000</b>	As at 31 March, 2007 (Audited) HK\$'000
Within one year	176,079	105,260
More than one year but within five years	416,039	226,110
More than five years	63,875	22,700
	<b>655,993</b>	354,070

**12. CONTINGENT LIABILITIES**

As at 30 September, 2007, the Group had no material contingent liabilities. The Group has given corporate guarantees to banks in respect of general banking facilities and derivative facilities granted to associate amounting to approximately HK\$171,750,000 (31 March, 2007: HK\$268,000,000).

As at 30 September, 2007, there was no material capital commitment.

**13. POST BALANCE SHEET EVENT**

On 7 December, 2007, the Company's wholly owned subsidiary A-A United Limited (the "Offeror") entered into the Major Shareholder Irrevocable Undertaking on 7 December, 2007 with the major shareholder of Sincere Watch Limited ("Sincere Watch") pursuant to which the major shareholder has agreed, subject to the Offeror proceeding with the offer to accept an offer from the Offeror in respect of its entire shareholding in Sincere Watch, representing, as at 6 December, 2007, approximately 50.67% of the issued share capital of Sincere Watch. Further details are set out in the Company's announcement on the even date.

## DISCLOSURE OF SHAREHOLDINGS AND DEALINGS IN PEACE MARK SHARES AND PEACE MARK OPTIONS

### 1. Details of Holdings in Peace Mark Shares and Peace Mark Options

#### 1.1 Directors of Peace Mark

- (i) As at the Latest Practicable Date, the interests in Peace Mark Shares held by the Directors of Peace Mark are set out below:

Name of Director	Personal Interests	Corporate Interests	Other Interests	Total Interests	Percentage of Total Issued Share Capital (%)
Chau Cham Wong, Patrick	65,631,077	298,660,459	28,416,795 <sup>(1)</sup>	392,708,331	37.7
Leung Yung	–	327,077,254	65,631,077 <sup>(2)</sup>	392,708,331	37.7
Tsang Kwong Chiu, Kevin	1,598,353	–	–	1,598,353	0.15
Man Kwok Keung	300,000	–	–	300,000	0.03
Cheng Kwan Ling	593,904	–	–	593,904	0.05
Susan So	–	–	–	–	–
Kwok Ping Ki, Albert	300,000	–	–	300,000	0.03
Wong Yee Sui, Andrew	50,000	–	–	50,000	0.005
Tang Yat Kan	350,000	–	10,000 <sup>(3)</sup>	360,000	0.03
Mak Siu Wing, Clifford	250,000	–	–	250,000	0.02

Notes:

<sup>(1)</sup> Mr. Chau Cham Wong, Patrick, the Chairman of Peace Mark, was deemed to be interested in 28,416,795 Peace Mark Shares for the purposes of section 317 of the Securities and Futures Ordinance of Hong Kong (“SFO”), representing the deemed interests in United Success Enterprises Limited (“United Success”) in respect of its holdings pursuant to a placing and subscription completed in April 2004 (the “Placing and Top Up”). As a result of the foregoing, Mr. Chau Cham Wong, Patrick was deemed to be interested in a total of 392,708,331 Peace Mark Shares.

<sup>(2)</sup> Mr. Leung Yung, the Chief Executive Officer of Peace Mark, has 49.55 per cent. voting control of A-One Investments Limited and 100 per cent. voting control of United Success, both of which were vendors acting in concert with him in the Placing and Top Up. He was deemed to be interested in 65,631,077 shares of Peace Mark for the purposes of Section 317 of the SFO. Consequently, Mr. Leung Yung was deemed to be interested in a total of 392,708,331 Peace Mark Shares.

<sup>(3)</sup> Mr. Tang Yat Kan was deemed to be interested in 10,000 Peace Mark Shares as these Peace Mark Shares are held by his spouse (who is not a Director of Peace Mark).



- (ii) As at the Latest Practicable Date, the interests in Peace Mark Options held by the Directors of Peace Mark are set out below:

<b>Name</b>	<b>Number of Peace Mark Options</b>
Chau Cham Wong, Patrick	19,800,000
Leung Yung	19,800,000
Tsang Kwong Chiu, Kevin	1,600,000
Man Kwok Keung	550,000
Cheng Kwan Ling	550,000
Susan So	350,000
Kwok Ping Ki, Albert	300,000
Wong Yee Sui, Andrew	475,000
Tang Yat Kan	300,000
Mak Siu Wing, Clifford	350,000

## 1.2 Directors of the Offeror

The Directors of the Offeror comprise Mr. Chau Cham Wong, Patrick, Mr. Leung Yung and Mr. Tsang Kwong Chiu, Kevin, who are also Directors of Peace Mark. Details of their interests in Peace Mark Shares and Peace Mark Options are set out above.

## 2. Details of Dealings in Peace Mark Shares and Peace Mark Options

### 2.1 Directors of Peace Mark

- (i) The dealings in Peace Mark Shares by the Directors of Peace Mark during the Reference Period are set out below:

<b>Name</b>	<b>Date</b>	<b>Number of Peace Mark Shares Acquired</b>	<b>Number of Peace Mark Shares Sold</b>	<b>Average Transaction Price per Peace Mark Share (HK\$)</b>
Wong Yee Sui, Andrew	26 October 2007	–	20,000	12.4
Wong Yee Sui, Andrew	25 October 2007	–	50,000	12.3
Susan So	24 October 2007	–	250,000	12.2

- (ii) The dealings in Peace Mark Options by the Directors of Peace Mark during the Reference Period are set out below:

<b>Name</b>	<b>Date of Grant / Exercise of Peace Mark Options</b>	<b>Number of Peace Mark Options Granted / Exercised</b>	<b>Exercise Price of Peace Mark Options (HK\$)</b>	<b>Holdings in Peace Mark Options after the Dealing</b>
Tsang Kwong Chiu, Kevin	28 September 2007	750,000 Peace Mark Options exercised	2.175	1,600,000
Cheng Kwan Ling	28 September 2007	50,000 Peace Mark Options exercised	7.55	550,000
Man Kwok Keung	14 September 2007	50,000 Peace Mark Options exercised	7.55	550,000

## **2.2 Directors of the Offeror**

The Directors of the Offeror comprise Mr. Chau Cham Wong, Patrick, Mr. Leung Yung and Mr. Tsang Kwong Chiu, Kevin, who are also Directors of Peace Mark. Details of the dealing in Peace Mark Options during the Reference Period by Mr. Tsang Kwong Chiu, Kevin, are set out above.

## GENERAL INFORMATION

### 1. DISCLOSURE OF INTERESTS

- 1.1 No Agreement having any Connection with or Dependence upon Offer.** As at the Latest Practicable Date, save as disclosed in this Offer Document, there is no agreement, arrangement or understanding between (i) the Offeror or any party acting in concert with the Offeror and (ii) any of the current or recent directors of Sincere or any of the current or recent shareholders of Sincere having any connection with or dependence upon the Offer.
- 1.2 Transfer of Offer Shares.** As at the Latest Practicable Date, save as disclosed in this Offer Document, there is no agreement, arrangement or understanding whereby any Offer Shares acquired pursuant to the Offer will be transferred to any other person. However, the Offeror reserves the right to transfer any of the Offer Shares to any of its related companies (as defined in the Companies Act) or for the purpose of granting security in favour of financial institutions which have extended credit facilities to it.
- 1.3 No Payment or Benefit to Directors of Sincere.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of Sincere or any of its related corporations (as defined in the Companies Act) as compensation for loss of office or otherwise in connection with the Offer.
- 1.4 No Agreement Conditional upon Outcome of Offer.** As at the Latest Practicable Date, save as disclosed in this Offer Document, there is no agreement, arrangement or understanding between (i) the Offeror and (ii) any of the directors of Sincere or any other person in connection with or conditional upon the outcome of the Offer or otherwise connected with the Offer.
- 1.5 Transfer Restrictions.** The Memorandum and Articles of Association of Sincere do not contain any restrictions on the right to transfer the Offer Shares, which has the effect of requiring holders of the Offer Shares, before transferring them, to offer them for purchase to Shareholders or to any person.
- 1.6 Directors' Service Contracts.** As at the Latest Practicable Date, there is no agreement, arrangement or understanding between the Offeror or any party acting in concert with it and any director of the Offeror, whereby the emoluments received by directors of the Offeror will be affected as a consequence of the Offer or any other associated relevant transaction.
- 1.7 No Indemnity Arrangements.** As at the Latest Practicable Date, save as disclosed in this Offer Document, neither the Offeror nor any party acting in concert with the Offeror has entered into any arrangement with any person of the kind referred to in Note 7 to Rule 12 of the Code, including indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to the Shares which may be an inducement to deal or refrain from dealing in the Shares.

## 2. GENERAL

**2.1 Costs and Expenses.** All costs and expenses of or incidental to the preparation and circulation of the Offer Document, the FAA and the FAT (other than professional fees and other costs incurred or to be incurred by Sincere relating to the Offer) and stamp duty and transfer fees resulting from acceptances of the Offer will be paid by the Offeror. For the avoidance of doubt, the Offeror shall not be liable for any costs, expenses and commission payable by Shareholders to UOB Kay Hian in respect of Shareholders who utilise the services of UOB Kay Hian.

**2.2 Consents.** Macquarie, the financial adviser to the Offeror in connection with the Offer, has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion of all references to its name in the form and context in which it appears in this Offer Document.

Chu and Chu, the auditors for Peace Mark, have given and not withdrawn their written consent to the issue of this Offer Document with the inclusion of their report in relation to the audited consolidated financial statements of the Peace Mark Group for the financial year ended 31 March 2007 and all references to them and their name, in the form and context in which they appear in this Offer Document.

## 3. MARKET QUOTATIONS

**3.1 Closing Prices of the Shares.** The following table sets out the closing prices of the Shares on the SGX-ST as at the following dates:

Date	Closing Price (S\$)
12 February 2008 (the Latest Practicable Date)	2.38
31 January 2008 (the last Business Day immediately preceding the Firm Offer Announcement Date)	2.39
31 December 2007	2.50
6 December 2007 (the last Business Day immediately preceding the Pre-Conditional Announcement Date)	2.32
30 November 2007	2.20
31 October 2007	1.94
28 September 2007	1.79
31 August 2007	1.80
31 July 2007	1.81
29 June 2007	1.45

**3.2 Closing Prices of the Peace Mark Shares.** The following table sets out the closing prices of the Peace Mark Shares on the SEHK as at the following dates:

<b>Date</b>	<b>Closing Price (HK\$)</b>
12 February 2008 (the Latest Practicable Date)	8.62
31 January 2008 (the last Business Day immediately preceding the Firm Offer Announcement Date)	9.00
31 December 2007	12.56
6 December 2007 (the last Business Day immediately preceding the Pre-Conditional Announcement Date)	13.02
30 November 2007	11.52
31 October 2007	12.66
28 September 2007	11.58
31 August 2007	11.60
31 July 2007	12.30
29 June 2007	10.68

**3.3 Highest and Lowest Prices.**

(i) **Shares.** The highest and lowest closing prices of the Shares on the SGX-ST during the period commencing on 7 June 2007, being six months prior to the Pre-Conditional Announcement Date, and ending on the Latest Practicable Date are as follows:

(a) highest closing price: S\$2.51 on 27 December 2007 and 28 December 2007; and

(b) lowest closing price: S\$1.28 on 12 June 2007 and 14 June 2007.

(ii) **Peace Mark Shares.** The highest and lowest closing prices of the Peace Mark Shares on the SEHK during the period commencing on 7 June 2007, being six months prior to the Pre-Conditional Announcement Date, and ending on the Latest Practicable Date are as follows:

(a) highest closing price: HK\$13.84 on 23 July 2007; and

(b) lowest closing price: HK\$8.40 on 11 February 2008.

**4. DOCUMENTS FOR INSPECTION**

Copies of the following documents may be inspected at Macquarie Securities (Asia) Pte Limited at 23 Church Street #11-11, Capital Square, Singapore 049481 during normal business hours for the period for which the Offer remains open for acceptance:

(i) the Memorandum of Association of Peace Mark and the Bye-laws;

(ii) the annual report of Peace Mark for the financial year ended 31 March 2007;

(iii) the interim report of Peace Mark for the six months ended 30 September 2007;

(iv) the Pre-Conditional Announcement;

(v) the Peace Mark Circular;

(vi) the Firm Offer Announcement;

(vii) the irrevocable undertaking from the Major Shareholder dated 7 December 2007;

- (viii) the irrevocable undertaking from the Peace Mark Controlling Shareholders dated 7 December 2007;
- (ix) the Break Fee Agreement;
- (x) the letter of consent from Macquarie referred to in paragraph 2.2 (“**Consents**”) of this **Appendix 10**; and
- (xi) the letter of consent from Chu and Chu referred to in paragraph 2.2 (“**Consents**”) of this **Appendix 10**.

Please contact the financial adviser to the Offeror in connection with the Offer, Macquarie, at (+65) 6231 2940 between 9.00 a.m. (Singapore time) to 5.00 p.m. (Singapore time) on Mondays to Fridays (excluding public holidays) to make an appointment for inspection of the documents specified in paragraph 4 of this **Appendix 10**.

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