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PEACE MARK (HOLDINGS) LTD : <u>ARE YOU HOLDING THESE SHARES ? THEN, READ THIS !</u>

Institutional shareholders of publicly listed Peace Mark (Holdings) Ltd (Code: 304, Main Board, The Stock Exchange of Hongkong Ltd) or individual investors, who use companies whose Registered Addresses are not in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), as a means of centralising, monitoring and tracking their investment holdings, or international banks/financial institutions, whose Registered Addresses are not located in the HKSAR, but which are HKSAR-based depositories for customers' investments in equities, listed on The Stock Exchange of Hongkong Ltd, are being excluded as bona fide shareholders of Peace Mark in reaping the benefits of the recently proposed Rights Issue of Peace Mark (Holdings).

Because, the Rights Issue Prospectus, clearly, states that the Rights Shares are *'not available to the Overseas Shareholders.'* (Page 2)

According to Pages 4 and 5 of the Rights Issue Prospectus, in order to qualify for the benefits, relating to the Rights Issue, a Shareholder must:

1. Be registered as a member of the Company (Peace Mark) on the Record Date; and,

2. Have an address in the HKSAR, an address, which appears on the Register of Members of the Company on the Record Date.

Therefore, HSBC Holdings plc (Code: 5, Main Board, The Stock Exchange of Hongkong Ltd), to mention but one international bank which is one of the favourites and many HKSAR investors, and all of the many HSBC Group Companies that, for many a decade, have been used by the bank's customers as a depository for investments in stocks and shares, have, now, to inform its customers that they are excluded from participating in their Company's Rights Issue.

This is in spite of the fact that the customers are the beneficial owners of Peace Mark shares while the designated HSBC Group company is merely the legal shareholder of record.

This is thought to be the first time that Peace Mark has engaged in this type of shenanigan, at least in respect of one of its Rights Issues.

Which raises the point, of course, as to the reasoning behind the corporate ploy.

<u>The Fundamentals</u>

Peace Mark is a manufacturer of watches and clocks and, on June 7, 2002, it pitched a Rights Issue on the basis of 2 Rights Shares for every one existing Share held.

The Subscription Price per Rights Share is 18 cents, which represents a discount of about 66.67 percent to the Closing Price of 54 cents as quoted on The Stock Exchange of Hongkong Ltd, as at June 5, 2002.

Page 6 of this Bermuda-domiciled, watch-and-clock maker states, inter alia:

'… The Company will send the Prospectus to the Overseas Shareholders for their information only and will not send provisional allotment letters or application forms for excess Rights Shares to the Overseas Shareholders …'.

And, then, comes the 2 kickers:

'However, Overseas Shareholders are entitled to vote at the SGM (Special General Meeting) *…'.* (Page 6)

'The qualifying Shareholders are entitled to apply for unsold entitlements of the Overseas Shareholders and any nil-paid Rights Shares provisionally allotted but not accepted.' (Last Paragraph, Page 6)

As to the disposition of those Rights Shares/Rights Entitlements that, ordinarily, would have gone to Overseas Shareholders, the Company states, in the Prospectus, that it intends to sell them in the market and *'The proceeds of such sale, less expenses, will be retained by the Company for its own use.'*

The Rights Issue is being underwritten by A-ONE Investments Ltd, an investment company, incorporated in the British Virgin Islands, and TIS Securities (HK) Ltd.

A-ONE is beneficially owned as to 50.45 percent by Mr Patrick Chau Cham Wong, and Mr Leung Yung, who owns 49.55 percent of the Issued and Fully Paid-Up Share Capital of this overseas-domiciled investment …

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