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Peace Mark (Holdings) Limited
(Incorporated in Bermuda with limited liability)
(Stock Code : 0304)

**ESTABLISHMENT OF JOINT VENTURE,
GRANT OF CALL OPTION
AND
CONTINUING CONNECTED TRANSACTIONS**

On 31 March 2006, PM China entered into the Subscription Agreement and Shareholders' Agreement, pursuant to which PM China, Tourneau Investment and Beat Time will establish 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 PM China, Tourneau Investment and Beat Time in the proportion of 65%, 25% and 10%, respectively. PM China will contribute approximately US\$10.5 million (equivalent to HK\$81.9 million) to the capital of Peace Mark Tourneau.

PM China has also granted the Option to Tourneau Investment to acquire from it a 14% interest in Peace Mark Tourneau at the par value of such capital.

Peace Mark Tourneau and Tourneau also entered into the Trademark License Agreement on 31 March 2006 whereby Tourneau will grant an exclusive right to Peace Mark Tourneau to use the trademark of "Tourneau". As Tourneau Investment will become a substantial shareholder of Peace Mark Tourneau which will be a subsidiary of the Company, the transactions contemplated under the Trademark License Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

The Directors refer to the Company's announcement dated 10 February 2006 relating to the entering into of a non-legally binding letter of intent with Tourneau Investment Limited, a subsidiary of Tourneau, and Beat Time pursuant to which the parties agreed to establish 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.

The Directors have the pleasure to announce that on 31 March 2006, the parties entered into the Subscription Agreement, the Shareholders' Agreement, the Option Agreement and the Trademark License Agreement for the establishment of Peace Mark Tourneau, for the future management of Peace Mark Tourneau, for the possible transfer of interests in Peace Mark Tourneau in the future and for the licensing arrangements for the operations of Peace Mark Tourneau.

SUBSCRIPTION AGREEMENT DATED 31 MARCH 2006

Parties:

Issuer: Peace Mark Tourneau
Subscribers: PM China, Tourneau Investment and Beat Time

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the members of Tourneau (including Tourneau Investment) and IWG (including Beat Time) and their respective ultimate beneficial owners are connected persons of the Company.

Subscription:

Prior to the execution of the Subscription Agreement, PM China was interested in 5 Class A Shares of US\$0.80 each. Pursuant to the Subscription Agreement, the parties thereto subscribe in cash for the shares in Peace Mark Tourneau, and hence the capital structure thereof is, as follows:

	PM China	Tourneau Investment	Beat Time	Total
Number of Class A Shares	5@US\$0.80 1@US\$1.00 9,749,994@US\$1.077	3,000,000@US\$0.80 (par)	1,500,000@US\$1.000	14,250,000
Number of Class B Shares	Nil	750,000@US\$0.800 (par)	Nil	750,000
Total number of shares	<u>9,750,000</u>	<u>3,750,000</u>	<u>1,500,000</u>	<u>15,000,000</u>
Percentage of shareholding	65%	25%	10%	100%
Total capital contribution	<u>US\$10,500,749</u>	<u>US\$3,000,000</u>	<u>US\$1,500,000</u>	<u>US\$15,000,749</u>
(HK\$ equivalent)	<u>HK\$81,905,842</u>	<u>HK\$23,400,000</u>	<u>HK\$11,700,000</u>	<u>HK\$117,005,842</u>

Upon completion of the Subscription Agreement which is unconditional and has taken place as at the date hereof, Peace Mark Tourneau becomes a 65% owned subsidiary of the Company. Accordingly, Tourneau Investment and Beat Time, both being substantial shareholders of Peace Mark Tourneau, become connected persons of the Company under the Listing Rules.

The higher price per share at which PM China pays for its 65% interest in Peace Mark Tourneau is representative of the premium for its controlling interest therein. The Directors consider that such price is fair and reasonable in so far as the Company and the Shareholders are concerned.

SHAREHOLDERS' AGREEMENT DATED 31 MARCH 2006**Parties:**

Subject company: Peace Mark Tourneau
Shareholders of subject company: PM China, Tourneau Investment and Beat Time

Share capital:

Peace Mark Tourneau shall have an authorized and issued share capital of US\$12,000,000 (equivalent to HK\$93,600,000), divided into 15,000,000 shares of US\$0.80 each. The shares in Peace Mark Tourneau shall be made up of two classes, namely 14,250,000 Class A Shares of US\$0.80 each and 750,000 Class B Shares of US\$0.80 each.

Class A Shares and Class B Shares shall rank *pari passu* in all respects except that Class B Shares shall have a fixed cumulative preferential dividend at the rate of 5% per annum on the par value of Class B Shares before any dividend is payable to Class A Shares. All the other shareholders of Peace Mark Tourneau shall have the rights of first refusal to acquire Class B Shares from the shareholder thereof in the event that such shareholder transfers, disposes of or encumbers any of its Class B Shares.

Conversion of Class B Shares:

Tourneau Investment is entitled at any time to convert all (but not part) of its Class B Shares in full into the same number of Class A Shares at par.

Financing policy:

The working capital requirements of Peace Mark Tourneau in the future shall be satisfied by and in the following sequence:

- (i) the issued share capital of Peace Mark Tourneau;
- (ii) by external finances available to Peace Mark Tourneau;
- (iii) by subscription of additional loan capital pro rata to the shareholding of Peace Mark Tourneau's shareholders; and
- (iv) by subscription of additional share capital pro rata to the shareholding of Peace Mark Tourneau's shareholders.

The Board intends to finance the Group's capital commitment of US\$10,500,749 (equivalent to HK\$81,905,842) to Peace Mark Tourneau by the net proceeds of approximately HK\$285 million from the placing of and top-up subscription for 90,000,000 Shares at HK\$3.25 each completed in January and February 2006 respectively.

Business scope:

Peace Mark Tourneau shall be engaged in the supply, wholesale, retail and distribution of luxury-brand timepieces for the high-end market in Mainland China, Hong Kong, Macau and Taiwan.

Management:

Prior to the exercise of the Option, Peace Mark Tourneau shall have four directors where PM China shall be entitled to nominate three directors and Tourneau Investment shall be entitled to nominate one director. After Tourneau Investment exercises the Option, Peace Mark Tourneau shall have five directors where PM China shall be entitled to nominate three directors and Tourneau Investment shall be entitled to nominate two directors.

First right of refusal:

During the term of operations of the Joint Venture, Peace Mark Tourneau shall have the first right of refusal of any joint venture opportunities available to Tourneau Investment and/or Beat Time in the Greater China region.

Disposal of existing stores:

Under the Shareholders' Agreement, Peace Mark Tourneau shall acquire from PM China two Solomon stores currently operated by PM China both in Shanghai at such costs to be mutually agreed between PM China and Tourneau Investment. In this regard, the Company will ensure compliance with the relevant Listing Rules upon such acquisition taking place.

Completion:

The Shareholders' Agreement was subject to the entering into of the Subscription Agreement and completion thereof has taken place immediately upon the Subscription Agreement having been executed.

OPTION AGREEMENT DATED 31 MARCH 2006**Parties:**

Grantor: PM China
Grantee: Tourneau Investment

Pursuant to the Option Agreement, in consideration of the payment of US\$1.00, PM China has irrevocably and unconditionally granted a one-off call option to Tourneau Investment to purchase from it such number of fully-paid Class A Shares at the par value of the Call Shares so that Tourneau Investment shall hold an additional 14% of the issued share capital of Peace Mark Tourneau. The Option may be exercised by Tourneau Investment at any time during the first two years from the date hereof for so long as Tourneau Investment remains as a shareholder of Peace Mark Tourneau holding in aggregate not less than 25% of the issued shares in Peace Mark Tourneau (irrespective of the class of shares in Peace Mark Tourneau). When the Option is exercised, PM China shall sell the Call Shares as beneficial owner free from encumbrances at the par value of the Call Shares at the exercise date of the Option. The Option is non-transferable.

If the Option is exercised, an aggregate of 2,100,000 Class A Shares at par value of US\$0.80 each shall be acquired by Tourneau Investment from PM China for a total amount of US\$1,680,000 (equivalent to HK\$13,104,000). In the event such exercise takes place, the Company intends to utilize the proceeds arising from such exercise as general working capital for the Group. Completion of the exercise of the Option shall take place within 14 Hong Kong business days after the date of exercise of the Option. In the event that the Option is exercised or expired or Tourneau Investment notifies PM China that the Option will not be exercised, the Company will make an announcement regarding such event and ensure compliance with the relevant Listing Rules in relation thereto.

PM China and Tourneau Investment intend to enter into a further agreement to extend the Option beyond the first two year period. No agreement has been executed in this regard. Further announcement will be made by the Company so as to ensure compliance with the relevant provisions of the Listing Rules in this regard in the event that such agreement is entered into to extend the Option beyond the first two year period.

INFORMATION ON TOURNEAU

Established in 1900, Tourneau is the preeminent source for new and pre-owned watches in the United States and distributes and retails over 100 well-known brands such as Breitling, Cartier, Jaeger-LeCoultre, Omega, Patek Philippe, Rolex and Tag Heuer in more than 8,000 unique styles. As the undisputed authority in the watch industry, Tourneau is recognized by Guinness World Records as the world's largest watch store. In each of its thirty plus stores, Tourneau is the number one specialty store performer in sales per square foot, a distinction that applies not only to the watch and jewelry categories, but encompasses retail categories as a whole.

INFORMATION ON IWG

IWG is one of the leading watch manufacturers and distributors in the United States. It owns various fashion and watch brands including Lucien Piccard.

INFORMATION ON THE GROUP

The Group is a vertically integrated global timepiece company with manufacturing facilities located in Mainland China, Hong Kong and Switzerland. The Company is a global leader in its core mass-market and mid-market timepiece product segments. Core markets are in China, Americas, Europe and (non-China) Asia. The Company is the leading distributor and retailer of international mid-range fashion brands in China. The Directors consider that the establishment of Peace Mark Tourneau provides an opportunity for the Group to diversify its business into the luxury brand timepieces business in the Greater China region in partnership with a leading retailer and leveraging on the Group's experience and knowledge of distribution in the Greater China region.

CONTINUING CONNECTED TRANSACTIONS

TRADEMARK LICENSE AGREEMENT DATED 31 MARCH 2006

Parties:

Licensor: Tourneau
Licensee: Peace Mark Tourneau

License right:

Retail outlets of Peace Mark Tourneau are expected to be operated under the name of "Tourneau". Pursuant to the Trademark License Agreement, Tourneau has granted to Peace Mark Tourneau the exclusive right and license to use the "Tourneau" trademark and its logos and device for the stores operated by it in the Greater China region (not including those mentioned under the sub-section headed "Further trademark" below).

Term:

The Trademark License Agreement was subject to the entering into of the Subscription Agreement and completion thereof has taken place immediately upon the Subscription Agreement having been executed. Pursuant to the Trademark License Agreement, the license right shall commence on 31 March 2006 and remain in effect for an initial term of 3 years with no early termination.

Renewal:

Upon the expiry of the first 3 years, the Trademark License Agreement can be renewed for an additional term of 2 years on the same terms. Renewal is subject to compliance of the necessary requirements as stipulated under the Listing Rules and other regulatory requirements.

Thereafter, the Trademark License Agreement can be renewed for successive 3 year terms subject to compliance of the necessary requirements as stipulated under the Listing Rules and other regulatory requirements. Pursuant to the Trademark License Agreement, such term can be terminated by either party thereto by at least 6 months' prior notice. Any renewed term shall continue for as long as the Shareholders' Agreement remains in effect.

Royalties:

In consideration, Peace Mark Tourneau shall make the payment of the Royalties to Tourneau. The Royalties shall be calculated by reference to the gross profit (“GP”) and the net sales (“Net Sales”) generated by Peace Mark Tourneau and represent an amount equal to a rate of between 2% to 6.5% multiplied by the Net Sales of each year. The exact rate applicable depends on the level of GP and Net Sales achieved by Peace Mark Tourneau in the specific year. The Royalties are subject to the annual minimum amounts and caps as follows irrespective of the amount of Net Sales:

Year-Commencing	Year 1-1 April 2006	Year 2-1 April 2007	Year 3-1 April 2008
Annual minimum amount	US\$70,000	US\$150,000	US\$200,000
<i>(HK\$ equivalent)</i>	HK\$546,000	HK\$1,170,000	HK\$1,560,000
Annual cap	US\$5.0 million	US\$5.5 million	US\$6.0 million
<i>(HK\$ equivalent)</i>	HK\$39 million	HK\$42.9 million	HK\$46.8 million

In the event that the Trademark License Agreement is renewed, the annual minimum Royalties will amount to US\$300,000 (equivalent to HK\$2,340,000) and US\$400,000 (equivalent to HK\$3,120,000) for the two years ending 31 March 2009 and 2010 respectively.

Commitment in respect of number of licensed stores:

Pursuant to the Trademark License Agreement, Peace Mark Tourneau shall operate no fewer than 12 licensed stores in the Greater China region during the initial 5 year period of the term and use reasonable efforts to establish up to 30 licensed stores during such period.

Further trademark:

Tourneau has agreed to grant to Peace Mark Tourneau an option upon which exercise, Peace Mark Tourneau shall have the exclusive and non-transferable right and license to use the “Tourneau Watch Gear” trademark and its logos and device for the stores operated by it in the Greater China region. Such option can be exercised within a period of 30 months from the date hereof.

Tourneau has also agreed to grant to Peace Mark Tourneau subject to the terms of the Trademark License Agreement (i) an option to enter into an agreement with Tourneau for an exclusive and non-transferable right to distribute in the licensed stores jewelry and other luxury products (but not including eyewear, cosmetics and fragrances); and (ii) a non-exclusive and non-transferable right during the term of the Trademark License Agreement to use the “Tourneau” trademark in Singapore and Thailand.

As at the date hereof, terms relating to the options and right mentioned under this sub-section are subject to agreement between Peace Mark Tourneau and Tourneau. Further announcement will be made by the Company upon such terms having been agreed between both parties. In this regard, the Company will ensure compliance with the relevant Listing Rules.

Compliance with the Listing Rules:

As Tourneau Investment, being a wholly-owned subsidiary of Tourneau, has become a substantial shareholder of Peace Mark Tourneau which is now a subsidiary of the Company, the payment of the Royalties under the Trademark License Agreement to Tourneau constitutes a continuing connected transaction for the Company under the Listing Rules.

The Directors (including the independent non-executive Directors) consider that (i) the payment of the Royalties and the transactions contemplated under the Trademark License Agreement are entered into in the usual and ordinary course of business of the Group; (ii) their terms being fair and reasonable in so far as the Company and the Shareholders are concerned have been negotiated and will be conducted on an arm's length basis and on normal commercial terms between Peace Mark Tourneau and Tourneau; (iii) the annual caps thereunder are fair and reasonable in so far as the Company and the Shareholders are concerned; and (iv) the transactions contemplated under the Trademark License Agreement are in the interests of the Company and the Shareholders as a whole.

As the annual cap of the Royalties under the Trademark License Agreement is expected to be less than 2.5 of the percentage ratios (other than the profits ratio) under the Listing Rules, the transactions are exempt from the independent Shareholders' approval under Rule 14A.34 of the Listing Rules and the Company is required to comply with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

The Company is also required to comply with the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules for the Royalties. If the annual cap of the Royalties under the Trademark License Agreement is exceeded or when the Trademark License Agreement is renewed or there is a material change to the terms thereof, the Company will need to re-comply with Rules 14A.35(3) and (4).

Basis of the caps:

The annual cap for each of the years ending 31 March 2007, 2008 and 2009 was determined after taking into consideration (i) the estimated GP and Net Sales for the aforesaid three financial years by reference to which an applicable rate will be determined where such rate multiplies the Net Sales to calculate the Royalties payable for each of those years; (ii) the estimated pricing and demand trends in the market for the timepiece products; and (iii) the estimated progress for opening retail outlets in the Greater China region.

REASONS FOR THE TRANSACTIONS

The Group, Tourneau and IWG consider that Greater China luxury-brand timepiece markets have significant potential. The respective groups believe that the combination of the Group's knowledge, experience as well as the distribution and servicing network in the Greater China region together with Tourneau's experience in world class operations in the areas of marketing, logistics, distribution and retail management, along with their established relationships with major luxury brand owners, will create a leading retail operator in the Greater China region for luxury brand timepiece products. The parties target to open 30 stores in the first 5 years.

GENERAL

The Subscription Agreement, the Shareholders' Agreement, the Option Agreement and the transactions contemplated thereunder respectively do not constitute any notifiable or connected transaction for the Company under the Listing Rules.

The payment of Royalties contemplated under the Trademark License Agreement constitutes a continuing connected transaction for the Company exempt from the independent Shareholder's approval requirements under the Listing Rules and requires disclosure by way of a press announcement and the future annual reports of the Company.

DEFINITIONS

“Beat Time”	Beat Time Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of IWG
“Board”	the board of Directors
“Call Shares”	such number of fully-paid Class A Shares to be acquired by Tourneau Investment at par value from PM China under the Option so that Tourneau Investment shall hold an additional 14% of the issued share capital in Peace Mark Tourneau after completion of the Option
“Class A Share(s)”	class “A” ordinary share(s) of US\$0.80 each in the share capital of Peace Mark Tourneau
“Class B Share(s)”	class “B” preference share(s) of US\$0.80 each in the share capital of Peace Mark Tourneau

“Company”	Peace Mark (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares in which are listed on the Main Board of the Stock Exchange
“connected persons”	has the same meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Greater China”	including the whole of Mainland China, Hong Kong, Taiwan and Macau
“Group”	the Company and its subsidiaries
“IWG”	International Watch Group, a New Jersey corporation
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Peace Mark Tourneau” or “Joint Venture”	Peace Mark Tourneau (Holdings) Limited, a company incorporated in Hong Kong with limited liability which is the joint venture company formed under the Shareholders’ Agreement
“Option”	the call option granted by PM China to Tourneau Investment under the Option Agreement pursuant to which Tourneau Investment shall be entitled to purchase from PM China the Call Shares at any time during the first two years from the date hereof (subject to the terms set out therein)
“Option Agreement”	the agreement dated 31 March 2006 entered into among PM China, Tourneau Investment and Peace Mark Tourneau in relation to the granting of Option by PM China to Tourneau Investment
“PM China”	Peace Mark China Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Royalties”	the royalty fees payable by Peace Mark Tourneau to Tourneau for the grant of the use of trademark of “Tourneau”, its logos and device under the Trademark License Agreement (not including those mentioned under the sub-section headed “Further trademark” above)
“Shareholders’ Agreement”	the agreement dated 31 March 2006 entered into among PM China, Tourneau Investment, Beat Time and Peace Mark Tourneau in relation to the governing of the future affairs of Peace Mark Tourneau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 31 March 2006 entered into among PM China, Tourneau Investment, Beat Time and Peace Mark Tourneau in relation to the subscription for the securities in Peace Mark Tourneau
“substantial shareholders”	has the same meaning as defined in the Listing Rules
“Tourneau”	Tourneau, Inc., a New York corporation
“Tourneau Investment”	Tourneau Investment LLC, a limited liability company formed in and under the laws of the State of Delaware, United States and a wholly-owned subsidiary of Tourneau
“Trademark License Agreement”	the agreement entered into among Tourneau and Peace Mark Tourneau dated 31 March 2006 regarding the licensing of an exclusive right to Peace Mark Tourneau to use the trademark of “Tourneau” and its logos and device
“HK\$”	Hong Kong dollar
“US\$”	United States dollar
“%”	per cent.

For illustration purposes, all amounts in US\$ have been translated to HK\$ at the exchange rate of US\$1.00 = HK\$7.80.

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

On behalf of the Board
Peace Mark (Holdings) Limited
Chau Cham Wong, Patrick
Chairman

Hong Kong, 31 March 2006

Please also refer to the published version of this announcement in SCMP-Classified.