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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Peace Mark (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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## Peace Mark (Holdings) Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 304)

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,  
AMENDMENTS TO THE BYE-LAWS,  
RENEWAL OF THE 10% GENERAL LIMIT ON THE GRANT OF  
OPTIONS UNDER THE SHARE OPTION SCHEME,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting of Peace Mark (Holdings) Limited (the “Company”) to be held at 4:00 p.m. on Friday, 25th August, 2006 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 15 to 21 of this circular. You are advised to read the notice and, if you do not intend to attend and vote at the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting in person should you so wish.

31st July, 2006

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# CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
1. Introduction .....	3
2. General mandates to issue and repurchase shares .....	4
3. Renewal of the 10% General Limit on the Grant of Options under the Share Option Scheme .....	5
4. Re-election of Directors .....	6
5. Amendments to the Bye-laws .....	6
6. Annual General Meeting .....	7
7. Procedure to demand a poll at the Annual General Meeting .....	7
8. Responsibility Statement .....	8
9. Recommendation .....	8
10. Additional information .....	8
<b>Appendix I – Explanatory Statement on the Repurchase Mandate</b> .....	9
<b>Appendix II – Particulars of directors proposed for re-election</b> .....	12
<b>Appendix III – Notice of the Annual General Meeting</b> .....	15

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## DEFINITIONS

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*In this circular (including its appendices), unless the context otherwise requires, the following expressions have the following meanings:*

“Annual General Meeting”	the annual general meeting of the Company convened to be held at 4:00 p.m. on Friday, 25th August, 2006 at the Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong;
“AGM Notice”	the notice dated 31st July 2006 convening the Annual General Meeting as set out in pages 15 to 21 of this circular;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the Bye-laws of the Company as may be amended from time to time;
“Company”	Peace Mark (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	the director(s) (including independent non-executive directors) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	26th July, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Option Holder(s)”	holder(s) of the outstanding share options granted by the Company under the Share Option Scheme;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;

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## DEFINITIONS

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“Shareholder(s)”	the shareholder(s) of the Company;
“Share Option Scheme”	the share option scheme adopted by the Company on 24th January, 2002;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Code on Takeovers and Mergers;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“%”	per cent..

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## LETTER FROM THE BOARD

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# Peace Mark (Holdings) Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 304)

*Executive Directors:*

Mr. Chau Cham Wong, Patrick (*Chairman*)  
Mr. Leung Yung (*Chief Executive Officer*)  
Mr. Tsang Kwong Chiu, Kevin (*Chief Financial Officer*)  
Mr. Man Kwok Keung  
Mr. Cheng Kwan Ling

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent non-executive Directors:*

Ms. Susan So  
Mr. Kwok Ping Ki, Albert  
Mr. Wong Yee Shui, Andrew  
Mr. Tang Yat Kan  
Mr. Mak Siu Wing, Clifford

*Head office and principal*

*place of business in Hong Kong:*

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

20th July, 2006

*To the Shareholders and, for information only,  
the Option Holders*

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,  
AMENDMENTS TO THE BYE-LAWS,  
RENEWAL OF THE 10% GENERAL LIMIT ON THE GRANT OF  
OPTIONS UNDER THE SHARE OPTION SCHEME,  
RE-ELECTION OF DIRECTORS  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

### **1. INTRODUCTION**

The purpose of this circular is to provide you with information regarding the resolutions to be proposed for the Shareholders to consider, and if thought fit, to approve at the Annual General Meeting:

- (i) the ordinary resolutions granting the Directors general mandates to issue and repurchase shares;

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## LETTER FROM THE BOARD

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- (ii) the ordinary resolutions relating to renewal of the 10% general limit on the grant of options under the Share Options Scheme;
- (iii) the ordinary resolutions relating to re-election of Directors at the Annual General Meeting; and
- (iv) the special resolutions amending the Bye-laws.

Under the Listing Rules, the Company is required to provide you with information reasonably necessary to enable you to make informed decisions as to whether to vote for or against the resolutions to be proposed at the Annual General Meeting. This circular is also prepared for such purpose.

### **2. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES**

At the Annual General Meeting, an ordinary resolution, as set out as resolution no. 6(A), will be proposed for the shareholders to consider and if, thought fit, to grant a general and unconditional mandate to the Directors to allot, issue and deal with additional Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of such resolution (the "Issue Mandate"). The full text of the ordinary resolution to be proposed at the Annual General Meeting in relation to the Issue Mandate is set out in resolution 6(A) in the AGM Notice.

The Issue Mandate to issue shares will remain effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable law to be held; and (iii) the date on which the authority set out in the said resolution no. 6(A) are revoked or varied by passing an ordinary resolution in general meeting of the Company.

At the Annual General Meeting, an ordinary resolution, as out as resolution no. 6(B), will be proposed for the shareholders to consider and if, thought fit, to grant a general and unconditional mandate to enable the Directors to repurchase the Shares on the Stock Exchange up to maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of such resolution (the "Repurchase Mandate"). The full text of the ordinary resolution to be proposed at the Annual General Meeting in relation to the Repurchase Mandate is set out in resolution no. 6(B) in the AGM Notice.

In accordance with the requirements of the Listing Rules, an explanatory statement containing all relevant information relating to the Repurchase Mandate is set out in the Appendix I to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution relating to the Repurchase Mandate.

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## LETTER FROM THE BOARD

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Subject to the passing of the proposed resolutions regarding the Issue Mandate and the Repurchase Mandate, an ordinary resolution will be proposed at the Annual General Meeting that the Issue Mandate will be extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate being approved provided that such extended amount will not exceed 10% of the aggregate of the total nominal amount of the issued capital of the Company in issue at the date of the resolution approving the Issue Mandate. The full text of such ordinary resolution to be proposed at the Annual General Meeting is set out in resolution No. 7 in the AGM Notice.

### **3. RENEWAL OF THE 10% GENERAL LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME**

On 24th January, 2002, the Company adopted the Share Option Scheme in compliance with the Listing Rules under which the Company may grant options to subscribe up to 10% of the issued share capital of the Company on such date. The 10% limit was subsequently refreshed on 1st August 2003 (the "First Refreshment"). After the First Refreshment, the Company may grant options to subscribe up to 63,173,983 Shares.

On 19th December, 2005, the Company had granted options to subscribe for a total of 45,000,000 Shares under the Share Option Scheme. Such grant of options is within the refreshed 10% limit under the First Refreshment. The status of these options as at the Latest Practicable Date are as follows:

<b>Options</b>	<b>Number of Options</b>	<b>Number of underlying Shares</b>
Outstanding	43,340,000	43,340,000
Exercised	1,660,000	1,660,000
Cancelled	–	–
Lapsed	–	–

The outstanding options under the Share Option Scheme as at the Latest Practicable Date entitle their holders to subscribe a total of 43,340,000 Shares, representing about 4.4 per cent. of the issued share capital of the Company.

To enable the Company to grant further options to eligible persons under the Share Option Scheme, it is therefore proposed that subject to the approval of the Shareholders at the Annual General Meeting and such other requirements prescribed under the Listing Rules, the general limit on grant of options under the Share Option Scheme will be renewed to 10% of the Shares in issue as at the date of the resolution approving its renewal at the Annual General Meeting (the "Renewal of 10% General Limit").

Options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled, lapsed in accordance with such scheme(s) or exercised options) will not be counted for the purpose of calculating the limit as renewed.

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## LETTER FROM THE BOARD

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Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time will not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

As at the Latest Practicable Date, there were 991,395,780 Shares in issue. Assuming that no further Shares will be issued prior to the date of the resolution approving the Renewal of the 10% General Limit, the maximum number of options that can be granted by the Company under the refreshed limit would be 99,139,578 Shares.

The adoption of the refreshed general limit of the Share Option Scheme is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the Renewal of the 10% General Limit on grant of options under the Share Option Scheme at the Annual General Meeting; and
- (b) the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options granted under the renewed general limit of the grant of options under the Share Option Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in, the new Shares which may be issued and allotted by the Company upon the exercise of any options that may be granted pursuant to the Renewal of the 10% General Limit.

#### **4. RE-ELECTION OF DIRECTORS**

In accordance with Bye-laws 87(1) and 87(2) of the Bye-Laws, Mr. Man Kwok Keung and Mr. Kwok Ping Ki, Albert shall retire and being eligible to offer themselves for re-election while Mr. Chau Cham Wong, Patrick and Mr. Leung Yung also offer themselves for re-election at the forthcoming Annual General Meeting. Details of the Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

#### **5. AMENDMENTS TO THE BYE-LAWS**

To align with certain amendments made to the Listing Rules in respect of the Code on Corporate Governance Practices, which came into effect on 1st January, 2005 (subject to certain transitional arrangements) and various amendments to the Listing Rules made by the Stock Exchange in March 2006, special resolutions will be proposed at the Annual General Meeting to seek your approval for amending the Bye-laws of the Company. The proposed amendments are summarized below:–

- (1) Bye-law 66 is amended to clearly provide, if required by the Listing Rules or otherwise by The Stock Exchange, a poll shall be demanded by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at such meeting.



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## LETTER FROM THE BOARD

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- (2) Bye-law 86(2) is amended to clearly provide that, any Director appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company, and shall then be eligible for re-election at that meeting.
- (3) Bye-law 87(2) is amended so as to comply with the requirement that all Directors appointed to fill casual vacancy should also be subject to retirement by rotation at least once every three years and every Director holding the office of Chairman or Managing Director shall be subject to re-elect once every three years.

The proposed amendments to the Bye-laws are stated in the proposed special resolution no. 9 in the AGM Notice. A copy of the Bye-laws will be available for inspection at the Company's principal place of business at Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong during normal business hours from the date hereof up to and including the date of the Annual General Meeting.

### **6. ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting to be held at 4:00 p.m. on Friday, 25th August, 2006 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 15 to 21 of this circular. Special resolutions will be proposed at the Annual General Meeting to approve the amendments to Bye-laws; while ordinary resolutions will be proposed to approve, among other things, the grant of the Issue Mandate and the Repurchase Mandate, the Renewal of 10% General Limit and the re-election of Directors.

A separate form of proxy for use at the Annual General Meeting is enclosed with this circular. If you are not able to attend the Annual General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting or any adjournment thereof should you so wish.

### **7. PROCEDURE TO DEMAND A POLL AT THE ANNUAL GENERAL MEETING**

Pursuant to the bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules (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:

- (i) by the chairman of such meeting; or
- (ii) by at least three members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

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## LETTER FROM THE BOARD

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- (iii) by a member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting; or
- (iv) by member or members of the Company present in person or, in the case of a member of the Company being a corporation by its duly authorized corporate 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 the shares conferring that right.

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

### **8. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

### **9. RECOMMENDATION**

The Directors believe that the proposed resolutions listed in the notice convening the Annual General Meeting set out on pages 15 to 21 of this circular are in the best interests of the Company, the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all the resolutions set out in the notice of the Annual General Meeting.

### **10. ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,  
for and on behalf of the Board  
**Chau Cham Wong, Patrick**  
*Chairman*

*This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to the Shareholders for their consideration of the Repurchase Mandate.*

## **1. LISTING RULES RELATING TO THE REPURCHASE OF SECURITIES**

The Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

### **(a) Shareholders' Approval**

The Listing Rules provide that all on-market securities repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval in relation to specific transactions.

### **(b) Sources of Funds**

Repurchases must be funded out of funds which are legally available for the purpose and in accordance with the constitutional documents of the Company and the laws of the jurisdiction in which the company is incorporated.

## **2. SHARE CAPITAL AND TOTAL NUMBER OF SHARES SUBJECT TO REPURCHASE MANDATE**

As at the Latest Practicable Date, the Company has an aggregate of 991,395,780 Shares in issue and aggregate of 43,340,000 share options outstanding.

On the basis of this figure and assuming that no outstanding share options are exercised or converted and no Shares are allotted and issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 99,139,578 Shares subject to the passing of the proposed resolution for the grant of the Repurchase Mandate.

## **3. REASONS FOR REPURCHASES**

The Directors believe that the grant of Repurchase Mandate to the Directors would give flexibility to the Company and is in the best interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such exercise of Repurchase Mandate will benefit the Company and the Shareholders.

## **4. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum of association of the Company, the Bye-laws, the Listing Rules and the applicable laws of Bermuda.

Taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position as at 31st March, 2006. However, the Directors do not intend to make any repurchase to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Group which in the opinion of the Directors are from time to time appropriate for the Group.

## 5. SHARE PRICES

The higher and lowest at which the Shares have traded on the Stock Exchange during each of the previous twelve months and up to the Latest Practicable date were as follows:

	Per Share	
	Highest HK\$	Lowest HK\$
<b>2005</b>		
July	2.275	1.850
August	2.200	1.970
September	2.150	1.920
October	2.050	1.650
November	2.175	1.770
December	2.550	2.050
<b>2006</b>		
January	3.750	2.400
February	3.725	3.150
March	3.475	3.125
April	4.150	3.275
May	4.300	3.600
June	4.025	3.150
July (up to the Latest Practicable Date)	4.300	3.675

## 6. DIRECTORS' PARTICIPATION IN ANY REPURCHASE

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention to sell to the Company or its subsidiaries any of the Shares if the Repurchase Mandate is approved by the Shareholders at the Annual General Meeting.

## 7. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, all applicable laws of Bermuda and the memorandum of association of the Company and the Bye-laws.

## 8. IMPLICATIONS UNDER THE TAKEOVERS CODE

If a shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, A-ONE INVESTMENT LIMITED ("A-ONE"), a company owned as to 50.45% and 49.55% by Mr. Chau Cham Wong, Patrick ("Mr. Chau") and Mr. Leung Yung ("Mr. Leung") respectively was interested in 296,840,459 Shares representing approximately 29.95% of the issued share capital of the Company. Mr. Chau and United Success Enterprise Limited ("United Success"), a company 100% owned by Mr. Leung, are beneficially interested in 65,631,077 Shares (6.62%) and 28,416,795 Shares (2.87%) respectively. A-ONE, Mr. Chau and United Success are regarded as concert parties for the purpose of the Takeovers Code. If on the exercise of the power in full to repurchase Shares pursuant to the Repurchase Mandate, the shareholdings of A-ONE would be increased to approximately 33.28% and together with Mr. Chau and United Success, their collective shareholdings would be increased to 43.82% of the issued share capital of the Company. A general offer would therefore be required to be made to the Shareholders under the Takeovers Code. The Company has no present intention to exercise the Repurchase Mandate to the extent that would give rise to an obligation to make a general offer under the Takeovers Code.

Save as above, the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the Repurchase Mandate.

## 9. PUBLIC FLOAT

In the event that the power to repurchase securities pursuant to the Repurchase Mandate is exercised in full, the number of Shares held by the public would not fall below 25%.

## 10. CONNECTED PERSONS

As at the Latest Practicable Date, no connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell any Shares nor has such connected person undertaken not to sell any of the shares held by him/her/it to the Company in the event that the Repurchase Mandate is granted.

## 11. SHARES REPURCHASE MADE BY THE COMPANY

The Company had not repurchases any of the Shares (whether on the Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date.

*The particulars of the Directors who will offer themselves for re-election at the Annual General Meeting, are set out below:*

**Mr. Chau Cham Wong, Patrick, aged 57, Chairman**

Mr. Chau is an executive Director and the Chairman of the Company. He is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. Mr. Chau has over 31 years experience in the timepiece industry. He served as the director of the Hong Kong Watch and Clock Manufacturing Association from 1984 to 1993 and as the co-chairman of the Hong Kong Watch and Clock Fair. He was also the former advisor and the committee member of the Hong Kong Watch and Clock Trade Advisory Council to the Hong Kong Trade Department Council. He joined the Group since 1992. Mr. Chau is also the director of a number of subsidiaries of the Company.

As at the Latest Practicable Date, Mr. Chau is deemed to be interested in 390,888,331 Shares (representing approximately 39.44% of the issued share capital of the Company) within the meaning of Part XV of the SFO. Mr. Chau is not related to any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Chau did not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Chau did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

There is no service agreement between the Company and Mr. Chau and he is not appointed for a specific term. For the financial year ended 31st March, 2006, Mr. Chau received remuneration (including any fixed or discretionary bonuses payment) of HK\$780,000. Mr. Chau's emoluments are to be determined by reference to the recommendations of the Remuneration Committee of the Company with reference to the director's duties, responsibilities, performance and results of the Company as well as the prevailing market conditions.

Save as disclosed above, there are no other matters concerning Mr. Chau that need to be brought to the attention of the Shareholders or any information to be disclosed pursuant to the requirement of Rule 13.51(2)(h) to (v) of the Listing Rules.

**Mr. Leung Yung, aged 58, Chief Executive Officer**

Mr. Leung is an executive Director and the Chief Executive Officer of the Company. He is responsible for the Group strategic planning, business development, marketing and product research and development, as well as coordinating overall business operations. He joined the Group since it was founded and has over 38 years experience in the timepiece industries. He is the president of the Hong Kong Watch Manufacturers Association Limited. Mr. Leung is also the director of a number of subsidiaries of the Company.

As at the Latest Practicable Date, Mr. Leung is deemed to be interested in 390,888,331 Shares (representing approximately 39.44% of the issued share capital of the Company) within the meaning of Part XV of the SFO. Mr. Leung is not related to any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Leung did not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Leung did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

There is no service agreement between the Company and Mr. Leung and he is not appointed for a specific term. For the financial year ended 31st March, 2006, Mr. Leung received remuneration (including any fixed or discretionary bonuses payment) of HK\$780,000. Mr. Leung's emoluments are to be determined by reference to the recommendations of the Remuneration Committee of the Company with reference to the director's duties, responsibilities, performance and results of the Company as well as the prevailing market conditions.

Save as disclosed above, there are no other matters concerning Mr. Leung that need to be brought to the attention of the Shareholders or any information to be disclosed pursuant to the requirement of Rule 13.51(2)(h) to (v) of the Listing Rules.

#### **Mr. Man Kwok Keung, aged 59, an executive Director**

Mr. Man is responsible for product engineering in the PRC. Mr. Man holds a Bachelor's degree in Civil Engineering from the University of Calgary, Canada and has more than 22 years experience in production management in the timepiece industry. He has been with the Group since it was founded. Mr. Man is also the director of a number of subsidiaries of the Company.

As at the Latest Practicable Date, Mr. Man is deemed to be interested in 1,000,000 Shares (representing approximately 0.1% of the issued share capital of the Company) within the meaning of Part XV of the SFO. Mr. Man is not related to any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Man did not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Man did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

There is no service agreement between the Company and Mr. Man and he is not appointed for a specific term. For the financial year ended 31st March, 2006, Mr. Man received remuneration (including any fixed or discretionary bonuses payment) of HK\$650,000. Mr. Man's emoluments are to be determined by reference to the recommendation of the Remuneration Committee of the Company with reference to the director's duties, responsibilities, performance and results of the Company as well as the prevailing market conditions.

Save as disclosed above, there are no other matters concerning Mr. Man that need to be brought to the attention of the Shareholders or any information to be disclosed pursuant to the requirement of Rule 13.51(2)(h) to (v) of the Listing Rules.

**Mr. Kwok Ping Ki, Albert, aged 72, an independent non-executive Director**

Mr. Kwok Ping Ki has been an Independent Non-executive Director of the Company and he is the member of Nomination Committee and Remuneration Committee of the Company. Mr. Kwok served as the Secretary and Director General of Hong Kong Institution of Engineers until February in 2002. He holds a Master of Business Administration degree. He has extensive experience in business administration and in engineering professional practice. He does not hold any directorships in other listed public companies in the past three years.

As at the Latest Practicable Date, Mr. Kwok is deemed to be interested in 500,000 Shares (representing approximately 0.05% of the issued share capital of the Company) within the meaning of Part XV of the SFO. Mr. Kwok is not related to any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Kwok did not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. Mr. Kwok did not hold any directorship in any other listed public companies in the three years preceding the Latest Practicable Date.

There is no service agreement between the Company and Mr. Kwok and he is not appointed for a specific term. For the financial year ended 31st March, 2006, Mr. Kwok received remuneration (including any fixed or discretionary bonuses payment) of HK\$50,000. Mr. Kwok's emoluments are to be determined by reference to the recommendations of the Remuneration Committee of the Company with reference to the director's duties, responsibilities, performance and results of the Company as well as the prevailing market conditions.

Save as disclosed above, there are no other matters concerning Mr. Kwok that need to be brought to the attention of the Shareholders or any information to be disclosed pursuant to the requirement of Rule 13.51(2)(h) to (v) of the Listing Rules.





# Peace Mark (Holdings) Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 304)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of Peace Mark (Holdings) Limited (the “Company”) will be held at 4:00 p.m. on 25th August, 2006 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong for the following purposes:

### **As ordinary business**

1. To receive and adopt the audited financial statements of the Company, the reports of the directors (the “Directors”) and auditors (the “Auditors”) of the Company for the year ended 31st March, 2006;
2. To declare a final dividend of HK4.3 cents per share for the year ended 31st March, 2006;
3. To re-elect the following Directors:
  - (a) Mr. Chau Cham Wong, Patrick who was appointed as an executive director;
  - (b) Mr. Leung Yung who was appointed as an executive director;
  - (c) Mr. Man Kwok Keung who was appointed an executive director retiring by rotation; and
  - (d) Mr. Kwok Ping Ki, Albert who was appointed as an independent non-executive director retiring by rotation;
4. To authorize the board of Directors to fix the remuneration of Directors by reference to the recommendations of the Remuneration Committee of the Company;
5. To re-appoint the Auditors and to authorize the board of Directors to fix their remuneration;

**As special business**

6. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

A. **“THAT:**

- (a) subject to paragraph (c) of this resolution 6A, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional share(s) in the share capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into or exchangeable for shares of the Company) which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution 6A shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements or options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and to be issued by the directors of the Company pursuant to the approval in paragraph (a) of this resolution 6A, otherwise than pursuant to (i) a Rights Issue (as defined in paragraph (d) of this resolution 6A); (ii) an issue of shares of the Company as scrip dividend or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on the shares in accordance with the bye-laws of the Company or (iii) an issue of shares under the Company's share option scheme or any similar arrangements for the time being adopted by the Company and/or any of its subsidiaries for the grant or issue of shares or rights to acquire shares of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

**“Relevant Period”** means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or other applicable laws to be held; or

- (iii) the date on which the authority set out in this resolution is revoked or varied by passing an ordinary resolution in general meeting of the Company; and

“**Rights Issue**” means an offer of shares in the Company or issue of options to subscribe for shares in the Company open for a period fixed by the directors of the Company to holders of shares in the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares in the Company (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company).”

B. “**THAT**

- (a) subject to paragraph (b) of this resolution 6B, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (c) of this resolution 6B) of all powers of the Company to purchase shares of the Company on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws, and in accordance with the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on the Stock Exchange or of any stock exchange (as amended from time to time), be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company which are authorized to be repurchased or agreed conditionally or unconditionally to be repurchased by the directors of the Company pursuant to the approval in paragraph (a) of this resolution 6B during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution, and the said approval shall be limited accordingly.”
- (c) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or other applicable laws to be held; or

- (iii) the date on which the authority set out in this resolution is revoked or varied by passing an ordinary resolution in general meeting of the Company;” and

- 7. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

“**THAT** conditional upon the passing of the resolutions 6A and 6B above, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with new shares pursuant to the resolution 6A in this notice of Annual General Meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the resolution 6B above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution.”

- 8. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

“**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company on 24th January 2002 (“**Share Option Scheme**”), representing 10 per cent. of the issued share capital of the Company as at the day on which this resolution is passed, pursuant to Clause 10.02 of the Share Option Scheme:

- (a) approval be and is hereby granted for refreshing the 10 per cent. mandate under the Share Option Scheme (“**Refreshed Scheme Mandate**”) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed hereby shall not exceed 10 per cent. of the issued share capital of the Company as at the day on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and

- (b) the directors of the Company or a duly authorised committee thereof be and they are hereby authorised: (i) at their absolute discretion, to grant options to subscribe for shares of the Company within the Refreshed Scheme Mandate in accordance with the rules of the Share Option Scheme, and (ii) to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Mandate.”

9. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

“**THAT** the existing bye-laws of the Company (“Bye-laws”) be and are hereby amended in the following manner:

- (a) Bye-law 66

- (i) by deleting the full stop at the end of Bye-law 66(d) and replacing thereof with a semi-colon and inserting the word “or” after the semi-colon.
- (ii) by inserting the following wording after Bye-law 66(d):–

“(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.”

- (b) Bye-law 86(2)

by deleting the last sentence in Bye-law 86(2) and replacing thereof with the following new sentence:–

“Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in case of an addition to the Board), and shall then be eligible for re-election at that meeting.”

- (c) Bye-law 87(1)

by inserting the following wording after “every Director” on the 4th line of Bye-law 87(1):–

“(including those appointed for a specific term but excluding those holding the office of Chairman or Managing Director).”

## (d) Bye-law 87(2)

by deleting the last sentence in Bye-law 87(2) and replacing thereof with the following new sentence.

“Every Director holding the office of Chairman or Managing Director shall be subject to re-election once every three years.”

By Order of the Board  
**Fong Ho Yan**  
*Company Secretary*

Hong Kong, 31st July, 2006

*Head office and*

*principal place of business:*

Unit 3, 12th Floor

Cheung Fung Industrial Building

23-39 Pak Tin Par Street

Tsuen Wan

Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxy to attend and, in the event of the poll and, subject to the provisions of the Bye-laws of the Company, vote on his behalf. A proxy need not be a member of the Company but must be present in person to represent the member.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited with the Company's share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you wish.
3. The register of members of the Company will be closed from Wednesday, 23rd August, 2006 to Friday, 25th August, 2006, both dates inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Tuesday, 22nd August, 2006.
4. The Bye-laws of the Company are written in English. There is no official Chinese translation in respect thereof. Therefore, the Chinese version of resolution 9 above on the amendments to the bye-laws is purely a translation only. Should there be any discrepancies, the English version shall prevail.
5. Members of the Company are advised to read the circular dated 31st July 2006 which contains information concerning the relevant resolutions to be purposed in the notice.

*As at the date of this AGM Notice, the board of Directors of the Company comprises five executive Directors, namely Mr. Chau Cham Wong, Patrick (Chairman), Mr. Leung Yung (Chief Executive Director), Mr. Tsang Kwong Chiu, Kevin, Mr. Cheng Kwan Ling and Mr. Man Kwok Keung; and five independent non-executive Directors, namely Mr. Kwok Ping Ki, Albert, Mr. Mak Siu Wing, Clifford, Mr. Tang Yat Kan, Mr. Wong Yee Sui, Andrew and Ms. Susan So.*