Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Websites: http://www.peacemark.com)

(Stock Code: 0304)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2006

FINANCIAL HIGHLIGHTS

	2006	2005	Changes
	HK$'million	*HK$'million*	%
Turnover	**1,292.6**	999.0	29.4
Earnings before interest, tax, depreciation and amortization	**186.5**	142.0	31.3
Profit attributable to shareholders	**119.4**	80.6	48.1
Earnings per share (HK cents)	**12.05**	9.11	32.3
Dividend per share (HK cents)	**4.10**	3.00	36.7
Total equity	**1,645.1**	1,277.2	28.8

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, 2006 together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September,	
		2006	2005
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**1,292,624**	998,995
Cost of sales		**(894,055)**	(693,465)
Gross profit		**398,569**	305,530
Other revenue		**59,647**	21,319
Selling and distribution expenses		**(158,507)**	(121,154)
Administrative and general expenses		**(113,819)**	(82,964)
Other operating expenses		**(9,619)**	(7,652)
Profit from operations		**176,271**	115,079
Share of (loss) profit of associates		**(723)**	3,481
Share of loss of a jointly controlled entity		**(618)**	(744)
Finance costs		**(47,117)**	(22,721)
Profit before taxation	*3, 4*	**127,813**	95,095
Taxation	*5*	**(7,300)**	(12,539)
Profit for the period		**120,513**	82,556
Attributable to:			
Equity holders of the Company		**119,395**	80,572
Minority interest		**1,118**	1,984
		120,513	82,556
Interim dividend	*6*	**40,704**	26,992
Earnings per share for profit attributable to the equity holders of the Company during the period	*7*		
Basic (HK cents)		**12.05**	9.11
Diluted (HK cents)		**11.81**	9.11

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 September, 2006 (Unaudited) HK$'000	As at 31 March, 2006 (Audited) HK$'000
Non-current assets			
Freehold land and interest in leasehold land held for own use		**5,933**	5,461
Property, plant and equipment		**477,832**	401,288
Intangible assets		**53,590**	53,453
Goodwill		**148,545**	142,690
Interest in associates		**133,382**	134,533
Interest in a jointly controlled entity		**13,567**	13,776
Available-for-sale financial assets		**45,477**	44,941
Deferred tax assets		**9,244**	9,224
		887,570	805,366
Current assets			
Inventories		**783,541**	654,417
Trade receivables	*8*	**465,112**	318,849
Trade deposits and other receivables		**208,825**	280,783
Derivative financial instruments		**15,195**	17,119
Other financial assets at fair value through profit or loss		**11,843**	9,364
Cash and bank balances		**1,217,604**	1,185,789
		2,702,120	2,466,321
Current liabilities			
Trade and other payables	*9*	**488,402**	385,057
Interest-bearing borrowings		**492,775**	547,240
Obligations under finance leases		**263**	1,195
Derivative financial instruments		**13,126**	9,932
Tax payable		**40,160**	37,853
		1,034,726	981,277
Net current assets		**1,667,394**	1,485,044
Total assets less current liabilities		**2,554,964**	2,290,410
Non-current liabilities			
Interest-bearing borrowings		**756,032**	609,914
Obligations under finance leases		**210**	206
Deferred tax liabilities		**11,099**	11,392
		767,341	621,512
Net assets		**1,787,623**	1,668,898
Capital and reserves			
Share capital		**99,263**	98,974
Reserves		**1,545,795**	1,462,351
Equity attributable to equity holders of the Company		**1,645,058**	1,561,325
Minority interests		**142,565**	107,573
Total equity		**1,787,623**	1,668,898

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September, 2006 (Unaudited) *HK$'000*	2005 (Unaudited) *HK$'000*
Net cash from operating activities	**104,126**	76,116
Net cash used in investing activities	**(61,123)**	(74,244)
Net cash (used in) from financing activities	**(11,188)**	96,280
Net increase in cash and cash equivalents	**31,815**	98,152
Cash and cash equivalents at 1 April	**1,185,789**	666,167
Cash and cash equivalents at 30 September	**1,217,604**	764,319
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**1,217,604**	764,319

NOTES TO CONDENSED CONSOLIDATED INTERIM 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 and with Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Accounting polices

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March, 2006 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as the "New HKFRSs"), which have become effective for accounting periods beginning on or after 1 April, 2006. The applicable New HKFRSs adopted in this interim financial report are set out below.

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 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above New HKFRSs did not result in substantial changes to the Group's balance sheet and income statement. The changes in the Group's accounting policies are summarized as below:

– HKAS 19 (Amendment) introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. The Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses.

– HKAS 21 (Amendment) changes the net investment definition to include loans between fellow subsidiaries. It permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation and to recognize foreign exchange volatility on such loans funding foreign operations in exchange reserve in the consolidated financial statements.

– HKAS 39 (Amendment) allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss.

– HKAS 39 (Amendment) changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category . This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 April, 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss.

– HKAS 39 and HKFRS 4 (Amendment) requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value, and subsequently measured at the higher of (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.

– HKFRS-Int 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Presentation of Financial Statement: Capital Disclosures[1]
HKFRS 7	Financial Instruments Disclosures[1]
HK(IFRIC)-Int 8	Scope of HKFRS 2[2]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[3]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[4]

[1] Effective for annual periods beginning on or after 1 January, 2007.
[2] Effective for annual periods beginning on or after 1 May, 2006.
[3] Effective for annual periods beginning on or after 1 June, 2006.
[4] Effective for annual periods beginning on or after 1 November, 2006.

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 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,**	
	2006	2005	**2006**	2005
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Americas	**421,124**	422,921	**56,129**	54,500
Asia (excluding China)	**179,523**	186,845	**16,693**	19,245
Europe	**124,912**	128,001	**11,614**	13,184
China	**567,065**	261,228	**102,099**	55,077
	1,292,624	998,995	**186,535**	142,006
Other revenue			**59,647**	21,319
Unallocated expenses			**(71,252)**	(45,509)
Finance costs			**(47,117)**	(22,721)
Profit before taxation			**127,813**	95,095

4. Profit before taxation

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

	Six months ended 30 September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**31,303**	32,936
Staff costs	**86,779**	67,198
Interest expenses	**47,117**	22,721
Interest income	**(21,039)**	(6,009)
Interest income from debt instrument	**(15,795)**	(6,770)

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 September, 2005: 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,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current period		
Hong Kong profits tax	**6,202**	11,274
The People's Republic of China (the "PRC")	**760**	167
Overseas	**651**	550
Deferred taxation		
Origination and reversal of temporary differences	**(313)**	548
	7,300	12,539

6. Interim dividend

	Six months ended 30 September,	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
2006 interim dividend declared of 4.1 HK cents (2005: 3 HK cents) per ordinary share	**40,704**	26,992

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,	
	2006	2005
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (in HK$'000)	**119,395**	80,572
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	**990,740**	884,531
Potential dilutive shares – share options (in '000)	**20,038**	18
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	**1,010,778**	884,549
Basic earnings per share (HK cents)	**12.05**	9.11
Diluted earnings per share (HK cents)	**11.81**	9.11

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:

	As at 30 September, 2006 (Unaudited) *HK$'000*	As at 31 March, 2006 (Audited) *HK$'000*
Not yet due	**212.580**	168,203
Overdue within 90 days	**219,107**	141,189
Overdue between 91 to 180 days	**31,519**	9,457
Overdue over 180 days	**1,906**	–
	465,112	318,849

9. Trade and other payables

An aging analysis of trade payables is as follows:

	As at 30 September, 2006 (Unaudited) *HK$'000*	As at 31 March, 2006 (Audited) *HK$'000*
Trade payables:		
Not yet due	**59,543**	56,722
Overdue within 90 days	**159,870**	39,053
Overdue between 91 to 180 days	**16,659**	8,355
Overdue over 180 days	**19,650**	9,506
	255,722	113,636
Accruals and other payables	**232,680**	271,421
	488,402	385,057

10. Contingent liabilities also guarantee

As at 30 September, 2006, 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$236,000,000 (31 March, 2006: HK$217,000,000).

As at 30 September, 2006, these was no material capital commitment.

MANAGEMENT DISCUSSION AND ANALYSIS

Peace Mark turned in an outstanding result for the six-month period ended 30 September, 2006, the first half of financial year 2007.

Group turnover for the first half of 2007 was HK$1,292.6 million, an increase of HK$293.6 million, up 29.4%, compared to the first half of 2006. This increase was primarily due to higher revenue from the luxury segment business in China.

China revenue was approximately 44% of our total revenue in this period. The mainland continued to be our fastest growing market, increasing 117.1% compared to the first half of 2006 and reflecting the successful execution of our China strategy. We expect to see continuous growth in the years to come.

REVIEW OF OPERATIONS

Overall EBITDA margin for the first half of 2007 was 14.4%, an increase of 31.3%, compared to the same period in 2006. Overall EBITDA margin percentage increased 0.9 percentage point during the period from 13.5% in the same period of 2006. The overall margin percentage was positively affected by China business, which commands a higher EBITDA margin percentage.

China Luxury Market

In 2007, China revenue accounted for the largest percentage of our total revenue and increased by HK$305.8 million to HK$567.1 million, in which the luxury segment contributed HK$125.2 million, representing 10% of group turnover.

Since store roll-out start up costs are significant in the luxury watch industry, the margin has been impacted by depreciation and pre-operating expenses, but the operating profit margin will be improving once the stores operate in full swing. The EBITDA margin for this segment was 9.6%.

Certain second-tier provinces and cities are emerging as new markets characterized by high disposable income, conspicuous consumption, advertising explosion, as well as new store openings. The China market size will continue to enlarge with more second- to third-tier cities springing up for luxury good consumption. Despite the implementation of new consumption tax on luxury watches in April 2006, the direct import of Swiss watch posted an increase of 24% for the period as compared to same period last year with no sign of slowing growth.

The global trend of brands controlling the distribution themselves leads Peace Mark to focus on developing the retail network instead of serving as a distributor in this segment. The stores operated by Peace Mark are geared towards offering a more entertaining shopping experience and higher level of services.

Since the Group started entering into the China luxury watch market in the middle of 2005, within the space of just one and half years, we have already established a sizable network with 38 points-of-sale.

The Group has adopted a multi-pronged strategy in expanding its network in China. For super-luxury segment, the Group operates two retail formats either in the form of multi-brands store under the name Tourneau or mono-brand boutiques under the name of the watch brands. The Tourneau stores have been proven to be well-placed in this segment and successfully positioned itself to capture the high-end luxury market. Peace Mark also partners with brands to operate brand boutiques and image shops. In what is a mainstream trend in the luxury retail landscape, these boutiques enable the brands to showcase their entire collection raising the brand communication and awareness to the market. Supplementary to the core stores roll-out, we also team with domestic JV partners to operate stores in selected provinces and cities. Given the widespread presence of customers throughout China, setting up joint ventures in various provinces and cities helps speed up the expansion plan. The Group has established significant presence in Shanghai, Ningbo, Shenzhen, Chongqing and Chengdu.

Middle-Range Market

In the mid-range segment, we reinforced our market leadership during the period with sales growth of 69.1% to HK$441.8 million. The EBITDA margin for this segment was 19%.

We also made significant progress on brand stable and network expansion in the Greater Region. Over the years, fashion brands have been flooding into the China market and are constantly looking for distribution channels for fashion accessories. At Peace Mark, we are seizing the opportunities this trend offers to grow the business. At present, Peace Mark possesses a nationwide network for fashion watches and continues to expand further this platform for selling a range of branded products. At the end of this interim period, Peace Mark has over 700 points of sales set up across the country selling over 80 brands. There are 35 regional offices with an established information system supporting the operation of the distribution and retail network. Secure brand relationship, operational scale and experienced management help fend off competition in this segment.

Same-POS sales has performed strongly in the first half of 2007 resulting from increasing brand awareness and higher disposable income of the burgeoning middle class in China. The management believe that with major shopping seasons falling in the second half of 2007 and with a larger retail network, Peace Mark will post a better second half for this business segment.

Strategically, Peace Mark through its TimeZone network will continue to build the distribution and retail network in Hong Kong and Taiwan. Hong Kong's retail operation, to a large extent, serves a strategic presence but will be less likely a major profit contributor. Taiwan, given the slowdown of the retail market in general, provides opportunities for TimeZone to secure certain leases in good locations with reasonable rental. For this interim period, the turnover of Hong Kong and Taiwan together accounted for less than 2% of that of the Group. At present, TimeZone is operating 18 and 10 points of sale in Hong Kong and Taiwan, respectively.

Manufacturing and US Distribution

The manufacturing gross output was HK$748.4 million while the net turnover after accounting for inter-segment elimination was HK$580.9 million, accounting 45% of the group turnover. The EBITDA margin was 9.3%. An increase of operating expenses has negated the improvement in gross profit margin.

The Group has maintained the current level of production capacity with certain upgrades of its 8 production facilities in China, Hong Kong and Switzerland. The strategy continues to be moving towards producing high margin products with increasing outsourcing of low margin manufacturing business. For the China market, in addition to distribution and retail business, Peace Mark has been offering design and manufacturing supports to fashion brands in a full range of services along the value-added chain. The overall effect has been a better margin.

Disintermediation between manufacturers and retailers that cuts out the middleman in transactions has been happening, though at a pace not as fast as expected. Peace Mark with its own US distribution arm has continued to benefit from the trend.

Nevertheless, the stagnant demand of the US economy has made buyers more cautious in order placing in the near term. It is believed that the time-keeping nature of mass market watches which is a kind of necessity can be the demand driver amid a general downturn of consumer spending.

Milus

Other than excelling in the existing markets, Milus has penetrated into new markets like Shanghai, Hong Kong, Bangkok, Bahrain and Qatar. Marking a milestone in business, Milus made an official entry to the US market at the beginning of October 2006 through Tourneau, a well-known luxury chain with over 45 points of sale, which had introduced the Milus collection at its major sales points.

We are pleased that several highly respected publications and organizations including AsiaMoney, Business Superbrands and IR Magazine have selected us on the lists of awards under various categories.

Outlook

The outlook remains very positive. We are well positioned to continue creating value through strategic development. In the rest of 2007, we expect Peace Mark to achieve above-market sales growth and to realize certain merger and acquisition opportunities to speed up the expansion plan in China. The management believe that China will continue to be the engine of growth for the Group in the years to come.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group financial position is sound with stable cashflow. As of 30 September, 2006, the Group's total shareholders' equity amounted to HK$1,645.1 million , representing an increase of 5.4% compared with 31 March, 2006. As of 30 September, 2006, the Group's cash and cash equivalents totaled HK$1,217.6 million (31 March, 2006: HK$1,185.8 million) and the borrowings were stood at HK$1,249.3 million (31 March, 2006: HK$1,158.6 million). The net debt, expressed as at percentage of total net borrowings to equity attributable to shareholders, was 1.9%.

The Group's net current assets were HK$1,667.4 million (31 March, 2006: HK$1,485.0 million).

In view of the available bank loans and strong operational cash flows, the management is confident that the Group will have adequate resources for current business development and capital expenditure requirements.

Capital Expenditures

Capital expenditure for the period was HK$108 million. This is for the refurbishment of existing point of sales and new stores.

Exchange Rate Exposure

All the Group's assets, liabilities and transactions are principally dominated either in Hong Kong dollar, US dollar and Renminbi. As the fluctuation in the exchange rates among these currencies during the current period under review was property hedged, the Group believes that its exposure to exchange rate movement is limited.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30 September, 2006, the Group had a total of approximately 5,000 employees worldwide.

The remuneration packages for the senior executives and marketing staff are performance linked. Share and option scheme as well as bonus scheme are in place to ensure the employees and shareholders goals are congruent.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of 4.1 HK cents for the six months ended 30 September, 2006 (2005: 3 HK cents) payable on 2 February, 2007, to shareholders whose names appear on the register of members of the Company on Friday, 12 January, 2007. The dividend per share represents a payout ratio of 34%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 January, 2007 to Friday, 12 January, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 9 January, 2007.

CORPORATE GOVERNANCE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for the six months ended 30 September, 2006, in compliance with the code provisions of the Code on Corporate Governance Practice in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September, 2006.

AUDIT COMMITTEE

The Audit Committee comprises 4 members and is chaired by Mr. Wong Yee Sui, Andrew who is a certified public accountant. Other members are Mr. Mak Siu Wing, Clifford, Mr. Kwok Ping Ki, Albert and Mr. Tang Yat Kan. All the committee members are independent non-executive directors of the Company and are well-versed in the accounting, legal and finance areas.

The Committee met with the senior management and the internal and external auditors and reviewed the accounting principles and practices adopted by the Group and other financial reporting matters, ensure the completeness, accuracy and fairness of the financial statements of the Company for the six months ended 30 September, 2006, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, review all significant business affairs managed by the executive directors in particular on connected transactions.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The Interim report of the Company containing all information required by the Listing Rules will be published on the Company's website www.peacemark.com and the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and dispatched to shareholders on or before 29 December, 2006.

List of all directors of the Company as at the date of this announcement:

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

Independent Non-Executive Directors:
Susan So
Kwok Ping Ki, Albert
Wong Yee Sui, Andrew
Tang Yat Kan
Mak Siu Wing, Clifford

On behalf of the Board
Chau Cham Wong, Patrick
Chairman

Hong Kong, 14 December, 2006

Please also refer to the published version of this announcement in South China Morning Post.