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If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, 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, licensed securities dealer, registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 304)

GRANT OF OPTIONS

A notice convening the Special General Meeting of Peace Mark (Holdings) Limited to be held at Unit 4, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong on Friday, 22 December 2006 at 2:00 p.m. is set out on pages 11 to 12 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's principal place of business in Hong Kong at Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

27 November 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“associates”	has the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“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”	directors of the Company
“EPS”	earnings per Share
“Grantees”	Mr. Chau and Mr. Leung, the proposed grantees of the Options
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Independent Shareholders”	Shareholders other than the Grantees, their respective associates and all other connected persons of the Company
“Latest Practicable Date”	24 November 2006, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chau”	Mr. Chau Cham Wong, Patrick, the Chairman of the Company
“Mr. Leung”	Mr. Leung Yung, the Chief Executive Officer of the Company
“Net Profit”	profit after taxation for the year before minority interest of the Group
“OEM”	original equipment manufacturer
“Options”	the options proposed to be granted to the Grantees under the Share Option Scheme for each of the Grantees to subscribe for 19,800,000 Shares as described herein

DEFINITIONS

“Reference Period”	the five financial years from 1 April 2007 to 31 March 2012 or where the context may require, any financial year within the aforesaid period
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 24 January 2002
“Special General Meeting”	the special general meeting of the Company to be held on Friday, 22 December 2006 at 2:00 p.m. to consider and, if thought fit, approve the proposed grant of the Options
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 304)

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

* *Independent non-executive Directors*

27 November 2006

To the Shareholders

Dear Sir or Madam,

GRANT OF OPTIONS

INTRODUCTION

The Board proposes to seek the Independent Shareholders' approval at the Special General Meeting for the grant of the Options pursuant to the Share Option Scheme. The Options enable the Grantees to subscribe for an aggregate of 39,600,000 Shares (representing approximately 4.0% of the Shares in issue as at the Latest Practicable Date) at the option price of HK\$5.37 per Share whereby each of Mr. Chau and Mr. Leung will have the right to subscribe for 19,800,000 Shares on terms described herein.

The purpose of this circular is to provide you with the information on the proposed grant of Options, as well as the information regarding the ordinary resolutions to be proposed at the Special General Meeting relating to the abovementioned proposed grant of the Options to the Grantees under the Share Option Scheme.

LETTER FROM THE BOARD

THE GRANT OF OPTIONS AND THE SHARE OPTION SCHEME

Under the Share Option Scheme, the Directors are authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme. After the renewal of the mandate limit of the Share Option Scheme as set out in the Company's circular dated 31 July 2006, the Company may grant options of up to 99,218,078 Shares, representing 10% of the issued share capital of the Company as at the date of the annual general meeting held on 25 August 2006. Up to the Latest Practicable Date, 47,000,000 options have been granted under the Share Option Scheme, before taking into account the Options to be granted to the Grantees.

It is proposed that, subject to the approval for the proposed grant of the Options by the Independent Shareholders, the Options be granted to the Grantees on 29 December 2006 to subscribe for an aggregate of 39,600,000 Shares at the subscription price of HK\$5.37 per Share, representing approximately 4.0% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 3.7% of the enlarged issued share capital of the Company, assuming that all outstanding share options and the Options are fully exercised.

The following table illustrates the number of Shares to be issued upon the exercise in full of the Options proposed to be granted to the Grantees:

Shareholder	Existing shareholding		Shareholding upon full exercise of the Options	
	No. of Shares	%	No. of Shares	%
A-One Investments Limited (Note 1)	298,660,459	30.1	298,660,459	28.9
Mr. Chau	65,631,077	6.6	85,431,077	8.3
United Success Enterprises Limited (Note 2)	28,416,795	2.9	28,416,795	2.8
Mr. Leung	–	–	19,800,000	1.9
Other Directors	822,257	0.1	822,257	0.1
Public Shareholders	599,255,192	60.3	599,255,192	58.0
Total	992,785,780	100.0	1,032,385,780	100.0

Note: (1) Mr. Chau controlled 50.45% and Mr. Leung controlled 49.55% of A-One Investments Limited.

(2) United Success Enterprises Limited is wholly-owned by Mr. Leung.

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

LETTER FROM THE BOARD

THE GRANTEES AND THE REASONS FOR THE GRANT OF OPTIONS

Mr. Chau, aged 57, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. Mr. Chau has been with the Group for over 14 years, bringing with him over 32 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 Development Council.

Mr. Leung, aged 58, is responsible for the Group's 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 39 years' experience in the timepiece industry. He is the President of the Hong Kong Watch Manufacturers Association Limited.

The proposed grant is determined by the Directors with reference to the valuable contributions made by the Grantees to the Group for the development and performance of the Group. In recent years, the Group has achieved tremendous progress in the transformation from an OEM timepiece manufacturer to an integrated manufacturer, distributor and retailer of a wide range of timepieces and the marketing scope of the Group has greatly expanded into North America and the Greater China. In terms of financial performance, the following is a summary of the financial results for the last five financial years:

<i>HK\$'000</i>	2002	For the year ended 31 March				2006
		2003	2004	2005	(restated)	
Turnover	937,010	1,119,099	1,434,492	1,937,947	2,241,771	
Profit for the year	35,130	66,033	87,252	129,201	216,001	
EPS (HK cents)	18.18	13.80	12.43	14.49	22.03	

The Group has in the last five financial years, achieved a cumulative average growth rate of approximately 25% in turnover and 57% in profits for the year. The Board has attributed the successes of the Group to the instrumental contribution of Mr. Chau as the Group's Chairman and Mr. Leung as the Chief Executive Officer of the Group. The proposed grant of the Options are made in recognition of Mr. Chau and Mr. Leung's contributions to the development of the Group. The proposed grant of the Options is also intended to provide motivation and to secure their continuous contributions to the development of the Group.

The Board has commissioned PolyU Technology and Consultancy Co. Ltd of The Hong Kong Polytechnic University (the "Consultant") to carry out a review of, among others, the remuneration packages of the executive Directors, including Mr. Chau and Mr. Leung and the independent non-executive Directors. The review has been performed based on a benchmarking of the remuneration levels of members of the Board against that of comparable companies. The findings of the Consultant are that the remuneration for the executive Directors is the lowest in relation to profit attributable to shareholders and total shareholder return compared to benchmarked companies. The Consultant has also found that the remuneration of the executive Directors is entirely fixed rather than proportionally linked to the performance of the Group, which is the basis of most of the benchmarked companies. The Consultant has recommended

LETTER FROM THE BOARD

that the remuneration of the executive Directors be restructured to increase the proportion which should be variable in accordance with the performance of the Group. For example, (i) the Company should adopt a remuneration policy whereby remuneration increments should be pegged to the increments in profit attributable to Shareholders of the Group; and (ii) the Company should adopt a performance linked bonus scheme, where executive Directors are eligible for discretionary bonus payment linked to the Group's performance.

Currently, Mr. Chau and Mr. Leung are entitled to a fixed salary (subject to annual adjustment) and a year-end bonus equivalent to one month fixed salary. In response to the recommendations of the Consultant, the Board proposed changes be made to the remuneration packages of Mr. Chau and Mr. Leung through the proposed grant of the Options. It is proposed that the Options will form part of the remuneration packages of Mr. Chau and Mr. Leung. With a view to reducing the impact on the financial performance of the Group, it is further proposed that unless further approved by the Directors at a Board meeting at which the Grantees shall abstain from voting, (i) Mr. Chau and Mr. Leung's salary packages will not include any additional performance linked discretionary bonus during the term of the Options; and (ii) the annual adjustment to their fixed salaries will be made by reference to the rate of increases in the remunerations of members of the management of similar position with the other listed companies of comparable sizes.

EXERCISE OF THE OPTIONS

The terms of the Options granted to each of the Grantees are summarized as follows:

1. Options granted

Options to subscribe for a total of 39,600,000 Shares, of which rights to subscribe for 19,800,000 Shares will be granted on 29 December 2006 to each of the Grantees, together representing a total of approximately 4.0% of the issued share capital of the Company as at the Latest Practicable Date.

2. Subscription price and the basis for determination of the subscription price

The subscription price for the proposed Options to be granted to the Grantees is HK\$5.37 per Share, being above the higher of (i) HK\$5.29, being the closing price of the Shares as quoted on the Stock Exchange on 13 November 2006, the date of the meeting of the Board to consider the proposed grant of the Options and the date of approval of the proposed grant of the Options by the independent non-executive Directors; and (ii) HK\$5.366, the average closing price of the Shares for the five trading days immediately preceding 13 November 2006.

3. Term of the Options

The Options will have a maximum term of five years.

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4. Exercise period and performance targets

- a. Subject to paragraph (b) below, the Options will be exercisable in the following manners:
 - i. 20% of the Options (the “First Tranche of Options”) will be exercisable at any time during the period commencing on 1 September 2007 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2007 as set forth in paragraph (b) below shall have been met;
 - ii. In addition to any Options that may have become exercisable as referred to in paragraph (a)(i) above, 20% of the Options (the “Second Tranche of Options”) will be exercisable at any time during the period commencing on 1 September 2008 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2008 as set forth in paragraph (b) below shall have been met;
 - iii. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) and (a)(ii) above, 20% of the Options (the “Third Tranche of Options”) will be exercisable at any time during the period commencing on 1 September 2009 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2009 as set forth in paragraph (b) below shall have been met;
 - iv. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) to (a)(iii) above, 20% of the Options (the “Forth Tranche of Options”) will be exercisable at any time during the period commencing on 1 September 2010 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2010 as set forth in paragraph (b) below shall have been met; and
 - v. In addition to any Options that may have become exercisable as referred to in paragraphs (a)(i) to (a)(iv) above, 20% of the Options (the “Fifth Tranche of Options”) will be exercisable at any time during the period commencing on 1 September 2011 up to 31 March 2012 provided that the performance target for the financial year ending 31 March 2011 as set forth in paragraph (b) below shall have been met;

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- b. The Options may only be exercised by the Grantees if the following performance targets are met for the Reference Period:

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

The Company will engage the auditors of the Company or another reputable professional accounting firm to determine and confirm the Net Profit for the Reference Period. The remuneration committee of the Board will be responsible for monitoring the performance targets of the Company and whether or not the target for each of the relevant years has been met.

- c. If the performance target is met for a particular period, the Options associated with that particular Reference Period will become exercisable. The failure to meet the performance targets for subsequent periods does not affect the Grantee's right to exercise the Options for that particular Reference Period for which the performance target has been met.
- d. Except for paragraph (e) below, if the Net Profit falls below the performance target for a Reference Period, the Options available for exercise for that period will not be exercisable by the Grantee, even if in a subsequent period, the performance target has been met.

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- e. If an event of *force majeure* occurs in any Reference Period, the performance target for that Reference Period cannot be met, the Directors may recommend, after having obtained the consent of the independent non-executive Directors, the right to exercise a particular tranche of the Options to which that particular Reference Period relates to be deferred to the following period with the performance target for the next relevant period as the condition to the exercise of the two tranches of the Options.

5. Amount payable on acceptance of the Options

HK\$1.00 will be payable by each of the Grantees on acceptance of the Options.

6. Voting, dividend, transfer and other rights

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the Grantee as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of Options will rank *pari passu* with and will have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

SPECIAL GENERAL MEETING

Set out in this circular is a notice convening the Special General Meeting which will be held at 2:00 p.m. on Friday, 22 December 2006 at Unit 4, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong, at which ordinary resolutions will be proposed to approve the proposed grant of the Options.

The form of proxy for use at the Special General Meeting is accompanied with this circular. Whether or not you intend to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's principal place of business in Hong Kong at Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong, in any event, not less than 48 hours before the time for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

Mr. Chau, Mr. Leung and their respective associates will abstain from voting, and all other connected persons of the Company will abstain from voting in favour, in respect of the ordinary resolutions as set out in the notice convening the Special General Meeting.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, 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:

1. by the chairman of such meeting; or

LETTER FROM THE BOARD

2. 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
3. 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
4. by member or members of the Company present in person of, 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

The voting at the Special General Meeting in respect of the resolutions relating to the proposed grant of the Options are required to be taken on a poll under the Listing Rules. Accordingly, the chairman of the Special General Meeting will exercise his/her right pursuant to bye-law 66 of the bye-laws of the Company to demand a poll on the resolutions to be proposed at the Special General Meeting.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors but excluding the Grantees) consider that the proposed grant of the Options is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors but excluding the Grantees) recommend that the Independent Shareholders vote in favour of ordinary resolutions numbered 1 and 2 set out in the notice of the Special General Meeting on pages 11 to 12 of this circular to approve the proposed grant of the Options.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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.

On behalf of the Board
Tsang Kwong Chiu, Kevin
Executive Director

NOTICE OF THE SPECIAL GENERAL MEETING



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 304)

NOTICE IS HEREBY GIVEN that a special general meeting of Peace Mark (Holdings) Limited (the “Company”) will be held on Friday, 22 December 2006 at 2:00 p.m. at Unit 4, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, as ordinary resolutions:–

ORDINARY RESOLUTIONS

- (1) “**THAT** the grant of an option to Mr. Chau Cham Wong, Patrick under the share option scheme of the Company adopted on 24 January 2002 (the “Share Option Scheme”), which would entitle him to subscribe for an aggregate of 19,800,000 shares in the share capital of the Company at HK\$5.37 per share and on terms and conditions as set out in the circular of the Company dated 27 November 2006 (the “Circular”, a copy of which marked “A” is authorized to this meeting and for the purpose of identification signed by the Chairman hereof) be and is hereby approved and any one director of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to such grant and exercise of options.”

- (2) “**THAT** the grant of an option to Mr. Leung Yung under the Share Option Scheme, which would entitle him to subscribe for an aggregate of 19,800,000 shares in the share capital of the Company at HK\$5.37 per share and on terms and conditions as set out in the Circular be and is hereby approved and any one director of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to such grant and exercise of options.”

By the Order of the Board

Fong Ho Yan

Company Secretary

Hong Kong, 27 November 2006

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*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

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

1. A form of proxy for use at the meeting is being despatched to the shareholders of the Company with a copy of this notice.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.
3. Any member entitled to attend and vote at the meeting convened by the above notice shall be entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
4. 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 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 not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting convened or any adjourned meeting and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand on the branch share register of members of the Company in respect of the joint holding.
7. Mr. Chau Cham Wong, Patrick, Mr. Leung Yung, their respective associates (as defined in the Listing Rules) shall abstain from voting, and all other connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, in relation to the ordinary resolutions as set out in this notice at the meeting convened by the above notice.

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