Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 304)
(website: http://www.peacemark.com)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 2006

HIGHLIGHTS

	2006 HK$'000	2005 HK$'000 (restated)	Changes in %
Turnover	**2,241,771**	1,937,947	15.7%
Profit attributable to equity holders	**200,619**	123,917	61.9%
Interim Dividend Per Share	**3.0 cents**	2.2 cents	36.4%
Final Dividend Per Share	**4.3 cents**	2.8 cents	53.6%
Full Year Dividend Per Share	**7.3 cents**	5.0 cents	46.0%
Net Cash (Debt)/Equity Ratio	**1.8%**	(24.8)%	– 107.4%
Return on Equity	**15.0%**	13.1%	14.5%

The board of directors (the "Directors") is pleased to announce the audited consolidated results of Peace Mark (Holdings) Limited (the "Company") and its subsidiaries (together with the Company hereinafter referred to as "Peace Mark" or the "Group") for the year ended 31st March, 2006.

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March, 2006

	Note	**2006** ***HK$'000***	2005 *HK$'000* (restated)
Turnover	2	**2,241,771**	1,937,947
Cost of sales		**(1,544,183)**	(1,398,828)
Gross profit		**697,588**	539,119
Other revenue		**80,444**	22,864
Selling and distribution expenses		**(261,145)**	(181,738)
Administrative and general expenses		**(185,650)**	(188,065)
Other operating expenses		**(17,806)**	(11,096)
Profit from operations		**313,431**	181,084
Share of profit/(loss) of associates		**2,974**	(357)
Share of loss of a jointly controlled entity		**(2,134)**	(929)
Finance costs	4	**(60,346)**	(27,439)
Profit before taxation	2, 3	**253,925**	152,359
Taxation	5	**(37,924)**	(23,158)
Profit for the year		**216,001**	129,201
Attributable to:			
Equity holders of the Company		**200,619**	123,917
Minority interest		**15,382**	5,284
		216,001	129,201
Dividends	6	**69,572**	43,106
Earnings per share for profit attributable to equity holders of the Company during the year	7		
Basic (HK cents)		**22.13**	14.90
Diluted (HK cents)		**22.03**	14.49

CONSOLIDATED BALANCE SHEET
As at 31st March, 2006

	Note	2006 HK$'000	2005 HK$'000 (restated)
Non-current assets			
Property, plant and equipment		**401,288**	457,529
Interest in leasehold land held for own use		**5,461**	21,256
Intangible assets		**53,453**	53,629
Goodwill		**142,690**	147,995
Interest in associates		**134,533**	65,375
Interest in a jointly controlled entity		**13,776**	15,640
Available-for-sale financial assets		**44,941**	–
Investments in securities		**–**	16,768
Other financial assets		**–**	29,225
Deferred tax assets		**9,224**	12,577
		805,366	819,994
Current assets			
Inventories		**654,417**	513,300
Derivative financial instruments		**17,119**	–
Other financial asset at fair value through profit or loss		**9,364**	–
Trade receivables	8	**318,849**	276,038
Trade deposits and other receivables		**280,783**	119,402
Cash and bank balances		**1,185,789**	666,167
		2,466,321	1,574,907
Current liabilities			
Trade and other payables	9	**385,057**	220,094
Derivative financial instruments		**9,932**	–
Interest-bearing borrowings		**547,240**	671,570
Obligations under finance leases		**1,195**	2,918
Tax payable		**37,853**	21,974
		981,277	916,556
Net current assets		**1,485,044**	658,351
Total assets less current liabilities		**2,290,410**	1,478,345
Non-current liabilities			
Interest-bearing borrowings		**609,914**	269,140
Obligations under finance leases		**206**	1,651
Deferred tax liabilities		**11,392**	15,314
		621,512	286,105
Net assets		**1,668,898**	1,192,240
Capital and reserves			
Share capital		**98,974**	86,808
Reserves		**1,462,351**	1,020,620
Equity attributable to equity holders of the Company		**1,561,325**	1,107,428
Minority interests		**107,573**	84,812
Total equity		**1,668,898**	1,192,240

Notes

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standard ("HKASs") and Interpretations ("HK-Ints")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The adoption of new/revised HKFRSs

In current year, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 24, 27, 28, 31, 33, 37, 40, HKAS-Int 15, HKAS-Int 21 and HK-Int 4 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 31, 33, 37, 40, HKAS-Int 15, HKAS-Int 21 and HK-Int 4 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

HKAS 17

In prior years, leasehold land and buildings held for own use were stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation was calculated to write off the cost on a straight-line basis over the shorter of the lease term and the estimated useful lives of the buildings.

With the adoption of HKAS 17, the interest in leasehold land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the interest in leasehold land at the time the lease was first entered into by the Group, or taken over from the previous leasee, or at the date of construction of those buildings, if later. Any prepaid land premiums for acquiring the land leases, or other lease payments, are amortized in the income statement on a straight-line basis over the lease term or where there is impairment, the impairment is expensed in the income statement. This new accounting policy has been adopted retrospectively and comparative amounts have been restated accordingly. The resulting effect on the financial statements of the Group is set out in notes 1(a) and (b) below.

HKASs 32 and 39

In prior years, the accounting policies for certain financial instruments were as follows:

– Equity investments, other than investments in subsidiaries, associates and a jointly controlled company, were classified as (i) investment securities, where the investments were held on a continuing basis for an identifiable long-term strategic purpose were classified as investment securities and were stated at cost less any provisions for impairment loss; and (ii) other investments, and were stated at fair value with changes in fair value recognized in the income statement as they arose.

– The notional amounts of derivative financial instruments, including interest rate and currency swaps, interest rate options and foreign currency options, entered into by the Group were not reflected in the balance sheet. The related interest flows were accounted for on an accrual basis and the premiums paid on purchased options were amortized over the terms of the respective options.

In accordance with HKASs 32 and 39, the following new accounting policies have been adopted for the financial instruments mentioned above:

– All investment securities, other than investments in subsidiaries, associates and a jointly controlled company, are classified as available-for-sale financial assets and carried at fair value. Changes in fair value are recognized in the fair value reserve under equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statement for the period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale financial assets is recognized directly in the fair value reserve. If there is no reasonable estimate on the fair value, the available-for-sale financial asset is stated at cost less impairment loss.

– All derivative financial instruments entered into by the Group are stated at fair value. Changes in fair value are recognized in the income statement as they arise.

– Fair value of financial instruments is estimated as follows:

    (i) The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale financial assets) is based on quoted market prices at the balance sheet date.

    (ii) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques such as estimated discounted cash flows are used to determine the fair value of the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

Comparative amounts have not been restated nor has the opening balance of the fair value reserve been restated as this is prohibited by the transitional arrangements in HKAS 39. The resulting effect on the financial statements of the Group is set out in notes 1(a) and (b) below.

HKFRS 3 and HKASs 36 and 38
In prior periods, goodwill arising on consolidation for acquisitions:

– before 1st April, 2001 was taken directly to reserves at the time it arose, and was not recognized in the income statement until disposal or impairment of the acquired business; and

– on or after 1st April, 2001 was amortized on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment.

– Intangible assets mainly comprise the trademark, which is stated at acquisition cost and is amortized on a straight-line basis over its expected future economic life of 20 years.

In accordance with the transitional arrangements under HKFRS 3 and the provisions of HKASs 36 and 38:

– The Group ceased amortization of goodwill prospectively;

– The cumulative amount of amortization as at 1st April, 2005 has been offset against the cost of goodwill, with no comparative amounts restated;

– Goodwill which had previously been taken directly to reserves will not be recognized in the income statement on disposal or impairment of the acquired business, or under any other circumstances;

– Goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount; and

– The Group has reassessed the useful lives of its intangible assets. Intangible assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events that the carrying amount may not be recoverable.

The resulting effect on the financial statements of the Group is set out in notes 1(a) and (b) below.

HKAS 21
In prior years, goodwill was carried at cost less amortization and impairment.

With the adoption of HKAS 21, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. It is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising from the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1st April, 2005.

HKFRS 2
In prior years, no amounts were recognized in the income statement for the share options granted to employees or directors of the Group and business associates to acquire shares of the Company at specified exercise prices under the share option schemes operated by the Group.

If the employees or directors of the Group chose to exercise the share options, the nominal amount of share capital and share premium were credited only to the extent of the share option's exercise price receivable.

With the adoption of HKFRS 2, the Group recognizes the fair value of such share options or shares as an expense in the income statement. A corresponding increase is recognized in the employee share-based compensation reserve under equity. Where the employees or directors are required to meet vesting conditions before they become entitled to the share options or shares, the Group recognizes the fair value of the share options or shares granted as an expense over the vesting period. If the employees or directors choose to exercise share options, the respective amount in the employee share-based compensation reserve is transferred to share capital and share premium, together with the exercise price. At each balance sheet date, the Group revises its estimates of the number of share options or shares that are expected to become vested. The impact of the revision of original estimates, if any, is recognized in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to all share options or shares granted to employees or directors on or before 7th November, 2002.

a. Effect on the consolidated income statement

In HK$'000		**Effect of adoption**		
	HKAS17	**HKASs 32 & 39**	**HKFRS 2**	**Total**
For the year ended 31st March, 2006				
Increase/(Decrease) in profit				
Increase in other revenue, net		7,187		7,187
Decrease in depreciation of property, plant and equipment	209			209
Increase in amortization of land lease premium	(103)			(103)
Share option expense			(3,588)	(3,588)
Total increase/(decrease) in profit attributable to equity holders of the Company	**106**	**7,187**	**(3,588)**	**3,705**

In HK$'000	**HKAS17**	**Total**
For the year ended 31st March, 2005		
Increase/(decrease) in profit		
Increase in amortization of land lease premium	(103)	(103)
Decrease in depreciation of fixed assets	209	209
Total increase in profit attributable to equity holders of the Company	**106**	**106**

b. **Effect on the consolidated balance sheet**

In HK$'000	HKAS 17	Effect of adoption HKASs 32 & 39	Total
As at 31st March, 2006			
Increase/(Decrease) in assets			
Property, plant and equipment	(9,634)		(9,634)
Interest in leasehold land held for own use	5,461		5,461
Available for sale financial assets		44,941	44,941
Investment in securities		(17,028)	(17,028)
Other financial assets		(29,225)	(29,225)
Derivative financial instruments (assets)		17,119	17,119
Net (decrease)/increase in assets	**(4,173)**	**15,807**	**11,634**
Increase/(decrease) in liabilities and equity			
Derivative financial instruments (liabilities)		9,932	9,932
Property revaluation reserve	(5,466)		(5,466)
Fair value reserve		(1,312)	(1,312)
Retained profit	1,293	7,187	8,480
Net (decrease)/increase in liabilities and equity	**(4,173)**	**15,807**	**11,634**

In HK$'000	HKAS 17	Effect of adoption HKASs 32 & 39	Total
As at 31st March, 2005			
Increase/(Decrease) in assets			
Decrease in property, plant and equipment	(25,638)		(25,638)
Interest in leasehold land held for own use	21,256		21,256
Net decrease in assets	**(4,382)**		**(4,382)**
Increase/(decrease) in equity			
Property revaluation reserve	(5,466)		(5,466)
Retained profit	1,084		1,084
Net decrease in equity	**(4,382)**		**(4,382)**

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease[2]
HKFRS-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]
HK(IFRIC)-Int 8	Scope of HKFRS 2[5]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[6]

[1] Effective for accounting period beginning on or after 1st January, 2007
[2] Effective for accounting period beginning on or after 1st January, 2006
[3] Effective for accounting period beginning on or after 1st December, 2005
[4] Effective for accounting period beginning on or after 1st March, 2006
[5] Effective for accounting period beginning on or after 1st May, 2006
[6] Effective for accounting period beginning on or after 1st June, 2006

2. Segment information

In accordance with its internal financial reporting policy, the Group has determined that business segments should be presented as primary reporting format. However, business segments are not presented because the Group's turnover and operating profit were contributed solely by manufacturing, trading, distributing, retailing and related service income of timepiece products.

In determining the Group's geographical segments, segment revenue and results are based on the final destination of goods sold.

	2006		2005	
	Turnover	**Segment Results**	Turnover	Segment Results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000* (restated)
The Americas	**884,780**	**126,824**	855,550	107,492
Asia (excluding China)	**400,126**	**41,036**	438,525	46,282
Europe	**322,027**	**33,143**	301,678	32,141
China	**634,838**	**126,068**	342,194	63,336
	2,241,771	**327,071**	1,937,947	249,251
Other revenue		**57,162**		8,590
Unallocated expenses		**(70,802)**		(76,757)
Finance costs		**(60,346)**		(27,439)
Share of profit/(loss) of an associate		**2,974**		(357)
Share of loss of a jointly controlled entity		**(2,134)**		(929)
Profit before taxation		**253,925**		152,359

3. Profit before taxation

	2006	2005
	HK$'000	*HK$'000*
		(restated)
Profit from operations is arrived at after charging/(crediting):		
Auditors' remuneration	**2,354**	2,290
Depreciation of property, plant and equipment	**70,802**	64,590
Amortization of land lease premium	**103**	103
Amortization of intangible assets	**–**	3,093
Amortization on goodwill	**–**	7,422
Amortization of goodwill in an associate	**–**	1,652
Impairment loss of goodwill	**7,133**	12,575
Loss on write-down of inventories to net realizable value	**8,552**	31,943
Loss on disposal of property, plant and equipment	**1,203**	56
Staff costs, including directors' emoluments		
– Wages, salaries and benefits in kind	**136,611**	108,996
– Pension costs: defined contribution plans, net of forfeited contributions	**3,223**	1,400
– Share option expense	**3,588**	–
Minimum lease payments in respect of properties under operating leases	**27,853**	9,530
Provision for impairment loss on trade receivables	**553**	18,853
Interest income	**(42,039)**	(8,590)
Gain on disposal of subsidiaries	**(15,123)**	–

4. Finance costs

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Term loans, syndicated loans and bank overdrafts wholly repayable within five years	**60,040**	27,002
Obligations under finance leases	**306**	437
	60,346	27,439

5. Taxation

Income tax in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current period		
Hong Kong profits tax	**36,940**	16,229
The People's Republic of China (the "PRC")	**556**	238
Overseas	**997**	1,101
Deferred taxation		
Origination and reversal of temporary differences	**(569)**	5,590
	37,924	23,158

Hong Kong profit tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits. Taxation on other overseas profit for the year 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.

6. Dividends

	2006	2005
	HK$'000	*HK$'000*
Interim dividend paid of HK 3 cents per share (2005: HK2.2 cents)	**26,992**	18,574
Final dividend proposed of HK 4.3 cents per share (2005: HK2.8 cents)	**42,580**	24,532
	69,572	43,106

A final dividend in respect of 2006 of HK4.3 cents per share amounting to approximately HK$42,580,000 was proposed by the Boards of Directors after the balance sheet date. The proposed dividend has not been accounted for as a liability until it is approved at the forthcoming Annual General Meeting.

7. Earnings per share

The calculation of the basic and diluted earnings per share is as follows:

	2006	2005 (restated)
Profit attributable to equity holders of the Company (in HK$'000)	**200,619**	123,917
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	**906,636**	831,722
Potential dilutive shares		
– share options (in '000)	**3,960**	18
– warrants (in '000)	**–**	23,421
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	**910,596**	855,161
Basic earnings per share (HK cents)	**22.13**	14.90
Diluted earnings per share (HK cents)	**22.03**	14.49

8. Trade receivables

An aging analysis of trade receivables is as follows:

	2006	2005
	HK$'000	*HK$'000*
Not yet due	**168,203**	214,307
Overdue within 90 days	**141,189**	38,444
Overdue between 91 to 180 days	**9,457**	21,021
Overdue over 180 days	**–**	2,266
	318,849	276,038

Credit policy:

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.

9. Trade and other payables

An aging analysis of trade payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
Trade payables:		
Not yet due	**56,722**	59,295
Overdue within 90 days	**39,053**	43,030
Overdue between 91 to 180 days	**8,355**	9,680
Overdue over 180 days	**9,506**	6,903
	113,636	118,908
Accruals and other payables	**271,421**	101,186
	385,057	220,094

REVIEW OF OPERATIONS

China

Watches have becoming more of a fashion accessory and luxury item than merely a time telling device. Strong demand of fashion and luxury items provided a favorable market condition for the watch business. Increased brand advertisings have contributed significantly to the morphological changes in consumer behavior in China.

The business climate in China watch industry has been generally good. It was characterized by the strong growth of the middle-range to luxury watches and increased consumers' brand awareness. Peace Mark has been operating two independent business models for the fashion and luxury market.

Middle-range fashion brands

Subsequent to several acquisitions of retail networks in China in the course of last two years, this year Peace Mark was set to consolidate the business operations and grew the business organically. The strategy of providing a platform offering integrated services fledging from manufacturing, distribution to retailing in China was proven success. Peace Mark has been offering a turnkey solution to all fashion brands entering into the China.

The business turnover for this business segment has nearly double from HK$342 million to HK$609 million and the EBITDA margin was 18.9%, an increase of 2.8 percentage point from 16.1% in last year. Various acquisitions done in past two years have been showing progress and the synergies were realized.

TimeZone continued its strategy to expand its distribution network in China in the form of directly managed shop-in-store "SIS" format operating in the department stores. The number of SIS operating in China has been over 200 at the year-end. The number of brands TimeZone retailing has increased from approximately 30 in 2005 to 70 in 2006, approximately half of which were exclusive in distribution. This brand portfolio enabled TimeZone to suit diverse consumer preferences in China.

TimeZone aimed to provide a channel for the brands to develop a Greater China network. Other than mainland China, there were 13 and 1 TimeZone outlets at the year end in Hong Kong and Taiwan and additional 2 and 9 TimeZone outlets have rolled out in Hong Kong and Taiwan after the balance sheet date. These Greater China networks have enabled the brands to promote and distribute in the region in a more systematic and efficient manner.

Shanghai Shiqi, in which Peace Mark acquired an interest last year, reported record high in the sales of Swatch in the eastern part of China.

Other than the above two operations, through Dayuan, Peace Mark has partnered with various brands to expand the geographic footprint in China. Its strong local distribution capability and the wide coverage of retail network enabled the products to gain an access of more than 200 points of sales.

Luxury watch market
Since the Group opened its first luxury watch store in China in August 2005, the velocity of change of this business has been faster than expected. Tremendous business opportunities arose notwithstanding the fact that the retail competitive landscape was becoming more intense than ever.

Signs of increasing investment by the brands in this market have been apparent. Direct import of watches from Switzerland has surged from CHF279.5 million in 2004 to CHF351.3 million in 2005, an increase of 25.7%. Luxury watches have become one of the most popular items amongst the luxury good purchases.

Peace Mark demonstrated its long-term commitment to this market by joint venturing with Tourneau, the biggest luxury watch retailer in the USA. The partnership with Tourneau not only represented a big step forward in the business profile of Peace Mark but also benefited us substantially in terms of retail management and brand relationship.

On 31st March, 2006, Peace Mark and Tourneau signed the Joint Venture (JV) agreement in Basel, Switzerland. At the inception of the JV, Peace Mark, Tourneau and International Watch Group own the capital sharing as to 65%, 25% and 10% respectively with the initial capitalization of US$15 million. We planed to roll out 30 stores in China, 1 in Macau and 1 in Hong Kong within a 3-5 years timeframe. We have rebranded two of our Solomon stores in Shanghai to Tourneau and three other locations were identified for expansion.

The JV is surely conducive to accelerating our business plans in China. Tourneau's commitment in the JV would benefit the long-term development of the JV. In a follow-up transaction, Peace Mark granted an extended option to Tourneau on 2nd May, 2006 to acquire from it 14% of the shareholding in the JV at the fair value of the JV after 2 years.

For the past few months, the Group also formed local joint ventures in Chongqing, Ningbo and Shenzhen. In Chongqing, the Group operated 11 shops for luxury watches including brands like Omega, Rado, Longines, Gucci, Breguet, Blancpain, Glashutte. In Ningbo, the Group occupied 300 square metre retail space for brands like Rolex, Omega, Tudor, Piaget, IWC, Longines and Rado. In Shenzhen, the retail points were one Omega boutique shop and one multi-brands shop located in The Sun shopping mall.

The Group has been working closely with brands for managing and operating image and boutique shops in China.

US distribution/direct export
The turnover was HK$310 million, up 47.2% and the EBITDA margin was 14.5%, an improvement of 1.2% percentage points from 13.3% in last year.

In the USA, we have continued to develop the distribution business in order to serve the retailers directly. The US distribution business saw another year of growth. The cost containment and successful integration of the operations contributed to the improved results. The trend of the US customers buying directly from manufacturers continued. The pace of market consolidation and the tendency of supply chain de-layering have been well conceived by the Group since 2003 and the distribution now becomes the leading edge service. Major US retailers have skewed to partner with well-established manufacturers that qualified their requirements. Manufacturers with captive distribution capability benefited from the trend. This helped the Group ward off the competitive threat of smaller competitors. Margin improved as a result of successfully executed integration and improved competitiveness.

Manufacturing
The net manufacturing business after elimination for this year was HK$1,297 million. Taking into account the US distribution business, the gross manufacturing business for the year edged up by approximately 1% which was in line with that of the industry. Strategically, Peace Mark has been re-positioning itself by moving towards making high margin products while the operating and raw materials costs continued to increase. We have increased outsourcing the manufacturing of low margin products and made use of the capacity for higher margin product manufacturing. The change in production mix led to stable gross profit margin notwithstanding increased cost environment.

The Group has 8 production facilities located in China, Switzerland and Hong Kong. The capacity of production facilities of the Group was approximately 80% utilized and will be sufficient to support the production demand for the next few years with out-sourcing support.

In the USA, the Group mainly targeted the mass-market watches. Its products were found in over 24,000 points of sales including supermarket chains, drug chains, direct marketing companies, home-shopping companies and sport products chains.

In order to strengthen the marketing of the European market, the Group had increased its presence in France and Germany. A subsidiary in France was set up for the penetration of France and the Eastern bloc of Europe. A marketing office was set up in Germany to strengthen its marketing capability there.

The China distribution business also benefited the manufacturing business, as many of the brands the Group has been selling in China also sought our manufacturing supports.

The mechanical watch movement factory in Shanghai had undergone substantial production upgrades. Although last year it had not yet started to contribute to the bottom line, it has repositioned itself to target the manufacturers of higher-end products in China and overseas.

Milus
Milus, originated in Switzerland since 1919, is one of the major own brands of the Group. The Group had repositioned Milus as a brand of unique design and targeted those with distinctive characters and lifestyles. Its worldwide presence covered Switzerland, Spain, Germany, Netherlands, Russia, China and Middle East. We have developed several highly outstanding designs that were well received by the market in the 2005 and 2006 Basel Fair.

In June 2005, Milus made finished top 10 along side with other world renowned brands in the list of the Best Lady Watches 2005 presented by Chronos Magazine in Germany.

Outlook
The three core operating businesses of the Group look disparate but in fact complementary to each other, and they have founded a solid platform for the Group to expand. With this strength and flexible expansion strategy, the Group will continue to ally with strategic business partners that fit its strategic needs. The depth and breath of our businesses and products would certainly be imperative to diversify the revenue stream with a view to making the earning growth sustainable.

China
China's fashion and luxury markets are set to grow continuously. There has been no apparent sign of slowing down in these business segments amidst the implementation of the recent macro-economic measures. The macro economic climate, including the recent austerity and credit tightening measures, is believed to contribute to the healthy development of the market in the long term.

For the middle-range market in China, Peace Mark will continue to develop a strategic platform for all the brands by offering the services from manufacturing to retailing. By the end of financial year 2007, we expect to build a retail network of over 800 point-of-sales and hence achieve further economies of scale for improved margins.

For TimeZone, the Greater China concept will be further developed and more shop-in-stores will be rolled out. An advertising campaign will be launched and more shops will be refurbished to uphold its image. This retail network is highly scalable and we are studying new strategy to accelerate the network expansion plan spanning to second-and third-tier cities in China.

Peace Mark will accelerate its luxury watch retail network expansion plan in China. The opening of Tourneau stores is crystallizing as planned. We are actively looking for prime locations for store opening in strategic locations including major cities in China, Macau and Hong Kong.

Apart from the Tourneau joint venture, Peace Mark will form partnership with domestic companies in certain areas for strategic purposes. We are also looking for more opportunities to manage the retail operations of boutique and image shops for various brands.

In our view, the new consumption tax in China announced in March 2006 has moderately impacted the luxury watch market. It is worth noting that the new consumption tax has been provisionally implemented. Nevertheless, the direct import of Swiss watches into China is still growing strongly. It seems that the luxury market is price-inelastic and has shown no sign of slowdown.

Manufacturing and US distribution

In the face of growing margin pressure of the low-end manufacturing caused by the rising raw materials and operating costs in China, shifting the focus to manufacture of higher-end products would provide additional gross margin to mitigate the increased costs. Downstream expansion would continue to add value along the supply chain and enhanced distribution margin on top of the manufacturing margin would lead to overall margin improvement.

Concerted management efforts taken during the year have contributed to the creation of a strong platform for sustainable growth across each of our core businesses. A broadened revenue base with strong growth coming from China enabled the Group to use its cash generating businesses to fund the investment of expansion plans. We are determined to deliver positive results, capitalizing on the exciting potential of the watch business we are building.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Reviews

Turnover and Profits

Peace Mark continued to grow strongly during 2006, with excellent performance from all core businesses.

The Group turnover was HK$2,242 million, up 15.7% compared to last year. The turnover growth is mainly a result of organic growth and accounting for full year contribution of results of the China subsidiaries acquired in last year. The US distribution business increased by 47.2% to HK$310 million.

The margins have been improved at all levels. Gross margin continued to improve to 31.1% as compared to 27.8% reported last year. EBITDA was HK$342 million and margin was 15.3%, an improvement of 37.3% year-on-year. The improvement is a result of an increasing share of China business of the total turnover, which is commanding higher margin.

Net profits was HK$201 million, up 61.9%, representing a margin of 8.9%. The basic earnings per share were at HK22.13 cents after taking into account the dilution effect of 90 million new shares issuance in February 2006.

Selling, Distribution and Administration
Selling, Distribution and Administration expenses was stabilized at a level of 19.9% of turnover. Selling and Distribution expenses were increased due to increased turnover of distribution and retailing businesses but the administrative expense as a percentage of turnover was reduced from 9.7% to 8.3% due to economies of scale. Further integration of the US distribution and manufacturing contributed to a lower level of operating expenses. Management had focused on integrating various China businesses acquired last year and removing overlapping of resources. This highly scalable platform enables the Group to further control the level of operating expenses.

Taxation
The effective tax rate before deferred tax for the year was 14.5%. China distribution and retail businesses in general had a higher tax rate than the manufacturing export business.

Liquidity and Financial Resources
Shareholders' Funds
Shareholders' Funds increased from HK$1,107 million to HK$1,561 million. No significant acquisitions were done during the year and the new share placement completed in February 2006 had increased the Shareholders' Fund by approximately HK$286 million. Net Asset Value per share was HK$1.58 per share.

Financial Position
At the year end date, the cash and bank balances stood at HK$1,186 million and the borrowings were at HK$1,159 million. The net cash, expressed as a percentage of total net borrowings to equity attributable to shareholders, was 1.7%. The improved financial position from net gearing to net cash was a result of additional cash generated from operation and raised from the share placement proceeds.

The year-end borrowings were split into 47% short-term and 53% long-term. The structures of the borrowings are mainly term and trade finance facilities. The Group has continued to refinance the existing borrowings by cheaper financing. The major financings were: a 4-year syndicated term and revolving facilities of HK$630 million completed in April 2005 and a share placement of HK$286 million in February 2006. Subsequent to the balance sheet date, the Group also completed a 3-year syndicated term loan facility of HK$600 million. This syndicated loan is extendable to 7-years under certain conditions. The purposes of the fund raising activities were to finance the China distribution and retail network expansion plan and to refinance part of the higher costs short term debts.

The interest coverage, expressed as a multiple of EBITDA over the interest expenses, was 5.7, which remained at a comfortable level.

Working Capital
The Group's current ratio was 2.5. The improved ratio was due a combination of increased level of current assets from HK$1,575 million to HK$2,456 million and the longer maturity profile of the borrowings.

The improved financial position and current ratio enable the Group to further leverage on the balance sheet and take on mergers and acquisitions opportunities.

The management has continued to focus on the working capital management. Net working capital, expressed as the net of accounts receivables of HK$479 million, inventory of HK$654 million and accounts payable of HK$385 million as a percentage of turnover, was 33.4%, which improved from 35.5% last year.

Total trade and other receivables increased by HK$204 million to HK$600 million. Included in this amount, there was an non-recurring deposit of HK$76 million paid for the capital of joint venture and a receivable of HK$45 million from the partial disposal of a subsidiary The trade and other receivables, net of the above two non-recurring items, were HK$479 million.

Inventory level was at a HK$654 million. The Group started the China luxury watch business in the second half of the year. Inventory of approximately HK$114 million was maintained for new store openings at the balance sheet date. However, a large part of the sales of which will be reflected in the next financial year. Excluded that amount, the inventory turnover days has been improved by 6 days for the established business. It is imperative to control the inventory level at lower turnover days given the fact that the business cycle of a vertical integrated manufacturer and distributor, in particular for the US market, have trended towards longer inventory days. The lower inventory turnover days of the China mid-range business attributed to the overall improvement. The accounts payable was increased from HK$220 million to HK$385 million mainly due to more favorable sales terms obtained from suppliers.

As part of the working capital management, the Group has also utilized working capital loans for the financing of its purchases. The costs of trade financing have been much lower than the suppliers' credit in general. Net working capital of the Group after working capital loans was HK$557 million and was 24.8% of the total turnover.

Capital expenditure

Capital expenditure for the year was HK$73 million. The deployment of capital expenditure for the year was slower than the original forecast as the capital expenditures for certain of the refurbishment of existing points of sales and new stores roll out plan have been postponed to the next financial year.

New Shares Placement

In February 2006, the Company placed 90 million shares to independent investors at a price of HK$3.25 per share. The new shares placed represented approximately 9.09% of the enlarged share capital of the Company at the date of placement. The net proceeds of HK$286 million were intended to be used for the China expansion and repayment of certain borrowings.

Financial Risk management

The Group manages its financial resources and liquidity as well as financial risk management according to a set of policies and procedures approved by the Board of directors.

The overall objectives is to act prudently to ensure that the Group has adequate cash flow and access to funding sources, both debt or equity, to fund the operations and the potential investments. Hedging arrangement of currency and interest rate risks will be entered into with consideration being given to the hedging costs and the risk level.

The risk is managed through prudent treasury policies, which include the following:

1. The Group closely monitors the cash-resources. We maintain a conservative cash reserve and review our position regularly to ensure that cost-efficient funding is available for operating expenses, capital expenditure needs and business expansion;

2. Our policy is to deposit surplus cash with creditworthy financial institutions or invest in low risk and liquid instruments; and

3. To the extent possible the financing and cash management of the subsidiaries have been management by the centralized treasury functions for the efficient allocation of capital, lower funding costs and control purposes

During the year 2006 and post balance sheet significant financing activities were as follows:–

In April 2005, the Group completed a 4-year syndicated term loan and revolving credit facility of HK$630 million;

in February 2006, the Group placed 90 million new shares at a price of $3.25 per share and raised approximately HK$286 million in order to broaden the shareholder base; and

in June 2006, the Group obtained a 3-year term loan facility with an extendable feature for up to 7 years under certain conditions.

The Group will continue to maintain sufficient liquidity and further diversify the funding sources and extend maturities profile, if necessary, to meet business requirements.

Interest Rate Exposure
The Group manages its interest rate exposure with a view to increasing the predictability of the interest payment and lower the overall cost of debt. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments that mitigate current and future interest rate volatility.

As part of balance sheet management, we have matched the maturity of the assets and liabilities to the greatest possible extent. Certain shorter-term tenor bank borrowings have been refinanced by longer term debt with flexible interest rate reset. This enabled the financial flexibility of the Group. Interest rate movement and hedging advices are provided from time to time by leading banks to the Group.

After taking into consideration of interest rate swap, the Group's fixed rate debt was at an effective interest rate of approximately 5% as a percentage of total debt was approximately 70%.

Foreign Currency Exposure
The Group manages its foreign currency exposure by entering into currency hedging instruments, like currency forwards, to hedge currency exposure at an optimal level. Operating exposure of currency movement will be closely monitored. Currency derivatives (e.g. EUR, GBP and CHF) will be entered into to hedge the change of expected cash flows arising from an unexpected change in exchange rates. For RMB, the Company tends to naturally hedge its RMB denominated liabilities and expenses by the RMB denominated assets and revenue.

Currency transaction loss was HK$10 million and was expensed, while the currency translation charge of HK$5 million was reflected as reserve movement during the year.

Credit Exposure
The Group deals with the credit exposure according to the risk management policies. Credit extended to business associates are based on the credit analysis provided by credit agencies and trade intelligence sourced through industry participants.

All finance-related hedging transactions and deposits are made with counter-parties with high credit ratings.

Risk Factors
There are several risk factors pertaining to the core businesses that the Group considers that may adversely its results of operations and financial position. There may be other risks in addition to those listed below which are not known to the Group or which may not be material now could turn out be material in the future.

INDUSTRY TRENDS
Intense competition in the watch industry
China retail
The Group faces competition from both domestic and overseas watch distributors and retailers. Domestic companies have dominated the watch distribution and retail industry in China. After China entering into WTO, more foreign brand owners may operate the distribution by themselves to better control the sales channel. New market entrants entering into this market also cause higher competition. In the face of such risks, the Group speeds up its business plan for the retail network expansion to raise the barrier to entry; provides a vertical integrated platform from manufacturing, distribution, retail to after-sales services; and forms strategic alliances with foreign and domestic companies for leveraging the resources.

Manufacturing
Manufacturing business has been highly competitive and the industry is fragmented. The Group, through participating in industry association involved in the industry strategy and policy formulation; improving the quality of its products; making considerable efforts in product development and design; and forming strategic partnership with major industry players combining the respective strength.

Changes and uncertainties in PRC policies
Regulatory environment including the tax regime in China may change and adversely affecting the operating environment and consumer market. These risks can be addressed through establishing and maintaining a good relationship with relevant authorities for updating the regulatory changes.

Increase in raw materials prices
The increase in raw materials price may adversely affect the margin of the manufacturing business if the Group is not able to pass the increased costs on the customers. Satisfactory level of hedging is not possible given the uncertainty of the volume and kind of materials for OEM manufacturing. We manage the margin of the this business by advising alternative or mixed materials in substitution of the more expensive one.

HUMAN RESOURCES
The Group employed over 4,000 employees mainly in China, Hong Kong, the USA and Europe. The total staff costs amounted to HK$140 million as compared to HK$110 million of last year.

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

Share Incentive Scheme
On 31st March, 2006, the Company adopted a share incentive scheme (the "Scheme") which will enable selected eligible persons to purchase shares of the Company (the "Shares") at a 5% discount to the market price. The selected eligible persons have the option of paying for their Shares in one lump sum, or by monthly instalments. Where Eligible Persons choose the latter option, they will pay an additional finance charge to cover the Company's finance costs.

Eligible Persons will not be able to dispose Shares purchased under the Scheme immediately following their purchase. Those selected Eligible Persons who opt to pay for their Shares in one lump sum will be able to dispose their Shares after one year, while those who opt to pay for their shares in instalments will be able to dispose their Shares over a period of time commencing after one year and ending when they make their final instalment payment.

The Company has obtained a loan in the amount up to HK$150 million from a bank for the purpose of financing the operation of the Scheme. Shares to be purchased pursuant to the Scheme will be purchased on behalf of the Eligible Persons by the Custodian. The Custodian will hold the Shares on behalf of the Eligible Persons until they are permitted under the rules of the Scheme to dispose of their Shares.

The aggregate number of Shares to be offered under the Scheme shall at all times be less than 5% of the issued share capital of the Company from time to time and the aggregate acquisition cost of all Shares purchased under the Scheme shall not exceed HK$150 million.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT
As at 31st March, 2006, the Group had no material contingent liabilities.

The Company has given corporate guarantees to banks in respect of general banking facilities and derivative facilities granted to subsidiaries amounting to approximately HK$1.85 billion and in respect of the general banking facilities utilized and granted to associates amounting to approximately HK$217,000,000.

As at 31st March, 2006, there was no material capital commitment.

DIVIDEND

The Directors have resolved to recommend to Shareholders at the Company's forthcoming annual general meeting the payment of a final dividend of HK4.3 cents per share for the year ended 31st March, 2006 (2005: HK2.8 cents). The final dividend, if approved by the members, will be paid on 8th September, 2006 to the Shareholders whose names appear on the register of members of the Company on 25th August, 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23rd August, 2006 to 25th August, 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final 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, 22nd August, 2006.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 25th August, 2006.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased 5,970,000 ordinary shares of the Company in the Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK$11,063,000 before expenses. The repurchased shares were subsequently cancelled. The repurchase was effected by the Directors for the enhancement of shareholders value in the long term. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares repurchased	Price per shares Highest	Price per shares Lowest	Aggregate price paid
		HK$	*HK$*	*HK$'000*
October 2005	4,050,000	1.90	1.77	7,551
November 2005	1,920,000	1.88	1.77	3,512
Total	5,970,000			11,063

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The "Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31st March, 2006 except the following deviations:

Code provision A.4.2 (the last sentence)

The code provision A.4.2. of the Corporate Governance Code (the last sentence) provides that every director (including directors appointed with specific terms) should be subject to retirement by rotation at least once every three years. According to Bye-law 87(1) of the Bye-laws of the Company then in effect before 26th August, 2005, however, at each annual general meeting, one-third of the directors for the time being (if the number of Directors is not a multiple of three then the number nearest to three) shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to be retired in each year.

The Bye-laws of the Company constitutes a deviation from the last sentence of the code provision A.4.2 of the Corporate Governance Code. To comply with the last sentence of the code provision A.4.2 of the Corporate Governance Code, amendment to Bye-law 87(1) of the Bye-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 26th August, 2005.

Code provision A.4.2 (first sentence)
The code provision A.4.2 of the Corporate Governance Code (the first sentence) provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Paragraph 4(2) of Appendix 3 of the Listing Rules and the existing Bye-law 86(2) of the Bye-laws of the Company, however, require any director appointed by the Board to fill a causal vacancy to hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting.

The Bye-laws of the Company constitutes a deviation from the first sentence of the code provision A.4.2 of the Corporate Governance Code. The Company will put forward at its forthcoming annual general meeting to be held in 25th August, 2006 a proposal to amend the Bye-law 86(2) of the Bye-laws of the Company to comply with the first sentence of the code provision A.4.2 of the Corporate Governance Code.

The Company has received annual confirmation from each of the Independent non-executive directors concerning their independence to the Company and considers that each of the Independent non-executive directors is independent to the Company.

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 year ended 31st March, 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 year ended 31st March, 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 ANNUAL RESULTS ON WEBSITE
The financial information required to be disclosed under paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk in due course.

APPRECIATION
On behalf of the Board, I would like to take this opportunity to express my sincere thanks to all our staff, the management team and board members for their hard work and dedication. Their commitment to the Group, along with the support of shareholders, bankers, customers and suppliers, has been crucial to our long-term success.

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

By Order of the Board
Peace Mark (Holdings) Limited
Chau Cham Wong, Patrick
Chairman

Hong Kong, 13th July, 2006

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