

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

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

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Peace Mark (Holdings) Limited

(incorporated in Bermuda with limited liability)

(Stock code: 304)

**SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND
FOR THE YEAR ENDED 31ST MARCH, 2004,
AMENDMENTS TO THE BYE-LAWS,
GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of Peace Mark (Holdings) Limited (the “Company”) to be held at 4:00 p.m. on Friday, 20th August, 2004 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 17 to 23 of this circular. You are advised to read the notice and, if you do not intend to attend and vote at the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company’s branch share registrar in Hong Kong at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish.

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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 enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

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

“2004 Final Dividend”	the final dividend of HK\$0.02 per Share for the year ended 31st March, 2004 payable to the Shareholders whose names are recorded on the register of members of the Company on the Record Date
“2004 Final Scrip Dividend Scheme”	the scheme proposed by the Directors to offer to the Eligible Shareholders the option to elect to receive the 2004 Final Dividend wholly or partly by allotment of the Final Scrip Dividend Share(s) credited as fully paid in lieu of cash
“Annual General Meeting”	the annual general meeting of the Company to be held at 4:00 p.m. on Friday, 20th August, 2004 at the Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong, the notice of which is set out on pages 17 to 23 of this circular
“associates”	has the meaning ascribed to it under the Listing Rules
“Average Closing Price”	the average closing price of the Shares for the five consecutive trading days immediately preceding and including Friday, 20th August, 2004
“Bye-laws”	the current bye-laws adopted by the Company on 15th January, 1993 and amended on 9th August, 1996 and on 1st August, 2003
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Peace Mark (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) (including independent non-executive directors) of the Company
“Eligible Shareholders”	Shareholders whose names are recorded in the register of members of the Company on the Record Date, save and except for those Shareholders whose addresses are recorded in the register of members of the Company as being outside Hong Kong
“Final Scrip Dividend Share(s)”	new Share(s) falling to be issued and credited as fully paid pursuant to the 2004 Final Scrip Dividend Scheme
“Group”	the Company and its subsidiaries

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	27th July, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the powers of the Company to allot, issue and otherwise deal with new Shares or other securities of the Company with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant ordinary resolution to grant such mandate as enlarged by the new Shares falling to be issued under the 2004 Final Scrip Dividend Scheme and the conversion of the Warrants
“Option Holder(s)”	holder(s) of the outstanding share options granted by the Company under the Share Option Scheme
“Record Date”	20th August, 2004, being the record date for determining entitlements to the 2004 Final Dividend
“Repurchase Mandate”	a general and unconditional mandate proposed to be granted to the Directors to exercise the powers of the Company to repurchase securities up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant ordinary resolution to grant such mandate as enlarged by the new Shares falling to be issued under the 2004 Final Scrip Dividend Scheme and the conversion of the Warrants
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 24th January, 2002

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“Warrants”	warrants issued by the Company in units of subscription rights of HK\$0.65 each entitling the holders thereof to subscribe in cash for Shares at an initial subscription price of HK\$0.65 per Share (subject to adjustment) at any time between 5th August, 2003 and 4th August, 2005 (both dates inclusive)
“Warrant Holder(s)”	holder(s) of the outstanding Warrants granted by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



Peace Mark (Holdings) Limited
(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Chau Cham Wong, Patrick (*Chairman*)
Mr. Leung Yung (*Managing Director*)
Mr. Tsang Kwong Chiu, Kevin
Mr. Man Kwok Keung
Mr. Cheng Kwan Ling

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Ms. Susan So
Mr. Kwok Ping Ki, Albert
Mr. Wong Yee Sui, Andrew
Mr. Tang Yat Kan

Head office and principal

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

29th July, 2004

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

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME IN RELATION TO THE FINAL DIVIDEND
FOR THE YEAR ENDED 31ST MARCH, 2004,
AMENDMENTS TO THE BYE-LAWS, GENERAL MANDATES TO ISSUE AND
REPURCHASE SECURITIES, RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

On 8th July, 2004, the Directors announced the final results of the Group and proposed the 2004 Final Dividend and the 2004 Final Scrip Dividend Scheme. The purpose of this circular is to provide you with information in relation to the 2004 Final Scrip Dividend Scheme and requisite information regarding the resolutions to be proposed for the Shareholders to consider, and if thought fit, to approve at the Annual General Meeting:

- (i) amendments to the Bye-laws;
- (ii) general mandates to issue and repurchase securities; and

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- (iii) re-election of Directors.

The notice of the Annual General Meeting at which resolutions will be proposed for the Shareholders to, amongst other things, consider and, if thought fit, approve the amendments to the Bye-laws and the general mandates to issue and repurchase securities is also set out in this circular.

2. 2004 FINAL SCRIP DIVIDEND SCHEME

On 8th July, 2004, the Company announced the 2004 Final Dividend with a scrip alternative. Eligible Shareholders may elect to receive the 2004 Final Dividend wholly or partly in Final Scrip Dividend Shares. Eligible Shareholders may elect to receive an allotment by the Company of Shares credited as fully paid by way of capitalization of profits in lieu of a cash dividend. Those Shareholders whose respective addresses as recorded in the register of members of the Company on the Record Date are located outside Hong Kong will not be permitted to participate in the 2004 Final Scrip Dividend Scheme and will receive the 2004 Final Dividend wholly in cash. Shareholders who wish to receive the 2004 Final Dividend wholly in cash are not required to take any action.

Each Eligible Shareholder shall have the following choices in respect of his/her entitlement to the 2004 Final Dividend:

- (a) a cash dividend of HK\$0.02 per Share; or
- (b) an allotment on the basis described below of such number of Final Scrip Dividend Shares credited as fully paid and having an aggregate market value (as described below), save for adjustment for fractions, equal to the total amount of the 2004 Final Dividend which such Eligible Shareholder would otherwise be entitled to receive in cash (such Final Scrip Dividend Shares will be allotted by the Company and credited as fully-paid by way of capitalization of the Company's profits to the Eligible Shareholders electing to receive the Final Scrip Dividend Shares in lieu of cash dividend); or
- (c) partly in cash and partly in Final Scrip Dividend Shares.

The Final Scrip Dividend Shares will rank *pari passu* in all respects with the existing issued Shares except that they shall not entitle their respective Shareholders to receive the 2004 Final Dividend.

Basis of allotment of the Final Scrip Dividend Shares

For the purpose of calculating the number of Final Scrip Dividend Shares to be allotted, the market value of Final Scrip Dividend Shares will be calculated as an amount equivalent to 95% of the Average Closing Price. In the event that there are no dealings in the Shares on any one or more of those five trading days, the Directors shall determine the market value of the Final Scrip Dividend Shares by reference to the average closing prices of the Shares for the latest five trading days up to and including Friday, 20th August, 2004 on which there are dealings in the Shares. The number of Final Scrip Dividend Shares which an Eligible Shareholder will receive in respect of the Shares registered in that Eligible Shareholder's name on the Record Date and for which election to

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receive the Final Scrip Dividend Shares is lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong on or before 4:00 p.m. Friday, 10th September, 2004 will be calculated as follows:

$$\begin{array}{l} \text{Number of Final} \\ \text{Scrip Dividend Shares} \\ \text{to be received} \end{array} = \begin{array}{l} \text{Number of Shares held on} \\ \text{Record Date in respect of which} \\ \text{election is made to receive} \\ \text{Final Scrip Dividend Shares} \end{array} \times \frac{\text{HK\$0.02}}{95\% \times \text{Average} \\ \text{Closing Price}}$$

The number of Final Scrip Dividend Shares to be received by an electing Eligible Shareholder will be rounded down to the nearest whole number of Final Scrip Dividend Shares. No Eligible Shareholder is entitled to be issued any fraction of a Share under the 2004 Final Scrip Dividend Scheme. Fractional entitlements to Final Scrip Dividend Shares will be disregarded and the benefit thereof will accrue to the Company. The Average Closing Price will be published in the newspapers on Monday, 23rd August, 2004. The last day on which the Eligible Shareholders will be entitled to select their desired form of 2004 Final Dividend is Friday, 10th September, 2004.

Advantages of the 2004 Final Scrip Dividend Scheme

The 2004 Final Scrip Dividend Scheme will give Eligible Shareholders an opportunity to increase their investment in the Company at a 5% discount to market value and without incurring brokerage fees, stamp duty and related dealing costs. The 2004 Final Scrip Dividend Scheme will also benefit the Company because, to the extent that the Eligible Shareholders elect to receive Final Scrip Dividend Shares wholly or in part in lieu of a cash dividend, such cash which would otherwise have been paid to the Eligible Shareholders will be retained for use by the Company.

Disclosure of interests

Shareholders should note that receipt of Final Scrip Dividend Shares may give rise to notification obligations under the SFO. Shareholders who are in any doubt as to their disclosure obligations pursuant to the SFO are recommended to seek their own professional advice.

Form of election

The scrip dividend election form is expected to be despatched to Eligible Shareholders on 24th August, 2004.

If you wish to receive your entitlement to the 2004 Final Dividend wholly in cash, you do not need to take any action.

If you wish to receive your entitlement to the 2004 Final Dividend wholly in Final Scrip Dividend Shares, or partly in cash and partly in Final Scrip Dividend Shares, you should complete and sign the form of election in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Secretaries Limited at Ground Floor, Bank of

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East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 10th September, 2004. No acknowledgement of receipt of the form of election will be issued. If you do not complete and return the form of election before the time stated above, you will receive your 2004 Final Dividend wholly in cash.

If you (i) do not specify the number of Shares held by you as at the close of business on the Record Date in respect of which you are electing to receive an allotment of Final Scrip Dividend Shares, or (ii) elect to receive Final Scrip Dividend Shares in respect of a greater number of Shares than that held by you as at the Record Date, then you will be deemed to have exercised your election to receive Final Scrip Dividend Shares in respect of all the Shares of which you were registered as the Shareholder at that time.

Shareholders resident outside Hong Kong

Shareholders whose addresses as shown in the register of members of the Company on the Record Date as being located outside Hong Kong will not be permitted to participate in the 2004 Final Scrip Dividend Scheme. Such Shareholders will receive the 2004 Final Dividend wholly in cash. Scrip dividend election forms will not be sent to such Shareholders.

Listing and dealings and despatch of dividend warrants and/or share certificates

Application has been made to the Stock Exchange for the grant of the listing of, and permission to deal in, the Final Scrip Dividend Shares. It is expected that the dividend warrants in relation to the 2004 Final Dividend and/or share certificates with respect to the Final Scrip Dividend Shares will be despatched at the risk of those entitled thereto on or before Monday, 27th September, 2004. Dealings in the Final Scrip Dividend Shares will commence subject to the proper receipt of the share certificates with respect to the Final Scrip Dividend Shares by the relevant Shareholders.

No equity or debt securities of the Company are listed on or dealt in any other stock exchange nor is listing or permission to deal in on any other exchange being or proposed to be sought.

Dealings in Shares may be settled through CCASS and you should seek the advice of your licensed securities dealer or other professional adviser for details of these settlement arrangements and how such arrangements will affect your rights and interests.

Adjustments in relation to share options granted under the Share Option Scheme

In accordance with the terms of the Share Option Scheme, the Final Scrip Dividend Shares may result in adjustments to the subscription price of and/or the number of Shares subject to the share options which had been granted pursuant to the Share Option Scheme but not yet exercised in whole as at the Record Date. Such adjustments shall give an Option Holder the same proportion of the issued share capital of the Company as that to which such Option Holder was previously entitled, but no such adjustments shall be made where, and the extent that, such adjustments would result in any Shares being issued at less than their nominal value. If and when any adjustments have to be made, the Company will give due notification to the Option Holders in accordance with the Share Option Scheme.

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Recommendation and advice

Whether or not it is to your advantage to receive cash or Final Scrip Dividend Shares, in whole or in part, depends on your own individual circumstances, and the decision in this regard and all consequences resulting therefrom are the sole responsibility of each Eligible Shareholder. **If you are in any doubt as to what to do, you should consult your professional advisers as to whether or not you are permitted to receive the 2004 Final Dividend in scrip form or if any government or other consent is required. Eligible Shareholders who are trustees are recommended to take professional advice as to whether the choice of the Final Scrip Dividend Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.**

3. AMENDMENTS TO THE BYE-LAWS

At the Annual General Meeting a special resolution will be proposed for the Shareholders to approve certain amendments to the Bye-laws. The Directors wish to state that the proposed amendments to the Bye-laws are made in view of the recent amendments to the Listing Rules. The changes required to ensure the Bye-laws comply with the amended Listings Rules are summarized below:

- | | |
|---------------------------|--|
| (i) existing Bye-law 1 | To insert new definition of “associate” in accordance with Chapter 1 of the Listing Rules |
| (ii) new Bye-law 76(2) | To be added in order to reflect the restriction on voting by members as required by the amended Appendix 3 of the Listing Rules. |
| (iii) existing Bye-law 88 | To be amended in order to be consistent with the amended Appendix 3 of the Listing Rules which requires that the minimum 7 days period for lodgment by shareholders of a notice to nominate a director shall commence no earlier than the day after the dispatch of the notice of the general meeting and end no later than 7 days before the date of the general meeting. |
| (iv) existing Bye-law 103 | To be amended in order to be consistent with the amended Appendix 3 of the Listing Rules which requires that a director shall, subject to certain exceptions, abstain from voting at the board meetings on matters in which he or any of his associates has a material interest and shall not be counted towards the quorum of such meeting. |

Following the enactment of the SFO, it is also proposed that the existing Bye-law 84 be amended to allow a member who is a clearing house or its nominee to appoint multiple corporate representatives to attend and vote at a meeting of the Company as if each were an individual member.

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The Bye-laws, if amended, will still continue to comply with the requirements of the Listing Rules, the laws of Bermuda and other applicable laws.

4. GENERAL MANDATES TO ISSUE AND REPURCHASE SECURITIES

At the special general meeting of the Company held on 1st August, 2003 resolutions were passed by the Shareholders giving general mandates to the Directors to allot and issue new Shares and to exercise the powers of the Company to repurchase Shares in accordance with the rules regulating the repurchase by companies having a primary listing on the Stock Exchange of their own shares as contained in the Listing Rules. These mandates will lapse at the conclusion of the forthcoming Annual General Meeting unless renewed at that meeting. Ordinary resolutions will be proposed at the Annual General Meeting to grant to the Directors the New Issue Mandate and the Repurchase Mandate. A further ordinary resolution will be proposed to extend the New Issue Mandate by adding to it the number of Shares repurchased under the Repurchase Mandate.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision as to whether to vote for or against the grant of the Repurchase Mandate. Such explanatory statement is set out in the Appendix I to this circular.

5. PROPOSED DIRECTORS FOR RE-ELECTION

In accordance with Bye-law 86(2) of the Bye-Laws, Mr. Tang Yat Kan and Mr. Wong Yee Sui, Andrew, who were appointed by the board of Directors on 18th December, 2003, shall hold office until the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election at that meeting. Pursuant to Bye-laws 87(1) and 87(2) of the Bye-Laws, Mr. Tsang Kwong Chiu, Kevin shall retire and offer himself for re-election at the forthcoming Annual General Meeting. Details of the Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

6. RIGHT TO DEMAND POLL

Pursuant to Bye-law 66 of the Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (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 by:

- (i) the chairman of the meeting; or
- (ii) at least three Shareholders present in person or, in the case of a Shareholder being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) Shareholder or Shareholders present in person or, in the case of a Shareholder 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 Shareholders having the right to vote at the meeting; or

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- (iv) Shareholder or Shareholders present in person or, in the case of a Shareholder being a corporation by its duly authorized corporate representative or by proxy, and holding Shares 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.

7. ANNUAL GENERAL MEETING

Set out on pages 17 to 23 of this circular is a notice convening the Annual General Meeting to be held at 4:00 p.m. on Friday, 20th August, 2004 at Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong at which resolutions will be proposed to approve, amongst other things, the (i) amendments to the Bye-laws; (ii) the proposed Directors for re-election and (iii) general mandates to issue and repurchase securities.

If you are not able to attend the Annual General Meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

8. RECOMMENDATION

The Directors consider that the proposed resolutions listed in the notice convening the Annual General Meeting set out on pages 17 to 23 of this circular are in the interests of the Company and the Shareholders and, accordingly, recommend the Shareholders to vote in favour of all the resolutions set out in the notice of the Annual General Meeting.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the memorandum of association of the Company and the Bye-laws will be available for inspection at the head office and principal place of business of the Company in Hong Kong at Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong during normal business hours from the date of this circular until and including the date of the Annual General Meeting.

10. ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.

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

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

1. LISTING RULES RELATING TO THE REPURCHASE OF SECURITIES

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

(a) Shareholders' Approval

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

(b) Sources of Funds

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

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

As at the Latest Practicable Date, the Company has an aggregate of 823,007,465 Shares in issue and aggregate of 77,524,504 Warrants and 20,000 Share Options outstanding.

On the basis of this figure and assuming that no outstanding Share Options and Warrants are exercised or converted and no Shares or Warrants are issued or repurchased by the Company prior to the date of the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 82,300,746 Shares and 7,752,450 Warrants subject to the passing of the ordinary resolution to approve the Repurchase Mandate.

3. REASONS FOR REPURCHASES

The Directors believe that the proposed Repurchase Mandate is in the interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such a purchase will benefit the Company and the Shareholders. The Directors have no present intention of repurchasing any Shares and/or Warrants under the Repurchase Mandate.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum of association and the Bye-laws of the Company and the laws of Bermuda. Bermuda law provides that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or out of the funds of the Company otherwise available for dividend or distribution or out of a fresh issue of shares made for the purpose. The amount of premium payable on a repurchase may only be paid out of the funds of the Company otherwise available for dividend or distribution or out of the share premium account of the Company.

There may be a material adverse impact on the working capital or gearing position of the Group in the event that repurchases of Shares and/or Warrants pursuant to the Repurchase Mandate were to be carried out in full. However, the Directors do not intend to make any repurchase in circumstances that would have a material adverse effect on the working capital or gearing position of the Group unless the Directors determine that such repurchases would, taking account of all relevant factors, be in the best interests of the Group.

5. SHARE AND WARRANT PRICES

The higher and lowest traded prices for the Shares and the Warrants on the Stock Exchange in each of the previous twelve months immediately prior to the Latest Practicable Date were as follows:

	Per Share		Per Warrant	
	Highest HK\$	Lowest HK\$	Highest HK\$	Lowest HK\$
2003				
July	0.98	0.76	N/A	N/A
August	0.94	0.78	0.335	0.250
September	0.92	0.83	0.335	0.275
October	1.02	0.85	0.395	0.295
November	1.05	0.93	0.435	0.340
December	1.17	0.97	0.480	0.385
2004				
January	1.54	1.16	0.820	0.470
February	1.67	1.30	0.970	0.550
March	1.80	1.54	1.110	0.860
April	1.77	1.31	1.110	0.700
May	1.55	1.22	0.890	0.530
June	1.51	1.25	0.820	0.700
July	1.63	1.41	0.950	0.700

6. DIRECTORS' PARTICIPATION IN ANY REPURCHASE

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention to sell to the Company or its subsidiaries any of the Shares or Warrants if the Repurchase Mandate is approved by the Shareholders at the Annual General Meeting and exercised.

7. UNDERTAKING OF THE DIRECTORS

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

8. IMPLICATIONS UNDER THE TAKEOVERS CODE

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

As at the Latest Practicable Date, Mr. Chau Cham Wong, Patrick and Mr. Leung Yung together with their respective associates were beneficially interested in 414,314,666 Shares representing approximately 50.34% of the issued share capital of the Company. If on the exercise of the power in full to repurchase Shares pursuant to the Repurchase Mandate, the collective shareholdings of the said Directors together with their respective associates in the Company would be increased to 55.93% of the issued share capital of the Company.

Based on the aforesaid, a general offer obligation would not normally be triggered on the part of the said Directors as a result of the exercise of the Repurchase Mandate by the Company as their voting rights in the Company have already exceeded 50%.

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

9. PUBLIC FLOAT

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

10. CONNECTED PERSONS

No connected person of the Company has notified the Company that he has a present intention to sell Shares and/or Warrants (subject to approval) to the Company, or has undertaken not to do so in the event that the granting of the Repurchase Mandate is approved by the Shareholders at the Annual General Meeting.

11. SECURITIES REPURCHASES MADE BY THE COMPANY

No share repurchases have been made by the Company (whether on the Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date.

The details of the Directors who will retire from office by rotation at the Annual General Meeting and being eligible, will offer themselves for re-election at the Annual General Meeting, are set out below:

Mr. Tang Yat Kan, aged 54, is a partner of Messrs. King & Co., a firm of Solicitors & Notaries in Hong Kong and has been a Notary Public since 1991. He is a Solicitor of the Supreme Court of England and Wales, the Supreme Court of Hong Kong and the Supreme Court of Singapore. He has been in general legal practice for over 20 years and is experienced in the fields of conveyancing and civil litigation.

He was appointed as an independent non-executive Director on 18th December, 2003. Mr. Tang does not hold any other directorships in any member of the Group nor does he have any relationships with any other directors, senior management or substantial shareholders or controlling shareholders of the Company. Mr. Tang's spouse holds 120,000 Shares (representing approximately 0.01% of the existing issued share capital of the Company). Save as aforesaid, he does not have any interests in the securities of the Company or any of its associated corporation within the meaning of Part XV of the SFO. There is no service contract between the Company and Mr. Tang and he is not appointed for a specific term since, as a non-executive Director, he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the relevant provisions of the Bye-laws. The director's fee of Mr. Tang as an independent non-executive Director for the year ended 31st March 2004 was HK\$50,000.

Mr. Wong Yee Sui, Andrew, aged 55, is a partner of W. M. Sum & Co., a firm of Certified Public Accountants in Hong Kong. Mr. Wong holds a Master of Business Administration degree and is a Chartered Accountant and a fellow member of the Hong Kong Society of Accountants. Mr. Wong has extensive experience in the auditing and finance fields in Hong Kong and overseas. He is also an independent non-executive director and chairman of the audit committee of Lai Fung Holdings Limited, a company listed in Hong Kong.

He was appointed as an independent non-executive Director on 18th December, 2003. Mr. Wong does not hold any directorships in any member of the Group nor does he have any relationships with any other directors, senior management or substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Wong does not have any interests in the securities of the Company or any of its associated corporation within the meaning of Part XV of the SFO. There is no service contract between the Company and Mr. Wong and he is not appointed for a specific term since, as a non-executive Director, he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the relevant provisions of the Bye-laws. The director's fee of Mr. Wong as an independent non-executive Director for the year ended 31st March 2004 was HK\$50,000.

Mr. Tsang Kwong Chiu, Kevin, aged 37, is the Finance Director of the Company and is responsible for the accounting and financial matters of the Group. Mr. Tsang holds a Master of Business Administration degree from the University of Hull and a MSc in Electronic Commerce and Internet Computing from the University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Mr. Tsang has more than 15 years experience in accounting and finance. He joined the Group in 1995.

Mr. Tsang also acts as a director of the following subsidiaries of the Company: Aerostar Timewear International Limited, Benson International Limited, Business Alliance Group Limited, Capricon Company Limited, China Global (Hong Kong) Limited, China Regal Holdings Limited, Chinalink Business

Limited, Chinatop Limited Chinet Limited, Cornell Worldwide International Holdings Limited, Eastco Business Limited, Eastern Group (Asia) Limited, Epoch World Company Limited, Excel Pacific Industrial Limited, Fiorucci Timewear (Far East) Limited, Forever China Trading Limited, Fulltop Limited, Gold United (Hong Kong) Limited, Inter Mark Worldwide Limited, King Fung Limited, Mega Chains (China) Limited, Montana Timepieces International Limited, Mutual Century Limited, Omni International Holdings Limited, Omni Watch & Clock Company, LLC, Onrich Limited, Peace Mark (B.V.I.) Limited, Peace Mark (Chongqing) Holdings Co. Limited, Peace Mark Timepieces (Shenzhen) Co. Limited, Peace Mark (Shanghai) Holdings Co. Limited, PM (Macau Offshore Commercial) Co. Limited, PM Asia Holdings Limited, PM Asia Pacific Limited, PM Company Limited, PM License Management Limited, Polywell Enterprise Limited, Sinotop Investments Limited, Skyroot International Limited, Vico Industries Limited, VVG Timepieces International Limited and World Grade Industries Limited. Mr. Tsang has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Apart from his directorships of companies within the Group, Mr. Tsang does not have any relationships with any other directors, senior management or substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Tsang beneficially holds 948,353 Shares and 1,150,000 underlying Shares in respect of Warrants issued by the Company (in total representing 0.25% of the existing issued share capital of the Company). Other than those Shares, he does not have any interests in the securities of the Company or any of its associated corporation within the meaning of Part XV of the SFO. During the financial year ended 31st March, 2004, he was paid salary and other benefits totally approximately HK\$1,088,000.

NOTICE OF ANNUAL GENERAL MEETING



Peace Mark (Holdings) Limited

(incorporated in Bermuda with limited liability)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Peace Mark (Holdings) Limited (the “Company”) will be held at 4:00 p.m. on 20th August, 2004 at the Boardroom, World Trade Centre Club, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company, the reports of the directors (the “Directors”) and auditors (the “Auditors”) of the Company for the year ended 31st March 2004;
2. To declare a final dividend for the year ended 31st March 2004;
3. To re-elect the Directors and to authorize the board of Directors to fix their remuneration;
4. To re-appoint the Auditors of the Company and to authorize the board of Directors to fix their remuneration;
5. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. **“THAT:**

- (a) subject to paragraph (c) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional share(s) in the share capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

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

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

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by way of ordinary resolution in general meeting of the Company; and

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

NOTICE OF ANNUAL GENERAL MEETING

B. “THAT

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined in resolution 5A(d) above) of all powers of the Company to purchase Shares or warrants of the Company on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares or warrants of the Company may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws, and in accordance with the provisions of, and in the manner specified in, the Rules Governing the Listing of Securities on the Stock Exchange or of any stock exchange (as amended from time to time), be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares or warrants of the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the directors of the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not, in the case of shares, exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company and not, in the case of warrants, exceed 10 per cent of the warrants of the Company in issue, in each case at the date of passing this resolution, and the said approval shall be limited accordingly.”

C. “THAT conditional upon the passing of the resolutions 5A and 5B above, the general mandate granted to the directors of the Company for the time being in force to exercise the powers of the Company to allot, issue and deal with new shares pursuant to the resolution 5A be and is hereby extended by the addition to the aggregate nominal amount of share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the resolution 5B above, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution.”

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

SPECIAL RESOLUTION

“THAT the existing bye-laws of the Company be and are hereby amended in the following manner:

- (a) by inserting the following new definition of “associate(s)” in Bye-law 1:

“associate(s)” the meaning attributed to it in the rules of the Designated Stock Exchange.”;

NOTICE OF ANNUAL GENERAL MEETING

- (b) by re-numbering existing Bye-law 76 as paragraph (1) of Bye-law 76 and inserting thereafter the following new paragraph:
- “(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”;
- (c) by deleting the existing Bye-law 84 in its entirety and substituting the following bye-law 84 therefor:
- “84. (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Bye-laws be deemed to be present in person at any such meeting if a person so authorised is present thereat.
- (2) If a Clearing House (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it think fit to act as its representatives at any meeting of the Company or at any meeting of any class of Members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Bye-law shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.
- (3) Any reference in these Bye-laws to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Bye-law.”
- (d) by deleting the word “special” and replacing therewith the word “ordinary” in Bye-law 86(4);

NOTICE OF ANNUAL GENERAL MEETING

- (e) by deleting the existing Bye-law 88 in its entirety and substituting the following bye-law 88 therefor:

“88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election, and also a Notice signed by the person to be proposed of his willingness to be elected, shall have been lodged at the head office or at the Registration Office provided that the minimum length of the period, during which such Notices may be given, shall be at least seven (7) days. The period for lodgment of such Notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (f) by deleting the existing Bye-law 103 in its entirety and substituting the following bye-law 103 therefor:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries (as defined by the rules, where applicable, of any Designated Stock Exchange);
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

NOTICE OF ANNUAL GENERAL MEETING

- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associate(s) is derived); or
 - (vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associate is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

NOTICE OF ANNUAL GENERAL MEETING

- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or that of an associate of a director or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.”

By Order of the Board
Fong Ho Yan
Company Secretary

Hong Kong, 8th July, 2004

Head office and principal place of business:

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

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxy to attend and, in the event of the poll and, subject to the provisions of the bye-laws of the Company, vote on his behalf. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you wish.
3. The register of members of the Company will be closed from Wednesday, 18th August, 2004 to Friday, 20th August, 2004, both dates inclusive, during which period no transfer of shares can be registered.