

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



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 0304)

CONTINUING CONNECTED TRANSACTIONS PURCHASES OF TIMEPIECE MOVEMENTS AND THE CALL OPTION AGREEMENT

THE AGREEMENT

On 9 May 2007, Wealthy Group and Swissebauches entered into the Agreement, pursuant to which Swissebauches appointed Wealthy Group as its sole and exclusive distributor of timepiece movements manufactured by Swissebauches (except for existing clients of Swissebauches in Germany, France and Switzerland as set out in the Agreement) for an initial term for three years from the date of the Agreement. Swissebauches is obligated to supply, while Wealthy Group has the right but not the obligation, to purchase the timepiece movements.

As Swissebauches is a well established timepiece movements manufacturer, the Directors are of the view that it is beneficial for the Group to anchor a stable source of high quality and low price supplier of timepiece movements, while to maintain a flexibility to purchase such timepiece movements according to the Group's sales plan and needs.

The Directors consider that the terms of the Agreement are on normal commercial terms and the terms of which are fair and reasonable and the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

As at the date of the Agreement, Swissebauches was a third party independent of the Group and its connected persons. On 12 September 2007, A-1 Business, of which the Controlling Shareholder being its sole beneficial owner, and the Vendor entered into of the Acquisition Agreement pursuant to which A-1 Business has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, among other things, the entire interest and share capital in the Target Companies, one of which being Swissebauches. Swissebauches will become a connected person of the Group immediately upon the completion of the Acquisition Agreement, the transactions contemplated under the Agreement will constitute continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules.

Under Rule 14A.41 of the Listing Rules, in the event that the Group has entered into an agreement involving continuing transactions and such transactions subsequently become connected transactions of the Group, the Group must comply with all applicable reporting and disclosure requirements of Chapter 14A of the Listing Rules in respect of all such continuing connected transactions. Upon any variation or renewal of the agreement, the Group must comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

Based on the above and the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules in respect of the Annual Caps exceed 2.5% on an annual basis and the Annual Caps are higher than HK\$10,000,000, the Continuing Connected Transactions constitute non-exempted continuing connected transactions of the Company under the Listing Rules but is only subject to the reporting and disclosure requirements.

THE CALL OPTION AGREEMENT

On 12 September 2007, the Controlling Shareholder and PM Production, an indirect wholly owned subsidiary of the Company, entered into the Call Option Agreement pursuant to which the Controlling Shareholder unconditionally granted an irrevocable and exclusive call option to PM Production at HK\$1.00 whereby the Controlling Shareholder shall transfer to PM Production the Call Shares it holds upon the exercise of the Call Option by PM Production. PM Production or its designee shall be entitled but not obligated to exercise, at any time (the timing is entirely at the discretion of PM Production), the Call Option. The Call Option has no expiry date.

Since the exercise of the Call Option is at the discretion of the Company, pursuant to Rules 14.75(1) and 14A.70 of the Listing Rules, the applicable percentage ratios in respect of the premium on the acquisition of the Call Option represents less than 0.1% for the Company. The Call Option, therefore, will be a de minimis transaction exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

THE AGREEMENT

Date	9 May 2007
Parties	Wealthy Group, an indirect wholly owned subsidiary of the Company, as distributor and Swissebauches as manufacturer
Subject and term:	Swissebauches appointed Wealthy Group as its sole and exclusive distributor of timepiece movements manufactured by Swissebauches (except for existing clients of Swissebauches in Germany, France and Switzerland as set out in the Agreement) for an initial term for three years from the date of the Agreement (i.e. ending on 8 May 2010), renewable, subject to certain conditions, for another three years subsequent to the expiry of the initial term. Swissebauches is obligated to supply, while Wealthy Group has the right but not the obligation, to purchase the timepiece movements manufactured by Swissebauches.
Selling prices:	The selling prices of the timepiece movements shall be based on the fixed prices as set out in the Agreement and ranges from HK\$1.9 to HK\$8.0 per unit, inclusive of any applicable taxes and all charges for packaging, packing, shipping, carriage, insurance, delivery, duties and levies. The selling prices shall be subject to an increment for not more than 10% annually, starting from 1 May 2008, provided that there shall not be any adverse market condition.

ANNUAL CAPS

The Annual Caps for each of the three financial years ending 31 March 2010 will not exceed HK\$105 million, HK\$204 million and HK\$225 million respectively.

The Annual Caps are determined as to:

- (i) the selling prices of the timepiece movements as set out in the Agreement;
- (ii) the potential increase in the selling price of the timepiece movements of not more than 10% per annum;
- (iii) the projected units of timepiece movements to be purchased from Swissebauches by Wealthy Group for each of the three years ending 31 March 2010; and
- (iv) 10% buffer in case of any contingency.

Since the Agreement was entered into in May 2007 and the quantity of the timepiece movements supplied by Swissebauches during the first few months of the term of the Agreement was small, the Annual Cap for the financial year ended 31 March 2009 increased substantially when compare with that of financial year ended 31 March 2008.

INFORMATION ON SWISSEBAUCHES

Established in 1981, Swissebauches is principally engaged in mass production of timepiece movements (quartz analogue, digital and ana-digital) in Swissebauches brand and electronic product.

Swissebauches' thoroughly professional array of automatic and semi-automatic machines and its in-house departments for engineering and customer service, etc. allow it to offer a full range of products and services to its customers. Currently, about 95% of its products are sold to its long-established clientele in Europe, North America and Far East, while the remaining 5% are sold in its newly developed market in the PRC.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is a vertically integrated global timepiece company with manufacturing facilities located in the PRC, Hong Kong and Switzerland. The Company is a global leader in its core mass-market and mid-market timepiece product segments. Core markets are in the PRC, America, Europe and (non-PRC) Asia. The Company is the leading distributor and retailer of international mid-range fashion brands in Hong Kong and the PRC.

As Swissebauches is a well established timepiece movements manufacturer, the Directors are of the view that it is beneficial for the Group to anchor a stable source of high quality and low price supplier of timepiece movements, while to maintain a flexibility to purchase such timepiece movements according to the Group's sales plan and needs.

The Directors consider that the terms of the Agreement are on normal commercial terms and the terms of which are fair and reasonable and the entering into of the Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of the Agreement, Swissebauches was an independent third party of the Group and its connected persons. On 12 September 2007, A-1 Business and the Vendor entered into the Acquisition Agreement, pursuant to which A-1 Business has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, among other things, the entire interest and share capital in the Target Companies. A-1 Business is beneficially owned by the Controlling Shareholder and is principally engaged in investment holdings and is inactive since incorporation (except for the entering into of the Acquisition Agreement).

Up to the best of the knowledge and information and after making reasonable enquiries, the directors of the Controlling Shareholder confirm to the Company that STM Holding SA and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Swissebauches will become a connected person of the Group immediately upon the completion of the Acquisition Agreement, the transactions contemplated under the Agreement will constitute continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules. The directors of the Controlling Shareholder expect that the Acquisition Agreement shall be completed in or about mid-September 2007.

Under Rule 14A.41 of the Listing Rules, in the event that the Group has entered into an agreement involving continuing transactions and such transactions subsequently become connected transactions of the Group, the Group must comply with all applicable reporting and disclosure requirements of Chapter 14A of the Listing Rules in respect of all such continuing connected transactions. Upon any variation or renewal of the agreement, the Group must comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

Based on the above and the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules in respect of the Annual Caps exceed 2.5% on an annual basis and the Annual Caps are higher than HK\$10,000,000, the Continuing Connected Transactions constitute non-exempted continuing connected transactions of the Company under the Listing Rules and is only subject to the reporting and disclosure requirements.

THE CALL OPTION AGREEMENT

On 12 September 2007, the Controlling Shareholder and PM Production, an indirect wholly owned subsidiary of the Company, entered into the Call Option Agreement pursuant to which the Controlling Shareholder unconditionally granted an irrevocable and exclusive call option to PM Production whereby the Controlling Shareholder shall transfer to PM Production the Call Shares it holds upon the exercise of the Call Option by PM Production. PM Production or its designee shall be entitled but not obligated to exercise, at any time (the timing is entirely at the discretion of PM Production), the Call Option. The Call Option has no expiry date.

In consideration for the granting of the Call Option, PM Production is required to pay to the Controlling Shareholder a consideration of HK\$1.00.

Upon the exercise of the Call Option, PM Production shall pay the exercise price (the "**Share Transfer Price**") to the Controlling Shareholder. The Share Transfer Price is arrived at after arm's length negotiations between PM Production and the Controlling Shareholder and will be equal to the NAV as at the date of exercise of the Call Option by PM Production or the aggregate of the following sums, whichever shall be the lower:

- (i) the total principal amount of consideration paid by A-1 Business to the Vendor pursuant to the Acquisition Agreement;
- (ii) the principal amount of all sums of liabilities taken up by A-1 Business pursuant to the Acquisition Agreement; and

- (iii) the amount of all shareholders' loans advanced by the Controlling Shareholder to A-1 Business up to the date of transfer of the Call Shares from the Controlling Shareholder to PM Production and interest incurred by the Controlling Shareholder if any of the shareholders' loans so paid by the Controlling Shareholder to A-1 Business were financed by borrowed money.

If PM Production decides to purchase only a portion of the Call Shares, the Share Transfer Price for purchasing the Call Shares each time shall be determined on a pro rata basis based on the proposed number of Call Shares to be purchased over the total number of Call Shares.

A-1 Business undertakes that, among other things, while the Call Option Agreement is in effect, without obtaining in advance the written consent of PM Production, A-1 Business shall not proceed to dispose in any manner of all or a portion of the Call Shares or to involve any of the Call Shares in any trust, custody, pledge or third party encumbrance.

Soprod's core business consists of assembling mechanical movements and developing additional modules giving further functionalities to mechanical movements, while SFT offers high quality quartz movements to worldclass customers and manufactures electronic pillboxes aimed to ensure that patients comply with their treatment.

Given that the Target Companies have incurred unaudited combined losses of CHF28,865,258 (equivalent to approximately HK\$186,758,219) and CHF11,675,957 (equivalent to approximately HK\$75,543,442) for each of the two financial years ended 31 December 2006 and the unaudited combined net liabilities value of the Target Companies amount to CHF11,649,301 (equivalent to approximately HK\$75,370,977) as at 31 December 2006, the Company considers that it would not a good timing for directly acquiring the Target Companies now as it will exert an adverse impact on the profitability of the Group.

The Directors are of the view that the holding of the Target Companies by the Controlling Shareholder with the grant of the Call Option to the Company by the Controlling Shareholder is beneficial to the Company since the Company can enjoy the exclusive rights, but not an obligation, to acquire the Target Companies, which are considered having good sales networks and high quality technological know-how, at a later stage.

In addition, pursuant to the Call Option, the Company can at any time exercise its rights under the Call Option to acquire the Target Companies from the Controlling Shareholder at the Share Transfer Price as and when the financial performance of the Target Companies improve and/ or when the Directors think fit, which is in the interest of the Company.

Since the exercise of the Call Option is at the discretion of the Company, pursuant to Rules 14.75(1) and 14A.70 of the Listing Rules, the applicable percentage ratios in respect of the premium on the acquisition of the Call Option represents less than 0.1% for the Company. The Call Option, therefore, will be a de minimis transaction exempted from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Further announcement will be made as and when appropriate and in compliance with relevant rules of the Listing Rules upon the exercise of the Call Option.

DEFINITIONS

“Acquisition Agreement”	the stock purchase agreement dated 12 September 2007 between the Vendor and A-1 Business relating to the sale and purchase of the entire interest and share capital of the Target Companies
“Agreement”	the agreement entered into between Wealthy Group and Swissebauches on 9 May 2007, pursuant to which Swissebauches appoints Wealthy Group as its sole and exclusive distributor of timepiece movements manufactured by Swissebauches (except for existing clients of Swissebauches in Germany, France and Switzerland as set out in the Agreement) for an initial term for three years, renewable, subject to certain conditions, for another three years subsequent to the expiry of the initial term
“Annual Caps”	The maximum annual amount payable by Wealthy Group to Swissebauches for the purchase of timepiece movements under the Agreement for each of the three years ending 31 March 2010
“A-1 Business”	A-1 Business Limited, a company incorporated in the British Virgin Islands with limited liability and its entire issued share capital is held by the Controlling Shareholder
“Board”	the board of Directors
“Call Option”	means the grant by the Controlling Shareholder to PM Production of the irrevocable and exclusive call option pursuant to the Call Option Agreement
“Call Option Agreement”	the agreement entered into between the Controlling Shareholder, PM Production and A-1 Business on 12 September 2007 pursuant to which the Controlling Shareholder unconditionally granted an irrevocable and exclusive call option to PM Production whereby the Controlling Shareholder shall transfer to PM Production the Call Shares it holds upon the exercise of the Call Option by PM Production
“Call Shares”	means the entire issued share(s) of A-1 Business that the Controlling Shareholder for the time being and from time to time hold and shall transfer to PM Production or its designee upon the exercise of the Call Option by PM Production pursuant to the Call Option Agreement
“CHF”	Swiss Franc, the lawful currency of Switzerland

“Company”	Peace Mark (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares in which are listed on the Main Board of the Stock Exchange
“connected persons”	has the same meaning as defined in the Listing Rules
“Continuing Connected Transactions”	the purchases by Wealthy Group of the timepiece movements manufactured by Swissebauches pursuant to the Agreement
“Controlling Shareholder”	A-One Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 50.45% by Mr. Chau Cham Wong, Patrick and as to 49.55% by Mr. Leung Yung, each of them being an executive Director
“Director(s)”	the director(s) of the Company
“GAAP”	generally accepted accounting principles, standards and practices in Hong Kong
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region, the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NAV”	net assets value of A-1 Business in proportion to the percentage of shareholding of the Controlling Shareholder as determined by PM Production according to the GAAP for the time being in force
“PM Production”	Peace Mark Production Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“SFT”	SFT, Société Holding de Finances et de Technologie SA, Sion, a company incorporated in Switzerland
“Shareholders”	holders of shares in the Company
“Soprod”	Soprod SA, Les Reussilles/Tramelan (BE), a company incorporated in Switzerland
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Swissebauches”	Swissebauches Limited, a company incorporated in Hong Kong
“Target Companies”	collectively, (i) SFT; (ii) Soprod; and (iii) Swissebauches
“Vendor”	STM Holding SA, a company incorporated in Switzerland
“Wealthy Group”	Wealthy Group (China) Limited, a company incorporated under the laws of Hong Kong and an indirect wholly owned subsidiary of the Company
“%”	per cent.

For illustration purpose only, unless otherwise specified, an exchange rate of CFH 1 to HK\$6.47 has been adopted in this announcement.

On behalf of the Board
Peace Mark (Holdings) Limited
Chau Cham Wong, Patrick
Chairman

Hong Kong, 12 September 2007

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