Europe

2004 marked an important year for the Group's development in Europe. The Group's first luxury Swiss brand Milus experienced further growth by extending its presence within key markets around the world in Germany, Holland, Spain, Russia and Hong Kong. The new series launched during Basel Fair 2004 was well received and the company expects to open up new key markets during Basel Fair 2005 along with other newly developed product lines. New testimonials were also appointed from Russia, Spain, Germany and Hong Kong in order to create further brand awareness within their respective regions.

Furthermore, in line with the Group's intentions to expand into the upscale customer group, a representative office was also established in Paris to strategically identify potential partners and customers from around the European Union and eastern block aiming to exploit new markets and customers for the Group.

FUTURE PROSPECTS AND OUTLOOK

The components production facility which was newly established and in production since August 2004 has demonstrated that we are moving towards manufacturing components for the high-end customers. Our aim is to achieve a balanced mix of production for high-end, mid-market and mass-market products. Peace Mark will further position itself and aims at capturing the benefits from the trend of major companies and retailers buying directly from the manufacturers and consolidating the supply side for better supply chain management.

Regarding China, Peace Mark continues in talk with several fashion brands for sales rights and also, with some of them, for exploring the opportunities in manufacturing. Business plans have been formulated to strengthen the channel name "TimeZone" and additional points of sale and department stores will be added in the coming few months. We shall work closely with the brands we are currently selling in China to devise marketing plans and, together with the expectation that we as their partners in China, could assist them to achieve their country sales target. We are proactive in refining our information system to provide up-to-date marketing information as benchmark for the brand operators to make inventory replenishment decision. On the cost front, integration of support and logistics services of the various distribution operations acquired is underway and we will remove the overlapping of certain resources.

In general, with all these development plans in the pipeline, the management is optimistic about the business future of the Company.

Moving forward, Peace Mark will continue to build a greater global presence and leverage the balance sheet further to pursue new business opportunities, in particular in the China market. With the enlarged production capabilities, solid brand portfolio and the established downstream business setup, the Group is positioned to capture profit margin in each level of the value chain to achieve better overall margins. The management of Peace Mark will closely monitor the integration process of its newly acquired businesses and will continue to broaden the levels of synergies amongst its subsidiaries and will also strive to ensure that shareholders' values are maximized.

The management team is optimistic in the development plans as mentioned above and believes that these plans will materialize in the years to come and will reward its long-term investors and shareholders.

FINANCIAL

This period, the turnover was improved by 40.3% up to HK$860.2 million. The increase in turnover was mainly a combined result of successful execution of the US direct sale business model as well as the further contribution from the distribution and retail of the China business. The gross profit margin was improved to 25.1%. The EBITDA reached a level of HK$111.3 million representing a margin percentage of 12.9%. The EBIT level and margin percentage were HK$75.2 million and 8.7% respectively. The net profit recorded was HK$57.9 million representing a margin percentage of 6.7%. Geographically, the breakdown of turnover was approximately; The Americas of 49%, Asia (ex-China) of 22%, Europe of 15% and China of 14%.