

The Directors are pleased to present their report and the audited consolidated financial statements of Peace Mark (Holdings) Limited (the "Company") and its subsidiaries (together with the Company hereinafter referred to as the "Group") for the year ended 31st March, 2005.

Principal Activities

The Company is an investment holding company. Details of the principal activities of the Group's principal subsidiaries are set out in note 17 to the financial statements.

Segment Information

An analysis of the Group's segment information is set out in note 4 to the financial statements.

Results and Appropriation

Details of the results of the Group for the year ended 31st March, 2005 are set out in the consolidated income statement on page 13 of this report and the accompanying notes to the financial statements.

The directors declared an interim dividend of HK2.2 cents per share, totaling HK\$18,574,000, which was paid on 31st December, 2004.

The directors recommended the payment of a final dividend of HK2.8 cents per share, totaling approximately HK\$24,532,000, which is payable on 12th September, 2005.

Five-Year Financial Summary

A summary of the results of the Group for the last five financial years and the assets and liabilities of the Group as at the end of the last five financial years is set out on page 56 of this report.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 17 of this report.

Movements in the reserves of the Company during the year are set out in note 29 to the financial statements.

Distributable Reserves

As at 31st March, 2005, the reserves of the Company available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$452.2 million. In addition, the share premium of the Company, in the amount of approximately HK\$339.5 million, may be distributed in the form of fully paid bonus shares.

Donations

During the year, the Group made charitable and other donations totaling approximately HK\$447,000.

Fixed Assets

Details of the movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

Borrowings

Details of the Group's and the Company's borrowings and obligations under finance leases are set out in note 25 and note 26 to the financial statements respectively.

Retirement Scheme Benefits

Details of retirement scheme benefits are set out in note 34 to the financial statements.

Post Balance Sheet Event

Details of the post balance sheet event of the Group which took place subsequent to 31st March, 2005 and up to the date of the report are set out in note 39 to the financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chau Cham Wong, Patrick (*Chairman*)
Mr. Leung Yung (*Chief Executive Officer*)
Mr. Tsang Kwong Chiu, Kevin (*Chief Financial Officer*)
Mr. Man Kwok Keung
Mr. Cheng Kwan Ling

Independent Non-Executive Directors

Ms. Susan So
Mr. Kwok Ping Ki, Albert
Mr. Tang Yat Kan
Mr. Wong Yee Sui, Andrew
Mr. Mak Siu Wing, Clifford
(appointed on 17th December 2004)

In accordance with article 86(2) of the Company's Bye-laws, Mr. Mak Siu Wing, Clifford, who was appointed by the Board of Directors, shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election. Pursuant to articles 87(1) and 87(2) of the Company's Bye-laws, Mr. Cheng Kwan Ling and Ms. Susan So shall retire and offer themselves for re-election at the forthcoming annual general meeting.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and of the senior management of the Group are set out on pages 35 to 42 of the annual report.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 24th August, 2005 to Friday, 26th August, 2005, 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 at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 23rd August, 2005.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Group, which is

not terminable by the Group within one year without payment of compensation, other than normal statutory compensations.

Directors' Interests in Contracts

No contract of significance to which the Company nor any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Interests in Securities

As at 31st March, 2005, the interests of the directors of the Company and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified

to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total interests	Percentage of total issued share capital
Chau Cham Wong, Patrick	65,631,077	–	296,840,459	28,416,795 <i>(Note 1)</i>	390,888,331	45.03
Leung Yung	–	–	325,257,254	65,631,077 <i>(Note 2)</i>	390,888,331	45.03
Tsang Kwong Chiu, Kevin	98,353	–	–	–	98,353	0.01
Cheng Kwan Ling	293,904	–	–	–	293,904	0.03
Tang Yat Kan	500,000	240,000 <i>(Note 3)</i>	–	–	740,000	0.08

Notes:

1. A placing and subscription arrangement was completed in April 2004 (the "Placing and Top Up") whereby Chau Cham Wong, Patrick and other entities controlled by him and Leung Yung, namely, A-One Investments Limited and United Success Enterprises Limited (the "Vendors") were parties acting in concert for the purposes of section 317 of the SFO. Chau Cham Wong, Patrick was deemed to be interested in 28,416,795 shares representing the deemed interests of the other Vendor, United Success Enterprises Limited pursuant to section 317 of the SFO. As a result of the foregoing, Chau Cham Wong, Patrick was deemed to be interested in a total of 390,888,331 shares of the Company.

2. Leung Yung has 49.55% voting control of A-One Investments Limited and 100% voting control of United Success Enterprises Limited, both of which are Vendors acting in concert with him in the Placing and Top Up. He was deemed to be interested in 65,631,077 shares of the Company pursuant to section 317 of the SFO. Consequently, Leung Yung was deemed to be interested in a total of 390,888,331 shares of the Company.

3. Tang Yat Kan was deemed to be interested in 240,000 shares of the Company as these shares are held by his spouse (who was not a director of the Company).

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company being held by the Directors in trust for the Company, as at 31st March, 2005, none of the directors of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and during the year ended 31st March, 2005, none of the directors of the Company, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right by any of them, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

Share options are granted to the Directors, employees and other eligible persons under the Share Option Scheme of the Company (the "Scheme") adopted on 24th January, 2002. Details of the Scheme are set out in note 30 to the financial statements.

Share Incentive Scheme

On 13th December, 2004, 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\$50 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\$50 million.

Directors' Rights to Acquire Shares or Debentures

Apart from the share option scheme as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements that enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Interests in the Company

Name of substantial shareholder	Number of Shares in which interested	Percentage of issued share capital
United Success Enterprises Limited ("United Success")	390,888,331 <i>(Note 1)</i>	45.03
A-One Investments Limited ("A-ONE")	390,888,331 <i>(Note 2)</i>	45.03
Arisaig Greater China Fund Limited ("Arisaig")	87,240,119 <i>(Note 3)</i>	10.05
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	87,240,119 <i>(Note 4)</i>	10.05
Cooper Lindsay William Ernest ("Mr Cooper")	87,240,119 <i>(Note 5)</i>	10.05

Notes:

1. United Success was wholly-owned by Leung Yung. United Success was one of the parties acting in concert under the Placing and Top Up, and so was deemed to be interested in 390,888,331 shares of the Company pursuant to section 317 of the SFO.

Substantial Shareholders

As at 31st March, 2005, the following persons (other than directors of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

2. Chau Cham Wong, Patrick controlled 50.45% and Leung Yung controlled 49.55% of A-ONE respectively. A-ONE was one of the parties acting in concert under the Placing and Top Up, and was deemed to be interested in 390,888,331 shares of the Company pursuant to section 317 of the SFO.

3. This represented a direct holding by Arisaig of the shares of the Company.
4. Arisaig Mauritius was the investment manager of Arisaig. This represented an interest in and the shares arising by virtue of Arisaig Mauritius acting as discretionary investment manager of Arisaig pursuant to the SFO.
5. Mr Cooper was deemed interested through his indirect 33.33% beneficial interest in Arisaig Mauritius.

Save as disclosed above, the Company has not been notified of any other person (other than directors of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 31st March, 2005.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of the shares with not less than 25% of the total issued shares of the Company as required under the Listing Rules.

Directors' and Officers' Liability Insurance

Directors' and officers' liability insurance was maintained during the year.

Purchase, Sale or Redemption of Shares

During the year, the Company repurchased its own shares through the Stock Exchange as follows and all these shares were duly cancelled:

Month of purchase	Number of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
August 2004	800,000	1.27	1.24	1,010

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

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Disclosure under Rule 13.18 of Chapter 13 of the Listing Rules

In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 22nd April, 2005 relating to a term loan and revolving credit facility in an aggregate amount of HK\$630,000,000 (the "Facility") made available to the Company (the "Facility Agreement").

The Facility Agreement contains certain events of default including:

- (a) if Mr. Chau Cham Wong, Patrick ceases at any time during the subsistence of the Facility Agreement to be the Chairman of the Company and the Group; and
- (b) if Mr. Chau Cham Wong, Patrick and Mr. Leung Yung collectively are no longer the single largest shareholder of the Company, holding beneficially (directly or indirectly) more than 35% of the voting share capital of the Company; or no longer control the board of directors of the Company.

Upon the occurrence of an event of default under the Facility Agreement and so long as it is continuing, ABN AMRO Bank N.V. as agent may, inter alia, upon instructions from the majority lenders declare that all or part of the Facility, together with accrued interest, and all other amounts accrued under the finance documents as referred to under the Facility Agreement be immediately due and payable.

Connected Transactions

The details of the transactions made during the year were set out in note 13 to the financial statements according to the Listing Rules.

Major Customers and Suppliers

For the year ended 31st March, 2005, the five largest ultimate customers to whom the goods were exported by the Group together accounted for not more than 40% of the Group's turnover for which the largest ultimate customer accounting for not more than 10%, and the five largest suppliers of the Group accounted for not more than 80% of the Group's purchases for which the largest supplier accounting for approximately 20%.

Save as disclosed above, none of the Directors, their associates nor any shareholder who, to the knowledge of the Directors own more than 5% of the Company's share capital, had an interest in any of the five largest suppliers or customers.

Model Code For Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors of listed companies on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), and have made enquiries with the directors that they have complied with the Model Code.

Corporate Governance

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for the year ended 31st March, 2005, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that independent non-executive directors are not appointed for a specific term but they are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Bye-laws. In the opinion of the Directors, this meets the same objective as the Code of Best Practice.

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.

Audit Committee

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed on internal controls and financial reporting matters including a review of the audited financial statements for the year ended 31st March, 2005. The audit committee comprises four independent non-executive directors of the Company, Mr. Wong Yee Sui, Andrew, Mr. Mak Siu Wing, Clifford, Mr. Kwok Ping Ki, Albert and Mr. Tang Yat Kan.

Auditors

The financial statements for the year ended 31st March, 2005 were audited by Messrs. Chu and Chu, Certified Public Accountants. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to reappoint them as auditors.

On behalf of the Board



Chau Cham Wong, Patrick

Chairman

Hong Kong
13th July, 2005