

MANAGEMENT DISCUSSION AND ANALYSIS

Peace Mark turned in an outstanding result for the six-month period ended 30 September, 2006, the first half of financial year 2007.

Group turnover for the first half of 2007 was HK\$1,292.6 million, an increase of HK\$293.6 million, up 29.4%, compared to the first half of 2006. This increase was primarily due to higher revenue from the luxury segment business in China.

China revenue was approximately 44% of our total revenue in this period. The mainland continued to be our fastest growing market, increasing 117.1% compared to the first half of 2006 and reflecting the successful execution of our China strategy. We expect to see continuous growth in the years to come.

Review of Operations

Overall EBITDA margin for the first half of 2007 was 14.4%, an increase of 31.3%, compared to the same period in 2006. Overall EBITDA margin percentage increased 0.9 percentage point during the period from 13.5% in the same period of 2006. The overall margin percentage was positively affected by China business, which commands a higher EBITDA margin percentage.

China Luxury Market

In 2007, China revenue accounted for the largest percentage of our total revenue and increased by HK\$305.8 million to HK\$567.1 million, in which the luxury segment contributed HK\$125.2 million, representing 10% of group turnover.

Since store roll-out start up costs are significant in the luxury watch industry, the margin has been impacted by depreciation and pre-operating expenses, but the operating profit margin will be improving once the stores operate in full swing. The EBITDA margin for this segment was 9.6%.

Certain second-tier provinces and cities are emerging as new markets characterized by high disposable income, conspicuous consumption, advertising explosion, as well as new store openings. The China market size will continue to enlarge with more second- to third-tier cities springing up for luxury good consumption. Despite the implementation of new consumption tax on luxury watches in April 2006, the direct import of Swiss watch posted an increase of 24% for the period as compared to same period last year with no sign of slowing growth.

The global trend of brands controlling the distribution themselves leads Peace Mark to focus on developing the retail network instead of serving as a distributor in this segment. The stores operated by Peace Mark are geared towards offering a more entertaining shopping experience and higher level of services.

Public Recognition and Awards

ASIAMONEY

Asia's Best Managed Companies 2006

- Mid-Cap Corporate of the Year, Hong Kong

SUPERBRANDS

- Business Superbrands 2006

IR MAGAZINE

Highly Commended (Second Runner-up)

- Best Investor Relations Officer
- Most Progress in Investor Relations

Honourable Mention

- Best Investor Relations by a Chairman or a CEO (Hong Kong Company)
- Grand Prix for Best Overall Investor Relations (Small & Mid Cap)

ECONOMIC DIGEST

- Outstanding Enterprise in China

CAPITAL ENTREPRENEUR

Hong Kong Distinguished Enterprise 2006

- The Best Business Development Management Award

MASTERING DESIGN FOR BUSINESS EXCELLENCE

- The Excellence Designer
Mr. Alfred Chan and Mr. Dragon Har

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Since the Group started entering into the China luxury watch market in the middle of 2005, within the space of just one and half years, we have already established a sizable network with 38 points-of-sale.

The Group has adopted a multi-pronged strategy in expanding its network in China. For super-luxury segment, the Group operates two retail formats either in the form of multi-brands store under the name Tourneau or mono-brand boutiques under the name of the watch brands. The Tourneau stores have been proven to be well-placed in this segment and successfully positioned itself to capture the high-end luxury market. Peace Mark also partners with brands to operate brand boutiques and image shops. In what is a mainstream trend in the luxury retail landscape, these boutiques enable the brands to showcase their entire collection raising the brand communication and awareness to the market. Supplementary to the core stores roll-out, we also team with domestic JV partners to operate stores in selected provinces and cities. Given the widespread presence of customers throughout China, setting up joint ventures in various provinces and cities helps speed up the expansion plan. The Group has established significant presence in Shanghai, Ningbo, Shenzhen, Chongqing and Chengdu.

Middle-Range Market

In the mid-range segment, we reinforced our market leadership during the period with sales growth of 69.1% to HK\$441.8 million. The EBITDA margin for this segment was 19%.

We also made significant progress on brand stable and network expansion in the Greater Region. Over the years, fashion brands have been flooding into the China market and are constantly looking for distribution channels for fashion accessories. At Peace Mark, we are seizing the opportunities this trend offers to grow the business. At present, Peace Mark possesses a nationwide network for fashion watches and continues to expand further this platform for selling a range of branded products. At the end of this interim period, Peace Mark has over 700 points of sales set up across the country selling over 80 brands. There are 35 regional offices with an established information system supporting the operation of the distribution and retail network. Secure brand relationship, operational scale and experienced management help fend off competition in this segment.

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Same-POS sales has performed strongly in the first half of 2007 resulting from increasing brand awareness and higher disposable income of the burgeoning middle class in China. The management believe that with major shopping seasons falling in the second half of 2007 and with a larger retail network, Peace Mark will post a better second half for this business segment.

Strategically, Peace Mark through its TimeZone network will continue to build the distribution and retail network in Hong Kong and Taiwan. Hong Kong's retail operation, to a large extent, serves a strategic presence but will be less likely a major profit contributor. Taiwan, given the slowdown of the retail market in general, provides opportunities for TimeZone to secure certain leases in good locations with reasonable rental. For this interim period, the turnover of Hong Kong and Taiwan together accounted for less than 2% of that of the Group. At present, TimeZone is operating 18 and 10 points of sale in Hong Kong and Taiwan, respectively.

Manufacturing and US Distribution

The manufacturing gross output was HK\$748.4 million while the net turnover after accounting for inter-segment elimination was HK\$580.9 million, accounting 45% of the group turnover. The EBITDA margin was 9.3%. An increase of operating expenses has negated the improvement in gross profit margin.

The Group has maintained the current level of production capacity with certain upgrades of its 8 production facilities in China, Hong Kong and Switzerland. The strategy continues to be moving towards producing high margin products with increasing outsourcing of low margin manufacturing business. For the China market, in addition to distribution and retail business, Peace Mark has been offering design and manufacturing supports to fashion brands in a full range of services along the value-added chain. The overall effect has been a better margin.

Disintermediation between manufacturers and retailers that cuts out the middleman in transactions has been happening, though at a pace not as fast as expected. Peace Mark with its own US distribution arm has continued to benefit from the trend.

Nevertheless, the stagnant demand of the US economy has made buyers more cautious in order placing in the near term. It is believed that the time-keeping nature of mass market watches which is a kind of necessity can be the demand driver amid a general downturn of consumer spending.

Milus

Other than excelling in the existing markets, Milus has penetrated into new markets like Shanghai, Hong Kong, Bangkok, Bahrain and Qatar. Marking a milestone in business, Milus made an official entry to the US market at the beginning of October 2006 through Tourneau, a well-known luxury chain with over 45 points of sale, which had introduced the Milus collection at its major sales points.

We are pleased that several highly respected publications and organizations including AsiaMoney, Business Superbrands and IR Magazine have selected us on the lists of awards under various categories.

Outlook

The outlook remains very positive. We are well positioned to continue creating value through strategic development. In the rest of 2007, we expect Peace Mark to achieve above-market sales growth and to realize certain merger and acquisition opportunities to speed up the expansion plan in China. The management believe that China will continue to be the engine of growth for the Group in the years to come.

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Financial Review

Liquidity and Financial Resources

The Group financial position is sound with stable cashflow. As of 30 September, 2006, the Group's total shareholders' equity amounted to HK\$1,645.1 million, representing an increase of 5.4% compared with 31 March, 2006. As of 30 September, 2006, the Group's cash and cash equivalents totaled HK\$1,217.6 million (31 March, 2006: HK\$1,185.8 million) and the borrowings were stood at HK\$1,249.3 million (31 March, 2006: HK\$1,158.6 million). The net debt, expressed as at percentage of total net borrowings to equity attributable to shareholders, was 1.9%.

The Group's net current assets were HK\$1,667.4 million (31 March, 2006: HK\$1,485.0 million).

In view of the available bank loans and strong operational cash flows, the management is confident that the Group will have adequate resources for current business development and capital expenditure requirements.

Capital Expenditures

Capital expenditure for the period was HK\$108 million. This is for the refurbishment of existing point of sales and new stores.

Exchange Rate Exposure

All the Group's assets, liabilities and transactions are principally dominated either in Hong Kong dollar, US dollar and Renminbi. As the fluctuation in the exchange rates among these currencies during the current period under review was property hedged, the Group believes that its exposure to exchange rate movement is limited.

Number of Employees and Remuneration Policy

As at 30 September, 2006, the Group had a total of approximately 5,000 employees worldwide.

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

Directors' Interests in Shares and Underlying Shares

As at 30 September, 2006, the interests or short positions 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 Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

The table below sets out the aggregate long positions in the shares and underlying shares of each director of the Company.

Name of director	Personal interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total	Percentage of issued total share capital
Chau Cham Wong, Patrick	65,631,077	298,660,459	28,416,795 (note 1)	–	392,708,331	39.56%
Leung Yung	–	327,077,254	65,631,077 (note 2)	–	392,708,331	39.56%
Tsang Kwong Chiu, Kevin	98,353	–	–	3,000,000 (note 3)	3,098,353	0.31%
Cheng Kwan Ling	443,904	–	–	750,000 (note 3)	1,193,904	0.12%
Man Kwok Keung	250,000	–	–	750,000 (note 3)	1,000,000	0.10%
Tang Yat Kan	125,000	–	–	375,000 (note 3)	500,000	0.05%
Kwok Ping Ki, Albert	125,000	–	–	375,000 (note 3)	500,000	0.05%
Mak Siu Wing, Clifford	–	–	–	500,000 (note 3)	500,000	0.05%
Wong Yee Sui, Andrew	–	–	–	500,000 (note 3)	500,000	0.05%
Susan So	–	–	–	500,000 (note 3)	500,000	0.05%

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Notes:

1. Mr. Chau Cham Wong, Patrick deemed to be interested in 28,416,795 shares for the purposes of section 317 of the SFO, representing the deemed interests in United Success Enterprises Limited (“United Success”) in respect of its holdings pursuant to a placing and subscription completed in April 2004 (the “Placing and Top Up”). As a result of the foregoing, Mr. Chau Cham Wong, Patrick was deemed to be interested in a total of 392,708,331 shares of the Company.
2. Mr. Leung Yung has 49.55% voting control of A-One Investments Limited and 100% voting control of United Success, 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 for the purposes of section 317 of the SFO. Consequently, Mr. Leung Yung was deemed to be interested in a total of 392,708,331 shares of the Company.
3. These interest represented the interest in underlying shares of the Company in respect of share options granted by the Company to these directors as beneficial owners.

· 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 30 September, 2006, 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), which were required to be notified to the
 · Company and 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.

Share Option Scheme

· The Company operates a share option scheme (the
 · “Scheme”) for the purpose of providing incentives
 · and rewards to eligible participants who contribute
 · to the success of the Group’s operations. Eligible
 · participants of the Scheme include any directors,
 · employees, consultants or professional advisors,
 · suppliers or customers, and authorized agents of the
 · Group. The Scheme became effective on 24 January
 · 2002 and, unless otherwise cancelled or amended,
 · will remain in force for 10 years from that date.

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Particulars of the share options outstanding during the period and as at 30 September, 2006 are as follows:

	Date of grant	Vesting Period (Note a)	As at 1 April, 2006	Number of share options		As at 30 September, 2006	Exercise price (Note b) HK\$	Price of Company's shares (Note c)	
				Granted during the period	Exercised during the period			At grant date of options HK\$	At exercise date of options HK\$
Director									
Mr. Tsang Kwong Chiu, Kevin	19/12/2005	19/6/2006 – 19/6/2010	3,000,000	–	–	3,000,000	2.175	2.175	–
Mr. Man Kwok Keung	19/12/2005	19/6/2006 – 19/6/2010	1,000,000	–	(250,000)	750,000	2.175	2.175	5.08
Mr. Cheng Kwan Ling	19/12/2005	19/6/2006 – 19/6/2010	1,000,000	–	(250,000)	750,000	2.175	2.175	4.10
Ms. Susan So	19/12/2005	19/6/2006 – 19/6/2010	500,000	–	–	500,000	2.175	2.175	–
Mr. Kwok Ping Ki, Albert	19/12/2005	19/6/2006 – 19/6/2010	500,000	–	(125,000)	375,000	2.175	2.175	3.91
Mr. Tang Yat Kan	19/12/2005	19/6/2006 – 19/6/2010	500,000	–	(125,000)	375,000	2.175	2.175	4.10
Mr. Wong Yee Sui, Andrew	19/12/2005	19/6/2006 – 19/6/2010	500,000	–	–	500,000	2.175	2.175	–
Mr. Mak Siu Wing, Clifford	19/12/2005	19/6/2006 – 19/6/2010	500,000	–	–	500,000	2.175	2.175	–
Employees in aggregate	19/12/2005	19/6/2006 – 19/6/2010	18,750,000	–	(2,145,000)	16,605,000	2.175	2.175	4.04
	1/9/2006	1/9/2007 – 31/8/2010	–	2,000,000	–	2,000,000	4.760	4.760	–
Others	19/12/2005	19/6/2006 – 19/6/2010	18,750,000	–	–	18,750,000	2.175	2.175	–
			45,000,000	2,000,000	(2,895,000)	44,105,000			

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Notes:

- (a) The options are exercisable progressively and the maximum percentage of the options which may be exercised is determined in stages as follows:

Percentage of options granted	
On or after 19 June 2006	25%
On or after 19 June 2007	another 25%
On or after 19 June 2008	another 25%
On or after 19 June 2009	another 25%

- (b) The exercise prices of the share options are subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.
- (c) The prices of the Company's shares disclosed as at the dates of the grant of the share options are the Stock Exchange closing prices on the trading days immediately prior to the dates of the grant of the options. The prices of the Company's shares disclosed as at the dates of the exercise of the share options are the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure category.
- (d) During the period, no options were cancelled or lapsed.

As at 30 September, 2006, the Company had 44,105,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 44,105,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$110,618,000.

These fair values were calculated using Binominal model. The valuation of fair values determination as at 19 December, 2005 and at 1 September, 2006 were carried out by Sallmanns (Far East) Limited. The inputs used in the model were as follows:

As at 19 December, 2005	
Closing share price at date of grant	HK\$2.175
Exercise price	HK\$2.175
Expected volatility (note a)	43.45%
Risk-free interest rate (note b)	4.16%
Expected annual dividend yield	3.42%
Expected life	4.5 years

As at 1 September, 2006	
Closing share price at date of grant	HK\$4.760
Exercise price	HK\$4.760
Expected volatility (note a)	41%
Risk-free interest rate (note b)	3.98%
Expected annual dividend yield	3%
Expected life	4 years

Notes:

- (a) Expected volatility was determined by using historical volatility of the price return of the ordinary shares of the Company.
- (b) The risk-free interest rate was based on the yield of Exchange Fund Note.

The estimated fair value of HK\$3,931,000 and 69,000 with respect to share options granted to directors, employees and other eligible persons on 19 December, 2005 and on 1 September, 2006, were charged to the income statement during the period.

The accounting policy adopted by the Group to account for the fair value of the Company's share options has been disclosed in the 2006 Annual Report of the Company.

Share Incentive Scheme

On 31 March, 2006, the Company adopted a share incentive scheme (the “Scheme”) which will enable selected eligible persons to purchase shares of the Company (the “Shares”) at a 5% discount to the market price. The selected eligible persons have the option of paying for their Shares in one lump sum, or by monthly installments. 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 installments

- will be able to dispose their Shares over a period of time commencing after one year and ending when they make their final installments payment.
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- The Group has obtained a loan in the amount up to HK\$150 million from a bank for the purpose of financing the operation of the Scheme. Shares to be purchased pursuant to the Scheme will be purchased on behalf of the eligible persons by the custodian. The custodian will hold the Shares on behalf of the eligible persons until they are permitted under the rules of the Scheme to dispose of their Shares.
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- The aggregate number of Shares to be offered under the Scheme and a share incentive scheme adopted by the Company on 13 December, 2004 shall at all times be less
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- than 5% of the issued share capital of the Company from time to time and the aggregate acquisition cost of all Shares purchased under the Scheme shall not exceed HK\$150 million.
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Substantial Shareholders’ Interests

- As at 30 September, 2006, the following persons (other than the directors of the Company) were substantial shareholders of the Company or had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:
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Name of shareholder	Note	Total	Percentage of issued share capital
United Success Enterprises Limited (“United Success”)	a	392,708,331	39.56%
A-ONE INVESTMENTS LIMITED (“A-ONE”)	b	392,708,331	39.56%
Arisaig Greater China Fund (“Arisaig”)	c	62,640,119	6.33%
Arisaig Partners (Mauritius) Limited (“Arisaig Mauritius”)	d	62,640,119	6.33%
Cooper Lindsay William Ernest (“Mr. Cooper”)	e	62,640,119	6.33%
Lloyd George Investment Management (Bermuda) Ltd (“Lloyd George”)	f	49,710,000	5.02%

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Notes:

- a. United Success was wholly-owned by Mr. 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 392,708,331 shares of the Company pursuant to section 317 of the SFO.
- b. Mr. Chau Cham Wong, Patrick controlled 50.45% and Mr. 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 392,708,331 shares of the Company pursuant to section 317 of the SFO.
- c. This represented a direct holding by Arisaig of the shares of the Company.
- d. Arisaig Mauritius was the investment manager of Arisaig. This represented an interest in the shares arising by virtue of Arisaig Mauritius acting as discretionary investment manager of Arisaig pursuant to the SFO.
- e. Mr. Cooper was deemed to be interested, through his indirect 33.33% beneficial interest, in Arisaig Mauritius.

- f. Lloyd George Investment Management (Bermuda) Ltd was interested in 49,710,000 shares of the Company as investment manager.

Save as disclosed above, the Company has not been notified of any other person (other than the directors of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Disclosure with Rule 13.18 of Chapter 13 of the Listing Rules

- (1) In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 22 April, 2005 relating to a term loan and revolving credit facility in an aggregate amount of HK\$630 million (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 (direct or indirect) more than 35% of the voting share capital of the Company; or no longer control the Board 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.

(2) In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 5 June, 2006 relating to a term loan and revolving credit facility in an aggregate amount of HK\$600 million (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 (direct or indirect) more than 30% of the voting share capital of the Company; or no longer have management control of the Company.

Upon the occurrence of an event of default under the Facility Agreement and so long as it is continuing, Sumitomo Mitsui Banking Corporation 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.

Purchase, sales or redemption of shares

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period.

Interim Dividend

The Directors have resolved to declare an interim dividend of 4.1 HK cents for the six months ended 30 September, 2006 (2005: 3 HK cents) payable on 2 February, 2007, to shareholders whose names appear on the register of members of the Company on Friday, 12 January, 2007. The dividend per share represents a payout ratio of 34%.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 10 January, 2007 to Friday, 12 January, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 9 January, 2007.

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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 six months ended 30 September, 2006, in compliance with the code provisions of the Code on Corporate Governance Practice in Appendix 14 of the Listing Rules.

Model Code For Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 September, 2006.

Audit Committee

The Audit Committee comprises 4 members and is chaired by Mr. Wong Yee Sui, Andrew who is a certified public accountant. Other members are Mr. Mak Siu Wing, Clifford, Mr. Kwok Ping Ki, Albert and Mr. Tang Yat Kan. All the committee members are independent non-executive directors of the Company and are well-versed in the accounting, legal and finance areas.

The Committee met with the senior management and the internal and external auditors and reviewed the accounting principles and practices adopted by the Group and other financial reporting matters, ensure the completeness, accuracy and fairness of the financial statements of the Company for the six months ended 30 September, 2006, discuss the effectiveness of the systems of internal control throughout the Group and most importantly, review all significant business affairs managed by the executive directors in particular on connected transactions.

Appreciation

The Board is thankful to Peace Mark's business partners, bankers, investors, shareholders and dedicated staff for their continuous support in achieving the Group's achievement.

On Behalf of the Board
Chau Cham Wong, Patrick
Chairman

Hong Kong, 14 December, 2006