

Peace Mark (Holdings) Limited (the “Company”) is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders’ interest in general. The Board of Directors (the “Board”) and the senior management of the Company are committed to make sure that effective self-regulatory practices exist to protect the interests of the shareholders. These include a Board comprising high caliber members, Board Committees and effective internal audit and sound systems of internal controls.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (“Corporate Governance Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code on corporate governance practices. This report describes the Company’s corporate governance practices with specific reference to the Corporate Governance Code.

Board of Directors

The duty of the Board is bound to manage the Group (the Company and its subsidiaries) in a responsible and effective manner and therefore every director has to carry out his/her duty in good faith and up to the standard of any prevailing applicable laws and regulations and act in the best interests of the Company and its shareholders. The Board currently consists of 10 members. Among them, 5 are

executive directors and 5 are independent non-executive directors.

The post of Chairman and Chief Executive Officer (“CEO”) are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman, Mr. Chau Cham Wong, Patrick, is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The CEO, Mr. Leung Yung, supported by other board members and the senior management, is responsible for managing the Group’s responsibilities, the businesses, implementating major strategies, making day-to-day decisions and co-ordinating overall business operations.

The Independent non-executive directors, with a term of three years each, are highly experienced professionals and business people with a broad range of expertise and experience in areas such as legal, accounting, finance and business. They ensure that the Board maintains high standards of financial and other mandatory reporting and provides adequate checks and balance to safeguard the interests of shareholders in general and the Company as a whole.

To assist the directors to discharge their duties, the Board has established written procedures to enable the directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

All directors, apart from the Chairman and CEO, are subject to retirement by rotation at the Annual General Meeting. To further enhance accountability, a proposal to amend the Company's Bye-laws to include the Chairman and the CEO under the rotation arrangement will be put to shareholders for approval at the forthcoming Annual General Meeting.

Both the Board and the management have clearly defined authorities under various internal control and checks-and-balance mechanisms. The Board is responsible for establishing the strategic direction of the Group, setting objective and business development plans, monitoring the performance of the senior management and assuming responsibility for corporate governance. The management, under the leadership of the CEO, is responsible for implementing these strategies and plans. To ensure effective discharge of the Board's management submits reports on the Company's operations to the Board on a regular basis. The Board reviews the business plans and financial reports in assessing and monitoring the performance of the management. Directors have access to management and are welcome to request for explanations, briefings or informal discussions on the Company's operations or business issues

The Board held a total of six board meetings during the year and up to the date of this report. Of these,

three meetings were held to approve the 2004 final results and 2005 interim and final results of the Company; the other three meetings were held for the appointment of an independent non-executive director and to consider financial and operating performances of the Group and corporate governance issues of the Company. The Chief Financial Officer and Company Secretary attended all board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial.

To illustrate the attention given by the Board to the oversight of the Company's affairs, we set out details of the directors' attendance at the board meetings during the year and up to the date of this report in the following tables. All businesses transacted at the board meetings are well-documented and the records are maintained in accordance with applicable laws and regulations.

Date of board meeting	Total no. of directors	No. of directors present	Attendance rate
8/7/2004	9	8	89%
3/12/2004	9	8	89%
17/12/2004	9	8	89%
3/5/2005	10	10	100%
20/6/2005	10	9	90%
13/7/2005	10	9	90%

Director	No. of board meetings attended/held in FY2005 and up to the date of this report
-----------------	--

Executive Directors

Mr. Chau Cham Wong, Patrick	6/6
Mr. Leung Yung	6/6
Mr. Tsang Kwong Chiu, Kevin	6/6
Mr. Cheng Kwan Ling	6/6
Mr. Man Kwok Keung	6/6

Independent Non-executive Directors

Mr. Kwok Ping Ki, Albert	6/6
Ms. Susan So	4/6
Mr. Tang Yat Kan	5/6
Mr. Wong Yee Sui, Andrew	5/6
Mr. Mak Siu Wing, Clifford	2/3
<i>(appointed on 17th December, 2004)</i>	

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each regular board meeting. At least 14 day's notice of a regular board meeting is given to all directors to give them the opportunity to attend. Board papers are dispatched to the directors at least 3 days before the meeting to ensure that they have sufficient time to review the

papers and be adequately prepared for the meeting. Senior management who are responsible for the preparation of the Board papers are usually invited to present their papers and to take any questions or address queries that the Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making process.

The proceedings of the Board at its meetings are conducted by the Chairman of the Company who ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and also equal opportunities are being given to directors to speak, express their views and share their concerns.

Directors & Senior Management's Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct regarding director's securities transactions. To ensure directors' dealing in the securities of the Company are conducted in accordance with the Model Code.

In addition, the Board also established written guidelines on not less exacting terms than the Model Code for senior management of the Company in respect of their dealings in the securities of the Company.

Chief Financial Officer ("CFO")

The CFO is responsible for preparing interim and annual financial statements based on generally accepted accounting principles in Hong Kong and ensuring that the financial statements present fairly the results and the financial position of the Group and comply with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and other applicable laws and regulations. The CFO is accountable to the Chairman of the Audit Committee and maintains regular communications with the external auditors. The CFO also plays a role of reviewing and making recommendations to the Board on the Group's financial risk management. The CFO is also responsible for overseeing the Group's investors' relation activities.

Company Secretary

The Company Secretary is responsible directly to the Board. All directors have easy access to the Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The Company Secretary is also responsible for providing advices to the Board on directors' obligations on disclosure of interests in securities, disclosure requirements of notifiable transactions, connected transactions and price-sensitive information. The Company Secretary has to advise the Board on disclosure of information in a timely manner in strict compliance with the requirements of the applicable laws, regulations and the Company's Bye-laws. The Company Secretary, being the primary channel of communications

between the Company and the Stock Exchange of Hong Kong, also assists the Board to implement and strengthen corporate governance practices with a view to enhancing long term shareholders' value. In addition, on a timely basis, the Company Secretary will provide the directors with information, update and continuing professional development on legal, regulatory and other continuing compliance obligations for being directors of a listed company.

Board Committees

To assist the Board in discharge of its duties, the Board is supported by four board committees which consists of directors and members of senior management. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee.

(1) Audit Committee

The Audit Committee comprises 4 members and is chaired by Mr. Wong Yee Sui, Andrew. 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 terms of reference of the Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified

Public Accountants and the code provisions set out in the Corporate Governance Code. The Committee provides advice and recommendations to the Board and oversees all matters relating to the external auditors, thus it plays an important role in monitoring and safeguarding the independence of external auditors. Both the CFO, Company Secretary and the internal auditor are directly accountable to the Chairman of the Audit Committee.

The Committee met twice during the year with the senior management and the internal and external auditors to review 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, 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.

(2) Risk Management Committee

The Risk Management Committee comprises 3 members, a majority of whom are independent non-executive directors, and is chaired by an independent non-executive director of the Company. It provides independent support to the Board to review financial and financial-related matters as well as issues regarding the management and

operations of the Company. Such reviews include but are not limited to the following: all financing transactions of the Group, issuance of shares and share repurchase; major contracts and variations; major investments, acquisitions and disposals, etc.

(3) Nomination Committee

The Nomination Committee comprises 3 members, a majority of whom are independent non-executive directors, and is chaired by Mr. Kwok Ping Ki, Albert, an independent non-executive director of the Company. It is responsible for nominating potential candidates for directorship, reviewing the nomination of directors and making recommendations to the Board on such appointments.

(4) Remuneration Committee

The Remuneration Committee comprises 3 members, a majority of whom are independent non-executive directors, and is chaired by Mr. Tang Yat Kan, an independent non-executive director of the Company. It reviews and determines the policy for the remuneration of directors and senior management.

The above board meetings have scheduled to meet regularly every year. The board committees report to the Board on a regular basis. All businesses transacted at the committee meetings are well recorded and the records are well maintained.

Internal Control and Internal Audit

The internal control and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorization and the accounting records are reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities.

In order to establish a sound system of internal controls in safeguarding shareholders' interests and the Group's assets, the Company established an Internal Audit Department, the key tasks of which include:

- review of all aspects of the Group's activities and internal controls with unrestricted right of access;
- conduct comprehensive audits of the practices and procedures, income and expenditure, and internal controls of all business units of the Group on a regular basis;
- conduct special reviews and investigations of areas of concern identified by management.

The head of the Internal Audit Department reports directly to the CEO and the Chairman of the Audit Committee and attends all audit committee meetings and brings appropriate matters identified during the course of audits to the Committee's attention. This reporting structure allows the Internal Audit Department to maintain its independence.

Investor Relations

The Company continues to promote and enhance investor relations and communications with its investors. An intensive communications channel has been maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development.

Communication with Shareholders

The Company attaches great priority to communicate with shareholders and investors. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communications, the Company provides extensive information in its annual report, interim report, press releases and also disseminates information relating to the Group and its business electronically through its website at www.peacemark.com.

The Company regards the Annual General Meeting ("AGM") as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders. All directors and senior management will make an effort to attend. External auditors are also available at the AGM to address shareholder's queries. All shareholders will be given at least 21 days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company supports the Corporate Governance Code's principle to encourage shareholders participation.

Code of Conduct

To enhance the ethical standards of employees, the Company has employee handbook, setting out standards of professional and ethical conduct for all employees of the Group. The employees at all levels are expected to conduct themselves in an honest, diligent and responsible manner.

Conclusion

The Company believes that corporate governance principles and practices must remain relevant in a changing world, thus it continues its ongoing effort to review its corporate governance practices from time to time so as to meet the changing circumstances. It will try its best to maintain, strengthen and improve the standard and quality of the Company's corporate governance.