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If you have sold or transferred all your shares in **Peace Mark (Holdings) Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 304)

DISCLOSEABLE AND CONNECTED TRANSACTION GRANT OF EXTENDED CALL OPTION RELATING TO PEACE MARK TOURNEAU (HOLDINGS) LIMITED

Financial adviser to the Company



SOMERLEY LIMITED

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**

Hercules

Hercules Capital Limited

A letter of recommendation from the Independent Board Committee (as defined herein) and a letter of advice from Hercules Capital Limited regarding the Extended Option (as defined herein) are set out on pages 10 and pages 11 to 17 of this circular respectively.

A notice convening the Special General Meeting to be held at Unit 4, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong on Monday, 12 June 2006 at 10:00 a.m. is set out on pages 24 to 25 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Secretaries Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time for holding the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting, should you so wish.

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

“Beat Time”	Beat Time Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of International Watch Group
“Board”	the board of Directors
“Call Shares”	such number of fully-paid Class A Shares up to in aggregate an equivalent of 14% of the issued share capital in Peace Mark Tourneau irrespective of its classes
“Cap”	HK\$700 million, being the maximum fair value of the Call Shares at which the Extended Option can be exercised
“Class A Share(s)”	class “A” ordinary share(s) of US\$0.80 each in the share capital of Peace Mark Tourneau
“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
“Completion”	completion of the exercise of the Extended Option
“Completion Date”	the 14th business day after the date of exercise of the Extended Option
“connected persons”	has the same meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Extended Option”	the call option granted by PM China to Tourneau Investment under the Extended Option Agreement pursuant to which Tourneau Investment shall be entitled to purchase from PM China the Call Shares at any time after 31 March 2008 (subject to the terms set out therein)
“Extended Option Agreement”	the agreement dated 2 May 2006 entered into among PM China, Tourneau Investment and Peace Mark Tourneau in relation to the granting of the Extended Option by PM China to Tourneau Investment

DEFINITIONS

“First Option”	the call option granted by PM China to Tourneau Investment under the First Option Agreement pursuant to which Tourneau Investment shall be entitled to purchase from PM China such number of fully-paid Class A Shares at par value so that Tourneau Investment shall hold an additional 14% of the issued share capital of Peace Mark Tourneau at any time during the first 2 years from 31 March 2006
“First Option Agreement”	the agreement dated 31 March 2006 entered into among PM China, Tourneau Investment and Peace Mark Tourneau in relation to the granting of the First Option by PM China to Tourneau Investment
“Greater China”	including the whole of Mainland China, Hong Kong, Taiwan and Macau
“Group”	the Company and its subsidiaries
“Hercules”	Hercules Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as regards the Extended Option
“HK\$”	Hong Kong dollars
“Independent Board Committee”	the independent board committee appointed by the Board, which consists only of the independent non-executive Directors, namely, Ms. Susan So, Mr. Kwok Ping Ki, Albert, Mr. Tang Yat Kan, Mr. Wong Yee Sui, Andrew and Mr. Mak Siu Wing, Clifford, to advise the Independent Shareholders as regards the Extended Option
“Independent Shareholders”	Shareholders other than Tourneau and its associates
“Latest Practicable Date”	18 May 2006, being the latest practicable date for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Peace Mark Tourneau”	Peace Mark Tourneau (Holdings) Limited, a company incorporated in Hong Kong with limited liability and owned as to 65% by PM China, as to 25% by Tourneau Investment and as to 10% by Beat Time
“PM China”	Peace Mark China Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Special General Meeting”	a special general meeting of the Company to be held on 12 June 2006 to consider and, if thought fit, approve the transactions contemplated under the Extended Option Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the same meaning as defined in the Listing Rules
“Tourneau”	Tourneau, Inc., a New York corporation
“Tourneau Investment”	Tourneau Investment LLC, a limited liability company formed in and under the laws of the State of Delaware, United States and a wholly-owned subsidiary of Tourneau
“US\$”	United States dollar
“%”	per cent.



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 304)

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
Ms. Susan So*
Mr. Kwok Ping Ki, Albert*
Mr. Tang Yat Kan*
Mr. Wong Yee Sui, Andrew*
Mr. Mak Siu Wing, Clifford*

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal
place of business:*

Unit 3, 12th Floor
Cheung Fung Industrial Building
23-39 Pak Tin Par Street
Tsuen Wan
Hong Kong

* *Independent non-executive Directors*

24 May 2006

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
GRANT OF EXTENDED CALL OPTION RELATING TO
PEACE MARK TOURNEAU (HOLDINGS) LIMITED**

INTRODUCTION

On 31 March 2006, PM China, Tourneau Investment and Beat Time formed a joint venture company, Peace Mark Tourneau, to engage in the supply, wholesale, retail and distribution of luxury-brand timepieces for the high-end market in Mainland China, Hong Kong, Macau and Taiwan. Peace Mark Tourneau is owned by PM China, Tourneau Investment and Beat Time as to 65%, 25% and 10% respectively. Pursuant to the First Option Agreement entered into on the same day, PM China has granted the First Option to Tourneau Investment to acquire from PM China an equivalent of 14% interest in Peace Mark Tourneau at par value during the first 2 years from 31 March 2006.

LETTER FROM THE BOARD

On 2 May 2006, PM China, Tourneau Investment and Peace Mark Tourneau entered into the Extended Option Agreement whereby PM China has granted the Extended Option to Tourneau Investment to acquire from it a 14% interest in Peace Mark Tourneau at a fair value of such capital, subject to the Cap, at any time after 31 March 2008. Exercise of the Extended Option is subject to certain conditions as detailed below.

The transactions contemplated under the Extended Option Agreement constitute a discloseable and connected transaction for the Company, and hence are subject to the Independent Shareholders' approval at the Special General Meeting.

The Independent Board Committee has been appointed by the Board to give a recommendation to the Independent Shareholders regarding the Extended Option. Hercules has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you with information on the Extended Option Agreement, the advice and recommendation of the Independent Board Committee and Hercules, and to give you a notice of the Special General Meeting.

EXTENDED OPTION AGREEMENT

Date

2 May 2006

Parties

Grantor:	PM China
Grantee:	Tourneau Investment
Subject company:	Peace Mark Tourneau

Option

In consideration of the payment of US\$1.00 by Tourneau Investment to PM China, PM China has, subject to the exercise conditions stated below, irrevocably granted a non-transferable and one-off call option to Tourneau Investment to purchase from it all the Call Shares (but not part thereof) at any time after 31 March 2008 for so long as Tourneau Investment remains as a shareholder of Peace Mark Tourneau holding not less than 25% of the issued shares therein irrespective of its classes.

Exercise price

The Extended Option shall be exercised at a fair value to be arrived at after negotiations between PM China and Tourneau Investment at least 3 days before the Completion Date based on the total tangible and intangible assets (including goodwill) of Peace Mark Tourneau minus all its liabilities (excluding shareholders' capital contributions and reserves) and provisions for liabilities (including provisions for taxes and preferential dividends) (the "Formula") as at the date of exercise of the Extended Option.

LETTER FROM THE BOARD

In the event that PM China and Tourneau Investment fail to reach an agreement on the fair value of the Call Shares as aforesaid, both parties shall mutually agree on a new date for Completion and jointly appoint an audit firm to their mutual agreement (failing which Tourneau Investment may appoint one of the four nominated international firms of auditors) on or before the Completion Date to audit in accordance with the generally accepted accounting principles in Hong Kong and come up with a fair value of the Call Shares as at the Completion Date based on the Formula.

In any case, the fair value at which the Extended Option is exercised shall not exceed the Cap of HK\$700 million. The Cap of HK\$700 million has been established based on the market potential of the business and negotiated between the parties on an arm's length basis and reflects the parties' confidence in the potential of establishing a business in the luxury watch retailing business in the Greater China region. In the event that the exercise price determined by the Formula exceeds the Cap, the exercise of the Extended Option shall be subject to further agreement between the parties and compliance with the disclosure and shareholders' approval requirements as stipulated under the Listing Rules at the time, if required. Such agreement may or may not be reached between the parties. If the exercise price exceeds the Cap and the parties could not agree on such price, the Extended Option will not be exercised.

In exercising the Extended Option, a premium will be incorporated into the Formula as the net assets of Peace Mark Tourneau will include an element of intangible assets, being the goodwill of the business of Peace Mark Tourneau. The Directors consider that the goodwill represents the premium over the net tangible assets of Peace Mark Tourneau and is expected to be determined taking into account a comparable premium for entities in the watch retailing industry internationally by reference to relevant industry benchmarks and comparable companies.

Exercise conditions

PM China shall not be obliged to undertake its obligation under the Extended Option Agreement in respect of the grant of the Extended Option to Tourneau Investment if any of the exercise conditions below is not fulfilled by Tourneau Investment to the satisfaction of PM China:

- (i) Tourneau Investment at the time of exercise of the Extended Option holds in aggregate not more than 25% of the issued shares in Peace Mark Tourneau irrespective of its classes;
- (ii) Tourneau Investment shall have returned to PM China for cancellation all other call option(s), including the First Option if not exercised, previously granted by PM China to Tourneau Investment in respect of the shares in Peace Mark Tourneau;
- (iii) after the exercise of the Extended Option, Tourneau Investment shall not hold in the aggregate more than 39% of the issued shares in Peace Mark Tourneau irrespective of its classes; and
- (iv) the Extended Option may not be exercised by Tourneau Investment during the first 2 years from 31 March 2006.

LETTER FROM THE BOARD

The Extended Option shall lapse automatically if (i) Tourneau Investment at any time holds less than 25% of the issued shares in Peace Mark Tourneau irrespective of its classes; or (ii) any of the call option(s) previously granted by PM China to Tourneau Investment in respect of the shares in Peace Mark Tourneau has been exercised by Tourneau Investment. The Company intends to continue holding Peace Mark Tourneau as its subsidiary and in the event that either the First Option or the Extended Option is exercised, the Group will maintain a 51% controlling interest therein.

Peace Mark Tourneau is a party to the Extended Option Agreement as its consent is required pursuant to the Extended Option Agreement in the case of the transfer of the Call Shares.

Completion

Completion shall take place on the Completion Date, or such a later date mutually agreed by PM China and Tourneau Investment in the event that an audit firm needs to be appointed to audit and come up with a fair value of the Call Shares as at the Completion Date based on the Formula.

REASONS FOR THE TRANSACTION

The Group is a vertically integrated global timepiece company with manufacturing facilities located in Mainland China, 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 China, Americas, Europe and (non-China) Asia. The Company is the leading distributor and retailer of international mid-range fashion brands in China.

On 31 March 2006, PM China, Tourneau Investment and Beat Time formed a joint venture company, Peace Mark Tourneau, to engage in the supply, wholesale, retail and distribution of luxury-brand timepieces for the high-end market in Mainland China, Hong Kong, Macau and Taiwan. Peace Mark Tourneau is owned by PM China, Tourneau Investment and Beat Time in the proportion of 65%, 25% and 10%, respectively.

On the same day, PM China entered into the First Option Agreement with Tourneau Investment and Peace Mark Tourneau whereby PM China has irrevocably and unconditionally granted a non-transferable one-off call option to Tourneau Investment to purchase from it such number of fully-paid Class A Shares at par value so that Tourneau Investment shall hold an additional 14% of the issued share capital of Peace Mark Tourneau. The First Option may be exercised by Tourneau Investment at any time during the first 2 years from 31 March 2006 for so long as Tourneau Investment remains as a shareholder of Peace Mark Tourneau holding in aggregate not less than 25% of the issued shares therein irrespective of its classes.

The management of Peace Mark Tourneau consider that Greater China luxury-brand timepiece markets have significant potential and believe that the combination of the Group's knowledge, experience as well as the distribution and servicing network in the Greater China region together with Tourneau's experience in world class operations in the areas of marketing, logistics, distribution and retail management, along with their established relationships with major luxury brand owners, will create a leading retail operator in the Greater China region for luxury-brand timepiece products. Peace Mark Tourneau targets to open 30 stores in the next 5 years.

LETTER FROM THE BOARD

The Directors consider that the First Option Agreement and the Extended Option Agreement provide a mechanism whereby Tourneau Investment will have such flexibility to acquire a further stake in Peace Mark Tourneau while the Group maintains a controlling interest therein, so as to incentivise Tourneau Investment to commit and contribute to the long term development of Peace Mark Tourneau and work with the Group to build it into a major retail operation in the Greater China region. Whilst the exercise price of the First Option is determined on a cost basis, the exercise price for the Extended Option is structured on a fair value basis. The rationale for this approach is that in the first two years, the development of Peace Mark Tourneau is still in its early stage and the exercise price should be determined by reference to the amount of funds invested by PM China. On the other hand, after the initial two year period, the parties are confident that the businesses of Peace Mark Tourneau will be established and goodwill for the business will be generated. Accordingly, it is therefore important for the exercise price after the first two years to be established taking into account the goodwill generated. The Directors consider that the terms of the First Option Agreement and the Extended Option Agreement (including the Cap) are fair and reasonable in so far as the Company and the Shareholders are concerned and the entering into thereof is in the interests of the Company and its Shareholders as a whole.

COMPLIANCE WITH THE LISTING RULES

Upon the formation of Peace Mark Tourneau, Tourneau Investment became a substantial shareholder of Peace Mark Tourneau, which is a non wholly-owned subsidiary of the Company, and under the Listing Rules, Tourneau Investment therefore constitutes a connected person of the Company. The transactions contemplated under the Extended Option Agreement constitute a discloseable and connected transaction, and hence are subject to the requirements of reporting, announcement and Independent Shareholders' approval under the Listing Rules. Further, in the event that the Extended Option is exercised or expired or Tourneau Investment notifies PM China that the Extended Option will not be exercised, the Company will make an announcement regarding such event and ensure compliance with the relevant Listing Rules in relation thereto, in particular, Rules 14.76(1) and 14A.71 of the Listing Rules regarding compliance with the additional requirements of the Listing Rules should the exercise of the Extended Option constitute a higher classification of notifiable transaction.

SPECIAL GENERAL MEETING

Set out on pages 24 to 25 of this circular is a notice convening the Special General Meeting which will be held at 10:00 a.m. on Monday, 12 June 2006 at Unit 4, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong, at which a resolution will be proposed to approve the Extended Option Agreement and the transactions contemplated thereunder. At the Special General Meeting, Tourneau Investment and its associates will abstain from voting which will be taken on a poll. As at the Latest Practicable Date, Tourneau Investment and its associates had no shareholding in the Company.

The form of proxy for use at the Special General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's branch share registrar in Hong Kong, Secretaries Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting, or any adjourned meeting, should you so desire.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee comprising all of the independent non-executive Directors has been appointed by the Board to advise the Independent Shareholders regarding the Extended Option. Your attention is drawn to their letter of recommendation set out on page 10 of this circular.

Hercules has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Extended Option. Your attention is drawn to their letter of advice set out on pages 11 to 17 of this circular.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in appendix to this circular.

On behalf of the Board
Chau Cham Wong, Patrick
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular:



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 304)

24 May 2006

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION GRANT OF EXTENDED CALL OPTION RELATING TO PEACE MARK TOURNEAU (HOLDINGS) LIMITED

We refer to the circular of the Company to the Shareholders dated 24 May 2006 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein.

We have been appointed as members of the Independent Board Committee to advise you on the Extended Option. Hercules has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 11 to 17 of the Circular.

Your attention is also drawn to (i) the “Letter from the Board” set out on pages 4 to 9 of; and (ii) the appendix to, the Circular.

Having considered the terms of the Extended Option Agreement and the advice of Hercules in relation thereto, we are of the opinion that the terms of the Extended Option Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and the entering into thereof is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that you vote in favour of the ordinary resolution to be proposed at the Special General Meeting approving the transactions contemplated under the Extended Option Agreement.

Yours faithfully,

Independent Board Committee

Ms. Susan So
Mr. Tang Yat Kan

Mr. Kwok Ping Ki, Albert
Mr. Wong Yee Sui, Andrew

Mr. Mak Siu Wing, Clifford

Independent non-executive Directors

LETTER FROM HERCULES

The following is the text of the letter of advice from Hercules, which has been prepared for the purpose of inclusion in this circular:

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

24 May 2006

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF GRANT OF CALL OPTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Extended Option, details of which are set out in the “Letter from the Board” contained in the circular dated 24 May 2006 to the Shareholders (the “Circular”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined elsewhere in the Circular.

On 2 May 2006, PM China, a wholly-owned subsidiary of the Company, Tourneau Investment and Peace Mark Tourneau entered into the Extended Option Agreement whereby PM China has granted the Extended Option to Tourneau Investment to acquire from it a 14% interest in Peace Mark Tourneau at a fair value of such capital, subject to the Cap, at any time after 31 March 2008.

Pursuant to the Listing Rules, Tourneau Investment is a substantial shareholder of Peace Mark Tourneau, which is a non wholly-owned subsidiary of the Company, and thus Tourneau Investment is a connected person of the Company. Accordingly, the grant of the Extended Option by PM China constitutes a disclosable and connected transaction and is subject to approval by the Independent Shareholders, by way of poll, at the Special General Meeting. Tourneau Investment and its associates will abstain from voting on the resolution to approve the grant of the Extended Option at the Special General Meeting. As at the Latest Practicable Date, Tourneau Investment and its associates had no shareholding in the Company.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Susan So, Mr. Kwok Ping Ki, Albert, Mr. Tang Yat Kan, Mr. Wong Yee Sui, Andrew and Mr. Mak Siu Wing, Clifford, has been formed to advise the Independent Shareholders as to whether the terms of the Extended Option Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Hercules is engaged to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM HERCULES

In formulating our recommendations, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and have assumed that all statements and representations made or referred to in the Circular are true, accurate and complete at the time they were made and as at the date of the Circular, and will continue as such at the date of the Special General Meeting. We have no reason to doubt the truthfulness, accuracy and completeness of the information, opinions and representations contained or referred to in the Circular and provided to us by the Directors, and consider that they may be relied upon in formulating our opinion. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no material facts the omission of which would make any statement in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view as set out in this letter, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation as required under Rule 13.80 of the Listing Rules. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons that we have taken into consideration in arriving at our opinion are set out as follows:

1. Background to and reasons for the Transaction

The Company is an investment holding company and its subsidiaries are principally engaged in the OEM, ODM, distribution and retail of timepieces and after-sales services. The Group designs, manufactures, distributes and retails international brand name timepieces to major markets including the USA, China, Europe and other Asian countries.

As disclosed in the 2005 interim report of the Company, after establishing an extensive network of retail shops and a steadfast hold in the mid-range fashion brand timepieces market in China, the Company commenced to develop the luxury watches business in China by establishing its first Solomon watch flagship shop, which targets to offer luxury brands to the high net-worth customers in China, in the Jin Mao Lifestyle Center in Shanghai in August 2005. The second shop, which occupies a gross floor area of 1,000 square meters, was subsequently opened at Xintiandi, a prime location in Shanghai in the first quarter of 2006. The Directors are optimistic about the development of the luxury watches retailing business in China and are determined to further strengthen the business platform for fashion and high-end brands worldwide.

On 31 March 2006, PM China entered into a subscription agreement (the "Subscription Agreement") and shareholders' agreement with Tourneau Investment and Beat Time to establish Peace Mark Tourneau as a joint venture to engage in the supply, wholesale, retail and distribution of luxury-brand timepieces for the high-end market in Mainland China, Hong Kong, Macau and Taiwan. Peace Mark Tourneau is owned by PM China, Tourneau Investment and Beat Time as to 65%, 25% and 10% respectively.

LETTER FROM HERCULES

On the same day, the First Option Agreement was entered into among PM China, Tourneau Investment and Peace Mark Tourneau whereby PM China agreed to grant a call option to Tourneau Investment for acquiring from it a 14% equity interest in Peace Mark Tourneau at the par value of the Call Shares during a period of two years commencing from 31 March 2006 for so long as Tourneau Investment remains a shareholder of Peace Mark Tourneau holding in aggregate not less than 25% of the issued share capital of Peace Mark Tourneau (irrespective of the class of shares in Peace Mark Tourneau).

According to the Directors, the Company entered into the Subscription Agreement because they considered the Greater China luxury-brand timepiece markets to have significant potential and believed that the combination of the Group's knowledge, experience as well as the distribution and servicing network in the Greater China region and Tourneau's experience in world class operations in the areas of marketing, logistics, distribution and retail management, along with its established relationships with major luxury brand owners would create a leading retail operator in the Greater China region for luxury brand timepiece products.

Furthermore, the Directors considered that the First Option Agreement provided a mechanism, whereby Tourneau Investment would have such flexibility to acquire a further stake in Peace Mark Tourneau while the Group retained a controlling interest therein, to incentivize Tourneau Investment to commit and contribute to the development of Peace Mark Tourneau and to work with the Group to build it into a major retail operation in the Greater China region. As the Directors believed that Peace Mark Tourneau would most likely be in its early development stage in the first two years after its establishment, the exercise price of the First Option was determined with reference to the par value of Call Shares.

Both the Company and Tourneau Investment are confident that the business of Peace Mark Tourneau will be firmly established after the initial two-year period and goodwill will then be generated. In order to recognize the value of goodwill of Peace Mark Tourneau and to further secure a long-term relationship with, and enthusiastic participation by, Tourneau Investment in the business development of Peace Mark Tourneau, the Group has conditionally granted the Extended Option to Tourneau Investment by entering into the Extended Option Agreement on 2 May 2006. Pursuant to the Extended Option Agreement, Tourneau Investment shall have the right to acquire from PM China a 14% equity interest in Peace Mark Tourneau at a fair value to be calculated based on the Formula of total tangible and intangible assets (including goodwill) of Peace Mark Tourneau minus all its liabilities and provisions for liabilities (including provisions for taxes and preferential dividends), subject to the Cap, at any time after 31 March 2008 for so long as Tourneau Investment maintains an equity interest of not less than 25% in the share capital of Peace Mark Tourneau. The First Option and the Extended Option are exclusive to each other, and the Extended Option shall lapse automatically if the First Option is exercised during the first two years from 31 March 2006.

LETTER FROM HERCULES

Having considered the fact that (i) Tourneau group has been very successful in the retailing of luxury timepieces worldwide and its participation in Peace Mark Tourneau may create synergy to the development of Peace Mark Tourneau (please refer to the section of “Information on Tourneau” for further details of Tourneau group); (ii) both contracting parties expect that positive goodwill will be generated by Peace Mark Tourneau after the initial two-year period and the inclusion of the value of goodwill of Peace Mark Tourneau, if any, in the Formula for calculating the exercise price of the Extended Option is a better term compared with that of the First Option and is beneficial to the Company and its shareholders; (iii) the extension on the exercise period may serve to secure a longer term relationship between the Company and Tourneau Investment; (iv) if the business of Peace Mark Tourneau turned out to be successful, Tourneau Investment would most likely decide to exercise the First Option before its expiry, in which case the Extended Option would encourage Tourneau Investment to early commit and contribute to the development of Peace Mark Tourneau which would be to the benefit of the Company and its Shareholders; and (v) the Company shall maintain its controlling stake in Peace Mark Tourneau even if the Extended Option is exercised in full by Peace Mark Tourneau, we are of the view that the grant of the Extended Option is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Extended Option Agreement

Grant of Option

Pursuant to the Extended Option Agreement, PM China, in consideration of the payment of US\$1.00 by Tourneau Investment, has irrevocably granted to Tourneau Investment a non-transferable and one-off call option to Tourneau Investment to purchase from it all the Call Shares (but not part thereof) at any time after 31 March 2008 for so long as Tourneau Investment remains as a shareholder of Peace Mark Tourneau holding not less than 25% of the issued shares therein irrespective of its classes.

Exercise price

The Extended Option shall be exercised at a fair value to be arrived at after negotiations between PM China and Tourneau Investment at least 3 days before the Completion Date based on the Formula of the total tangible and intangible assets (including goodwill) of Peace Mark Tourneau minus all its liabilities (excluding shareholders’ capital contributions and reserves) and provisions for liabilities (including provisions for taxes and preferential dividends) as at the date of exercise of the Extended Option.

In the event that PM China and Tourneau Investment fail to reach an agreement on the fair value of the Call Shares as aforesaid, both parties shall mutually agree on a new date for Completion and jointly appoint an audit firm to their mutual agreement (failing which Tourneau Investment may appoint one of the four nominated international firms of auditors) on or before the Completion Date to audit in accordance with the generally accepted accounting principles in Hong Kong and come up with a fair value of the Call Shares as at the Completion Date based on the Formula.

Furthermore, pursuant to the Extended Option Agreement, the exercise price of the Extended Option shall not exceed the Cap of HK\$700 million, otherwise the exercise of the Extended Option shall be subject to further agreement between the parties and compliance with the disclosure and shareholders’ approval requirements as stipulated under the Listing Rules at the time, if required. Such agreement may or may not be reached between the parties and the Extended Option will not be exercised should no such agreements are reached.

LETTER FROM HERCULES

Given the lack of track record of Peace Mark Tourneau, we are of the opinion that it is difficult to estimate the future fair value of the Call Shares accurately at the date of grant of the Extended Option. Therefore, we consider that the Formula, which reflects the fair value of the Call Shares from time to time, is an appropriate and fair method for determining the exercise price of the Extended Option.

To assess the fairness and reasonableness of the exercise price of the Extended Option, we have also searched for comparables in all the recent transactions announced by the main board listed companies on the Stock Exchange for the period from 2 February 2006 to 1 May 2006, being the three-month period immediately preceding the date of the Company's announcement in connection with the grant of the Extended Option. However, to our best endeavors, we cannot identify from these announcements transactions that are comparable or have commonalities to the transactions contemplated under the Extended Option Agreement. As the unique features of an option and the circumstances under which the option is granted affect significantly the exercise price of the option, we do not consider it meaningful to compare the terms of the Extended Option with that of other transactions that are not directly comparable to the Extended Option and thus no comparison analysis has been made herein.

According to the Directors, the goodwill of Peace Mark Tourneau represents the premium over the net tangible assets of Peace Mark Tourneau and is expected to be determined by taking into account a comparable premium for entities in the watch retailing industry internationally with reference to the relevant industry benchmarks and comparable companies. Under applicable generally accepted accounting principles, goodwill is usually defined as the amount over and above the net asset value of a company. Therefore, we consider that the inclusion of the self-generated goodwill in the Formula for calculating the exercise price of the Extended Option is a favorable term for the Group. We also consider that the basis of determining the fair value by referencing to the industry benchmarks and comparable companies is fair and reasonable as we believe that the value of goodwill of a company is subject to industry specific factors. The industry benchmarks of comparable companies shall serve as objective references for ascertaining the value. We are also of the view that the appointment of independent auditors for assessing the fair value of the Call Shares in case no agreements on such value could be reached by PM China and Tourneau Investment is fair and reasonable as the independent auditors shall provide an objective estimate on the fair value of Peace Mark Tourneau and we have no reasons to doubt the independence and fairness of the opinions given by the independent auditors under normal circumstances.

In respect of the Cap of HK\$700 million for the exercise price of the Extended Option, we were advised by the Directors that such Cap, which was set based on the market potential of the business and arms' length negotiation between the contracting parties, reflects the parties' confidence in the potential of establishing a business in the luxury watch retailing business in the Greater China region. We are of the opinion that the Cap shall have no significant impact on the determination of the value of the exercise price as the exercise price will be subject to further agreement between the parties no matter the price is below or above the Cap. However, in the event that the exercise price should turn out to be a significant amount, the Cap will ensure that the exercise of the Extended Option complies with the Listing Rules which require additional disclosures and shareholders' approval and, accordingly, Shareholders' interest will be properly safeguarded. Therefore, we are of the view that the provision of the Cap is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM HERCULES

Exercise Conditions

PM China shall not be obliged to undertake its obligation under the Extended Option Agreement in respect of the grant of the Extended Option to Tourneau Investment if any of the following conditions is not fulfilled by Tourneau Investment to the satisfaction of PM China:

- (i) Tourneau Investment at the time of exercise of the Extended Option holds in aggregate not more than 25% of the issued shares of the Company irrespective of its classes;
- (ii) Tourneau Investment shall have returned to PM China for cancellation of all other call option(s), including the First Option if not exercised, previously granted by PM China to Tourneau Investment in respect of the shares in Peace Mark Tourneau;
- (iii) after the exercise of the Extended Option, Tourneau Investment shall not hold in aggregate more than 39% of the issued shares in Peace Mark Tourneau irrespective of its classes; and
- (iv) the Extended Option may not be exercised by Tourneau Investment during the first 2 years from 31 March 2006.

The Extended Option shall lapse automatically if (i) Tourneau Investment at any time holds less than 25% of the issued shares in Peace Mark Tourneau irrespective of its classes; or (ii) any of the call option(s) previously granted by PM China to Tourneau Investment in respect of the shares in Peace Mark Tourneau has been exercised by Tourneau Investment.

We are of the view that the above exercise conditions can properly safeguard the Group's controlling interest in Peace Mark Tourneau so that its shareholding in Peace Mark Tourneau shall not be less than 51% even if either the First Option or the Extended Option is exercised by Tourneau Investment.

3. Financial effect on the Group

Net asset value

As the self-generated goodwill will not be accounted for in the Group's consolidated accounts, the sale of the Call Shares at a price comprising the net asset value and the goodwill of Peace Mark Tourneau will result in an increase in the Group's net asset value by the amount of goodwill attributable to the Call Shares upon the exercise of the Extended Option.

Earnings

As Peace Mark Tourneau is owned as to 65% by the Group, Peace Mark Tourneau's profit and loss will be consolidated in the consolidated accounts of the Group. In the event that the Extended Option is exercised, the Group's consolidated profit or loss will be reduced by an amount equivalent to 14% of the profit or loss of Peace Mark Tourneau accordingly; and depending on the exercise price, the Group may also recognize a gain on disposal equivalent to the amount attributable to the goodwill, if any.

LETTER FROM HERCULES

Cash position

The Group shall receive the exercise price in cash upon exercise of the Extended Option by Tourneau Investment. The cash position of the Group shall then be strengthened by such amount upon receipt of the consideration of the Call Shares.

In conclusion, we are of the view that overall positive financial impact on the Group can reasonably be expected from the grant and exercise of the Extended Option.

4. Information of Tourneau

Tourneau Investment is a wholly-owned subsidiary of Tourneau, Inc. with headquarters in the United States. Based on the information set out in the website of Tourneau, Tourneau was established in 1900 and it is the world's largest retail watch store, as recognized by Guinness World Records and the authority in the watch industry. Tourneau sells both watches and vintage timepieces and markets over 100 well-known brands such as Breitling, Cartier, Jaeger-LeCoultre, Omega, Patek Philippe, Rolex and Tag Heuer in more than 8,000 unique styles. Currently, Tourneau has both Tourneau and Tourneau Watch Gear stores located across the U.S. and throughout the Caribbean in the most exclusive shopping venues. In each of its prominent locations throughout the United States, Tourneau has succeeded as among the top specialty stores per square foot. This distinction applies not only to the watch and jewelry categories, but encompasses other categories as well.

Since its long history in the luxury timepiece retailing market, Tourneau has excellent relationships with the luxury brands. We concur with the Directors' view that Tourneau's good reputation in the industry and its good relationship with luxury brands may assist Peace Mark Tourneau in securing product sources and distribution licenses. Tourneau's expertise and experience in world-class operations in the areas of marketing, logistics, distribution and retail management may also have great contribution to the business development of Peace Mark Tourneau.

In light of the above, we are of the opinion that it is in the interests of the Company and its Shareholders as a whole to maintain a long-term relationship with Tourneau.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Extended Option Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to approve the Extended Option Agreement at the upcoming Special General Meeting.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors 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 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 for the Securities Transactions by Directors of Listed Companies (the “Model Code”), were as follows:

The table below sets out the aggregate long positions in the Shares of each Director.

Name of Director	Personal interests	Corporate interests	Other interests	Number of underlying Shares held under equity derivatives	Total interests	Percentage of total issued share capital (%)
Chau Cham Wong, Patrick	65,631,077	296,840,459	28,416,795 (Note 1)	–	390,888,331	39.49
Leung Yung	–	325,257,254	65,631,077 (Note 2)	–	390,888,331	39.49
Tsang Kwong Chiu, Kevin	98,353	–	–	3,000,000 (Note 3)	3,098,353	0.31
Cheng Kwan Ling	293,904	–	–	1,000,000 (Note 3)	1,293,904	0.13
Man Kwok Keung	–	–	–	1,000,000 (Note 3)	1,000,000	0.10
Tang Yat Kan	–	–	–	500,000 (Note 3)	500,000	0.05

Name of Director	Personal interests	Corporate interests	Other interests	Number of underlying Shares held under equity derivatives	Total interests	Percentage of total issued share capital (%)
Kwok Ping Ki, Albert	-	-	-	500,000 <i>(Note 3)</i>	500,000	0.05
Mak Siu Wing, Clifford	-	-	-	500,000 <i>(Note 3)</i>	500,000	0.05
Wong Yee Sui, Andrew	-	-	-	500,000 <i>(Note 3)</i>	500,000	0.05
Susan So	-	-	-	500,000 <i>(Note 3)</i>	500,000	0.05

Notes:

1. Mr. Chau Cham Wong, Patrick was 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 390,888,331 Shares.
2. Mr. Leung Yung has 49.55% voting control of A-One Investments Limited (“A-ONE”) 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 for the purposes of section 317 of the SFO. Consequently, Mr. Leung Yung was deemed to be interested in a total of 390,888,331 Shares.
3. These interests represented the interest in underlying Shares 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 the Latest Practicable Date, none of the Directors 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.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following persons (other than Directors) were substantial Shareholders or had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of substantial Shareholder	Number of Shares	Percentage of total issued share capital (%)
United Success	390,888,331 <i>(Note 1)</i>	39.49
A-ONE	390,888,331 <i>(Note 2)</i>	39.49
Arisaig Greater China Fund ("Arisaig")	62,640,119 <i>(Note 3)</i>	6.33
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	62,640,119 <i>(Note 4)</i>	6.33
Cooper Lindsay William Ernest ("Mr. Cooper")	62,640,119 <i>(Note 5)</i>	6.33
Value Partners Limited ("Value Parnters")	79,090,000 <i>(Note 6)</i>	7.99
Cheah Cheng Hye ("Mr. Cheah")	79,090,000 <i>(Note 7)</i>	7.99
Lloyd George Investment Management (Bermuda) Limited ("Lloyd George")	49,710,000 <i>(Note 8)</i>	5.02

Notes:

1. 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 390,888,331 Shares pursuant to section 317 of the SFO.
2. 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 390,888,331 Shares pursuant to section 317 of the SFO.
3. This represented a direct holding by Arisaig of the Shares.
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 to be interested through his indirect 33.33% beneficial interest in Arisaig Mauritius.
6. Value Partners was interested in 79,090,000 Shares as investment manager.
7. Mr. Cheah was deemed to be interested, through his indirect 32.77% beneficial interest, in Value Partners.
8. Lloyd George was interested in 49,710,000 Shares as investment manager.

Save as disclosed above, the Company has not been notified of any other person (other than Directors) who were substantial Shareholders or had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

EXPERT

Hercules Capital Limited, being a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out herein and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, Hercules was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either direct or indirect, in any assets which had been, since 31 March 2005 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance were pending or threatened by or against the Company or any of its subsidiaries.

COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005, being the date to which the latest published audited consolidated financial statements of the Company were made up.

PROCEDURE FOR DEMANDING A POLL

Pursuant to the bye-law 66 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of such meeting; or
- (ii) by at least three members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by a member or members of the Company present in person or in the case of a member of the Company being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting; or
- (iv) by member or members of the Company present in person or, in the case of a member of the Company being a corporation by its duly authorized corporate representative or by proxy, and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member of the Company or in the case of a member of the Company being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a member of the Company.

The transactions contemplated under the Extended Option Agreement constitute a discloseable and connected transaction for the Company, the voting in respect of which at the Special General Meeting is required to be taken on a poll under the Listing Rules. Accordingly, the chairman of the Special General Meeting will exercise his/her right pursuant to bye-law 66 of the bye-laws of the Company to demand a poll on the resolution to be proposed at the Special General Meeting.

MISCELLANEOUS

- (a) None of the Directors has any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).
- (b) There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the business of the Group.
- (c) None the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries since 31 March 2005, the date to which the latest published audited consolidated financial statements of the Company were made up.
- (d) The qualified accountant of the Company is Mr. Tsang Kwong Chiu, Kevin, *FCCA, HKICPA, MBA, MSc*. The secretary of the Company is Ms. Fong Ho Yan, *HKICPA, FCCA*.
- (e) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office of the Company at Unit 3, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong from the date of this circular up to and including 9 June 2006 and at the Special General Meeting:

- (a) the Extended Option Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (c) the letter of advice from Hercules, the text of which is set out on pages 11 to 17 of this circular; and
- (d) the written consent of Hercules as referred to under the section headed "Expert" in this appendix.

NOTICE OF THE SPECIAL GENERAL MEETING



Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 304)

NOTICE IS HEREBY GIVEN that a special general meeting (“SGM”) of Peace Mark (Holdings) Limited (the “Company”) will be held on Monday, 12 June, 2006 at 10:00 a.m. at Unit 4, 12th Floor, Cheung Fung Industrial Building, 23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

THAT:

the call option agreement in relation to Peace Mark Tourneau (Holdings) Limited (“**Peace Mark Tourneau**”) dated 2 May 2006 (the “**Extended Option Agreement**”, a copy of which has been produced to the meeting and marked “A”) entered into among Peace Mark China Investment Limited, Tourneau Investment LLC and Peace Mark Tourneau be and is hereby approved, ratified and confirmed, and any one director of the Company be and is hereby authorized to do all such acts and things and execute all documents, as he/she may in his/her absolute discretion consider necessary or desirable to give effect to the Extended Option Agreement and the transactions contemplated thereunder.

By the Order of the Board

Fong Ho Yan

Company Secretary

Hong Kong, 24 May 2006

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:

Unit 3, 12th Floor
Cheung Fung Industrial Building
23-39 Pak Tin Par Street
Tsuen Wan
Hong Kong

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

1. A shareholder entitled to attend and vote at the SGM is entitled to appoint one or more proxy to attend and, in the event of the poll and, subject to the provisions of the bye-laws of the Company, vote on his behalf. A proxy need not be a shareholder of the Company but must be present in person to represent the shareholder.
2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority shall be deposited with the Company's branch share registrar in Hong Kong, Secretaries Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or adjourned meeting.
3. The chairman of the SGM will exercise his/her right under the bye-laws of the Company to demand the ordinary resolution as set out above to be determined by way of a poll.

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