



PEACE MARK (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

PROPOSED CAPITAL REORGANISATION INVOLVING A REDUCTION OF THE ISSUED SHARE CAPITAL, CONSOLIDATION OF THE ISSUED SHARE CAPITAL, GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE CONSOLIDATED SHARES AND CHANGE IN BOARD LOT SIZE

The Board proposes to effect the Capital Reorganisation pursuant to which (i) the paid-up capital and nominal value of all the issued Shares will be reduced from HK\$0.10 to HK\$0.005 each by cancellation of HK\$0.095 paid up capital on each issued Share; (ii) every 20 issued New Shares will be consolidated into 1 Consolidated Share; and (iii) the credit of HK\$349,431,187 arising from the Capital Reduction will be transferred to the contributed surplus account of the Company.

The Board also proposes that the board lot size for trading on the Stock Exchange be changed from 2,000 Shares to 10,000 Consolidated Shares upon the Capital Reorganisation becoming effective, which is expected to take place on or about 16th January, 2002.

Further announcement regarding the expected timetable for the Capital Reorganisation, parallel trading arrangements, arrangements for odd lot facilities and the procedures for free exchange of share certificates for the Consolidated Shares will be made as soon as practicable.

The SGM will be convened to approve the relevant resolutions regarding the Capital Reduction and Share Consolidation. Subject to the relevant resolution regarding the Capital Reduction being approved at the SGM, separate ordinary resolutions will be proposed to renew the general mandates to allow the Directors to issue and repurchase Consolidated Shares.

A circular containing, among other things, details of the Capital Reorganisation, the granting of the general mandates to issue and repurchase Consolidated Shares, change in board lot size, parallel trading arrangements, arrangements for free exchange of share certificates for the Consolidated Shares together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

PROPOSED CAPITAL REORGANISATION

The Board proposes to effect the Capital Reorganisation pursuant to which:

- the paid-up capital and nominal value of all the issued Shares will be reduced from HK\$0.10 to HK\$0.005 each by cancellation of HK\$0.095 paid up capital on each issued Share;
- every 20 issued New Shares will be consolidated into 1 Consolidated Share; and
- the credit of HK\$349,431,187 arising from the Capital Reduction on the basis of 3,678,223,019 Shares in issue will be transferred to a contributed surplus account of the Company, which may be used in future for such purposes as the Board may direct subject to the Companies Act and the Bye-laws.

REASONS FOR THE CAPITAL REORGANISATION

The Board noted that the Shares have been traded at prices below their nominal value of HK\$0.10 each for a majority of the trading days since September 2000. The closing price of the Shares on 30th November, 2001 (being the last day of trading in the Shares on the Stock Exchange prior to the release of this announcement) was HK\$0.044 per Share. Under Bermuda law, a company, including the Company, may not issue shares at a discount to the nominal value of such shares. Following the Capital Reorganisation, although the nominal value of the Consolidated Shares will remain at HK\$0.10 each, the market price of the Consolidated Shares is expected to be higher than their par value as a result of the consolidation of 20 New Shares into 1 Consolidated Share. With a view to facilitating any capital fund-raising exercise or acquisitions by way of allotment or placement of Consolidated Shares when the Board considers the circumstances so require in the future, the Board considered that the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole.

EFFECTS OF THE CAPITAL REORGANISATION

As at the date of this announcement, the authorised share capital of the Company was HK\$600,000,000 divided into 6,000,000,000 Shares of which HK\$367,822,302 divided into 3,678,223,019 Shares were issued and credited as fully paid. Immediately upon the Capital Reorganisation becoming effective and on the basis that 3,678,223,019 Shares will be in issue immediately prior to the Capital Reduction becoming effective, the authorised share capital of the Company will be HK\$600,000,000 divided into 6,000,000,000 Consolidated Shares of which HK\$18,391,115 divided into 183,911,151 Consolidated Shares will be in issue and credited as fully paid, and a credit of HK\$349,431,187 arising from the Capital Reduction will be transferred to a contributed surplus account of the Company.

As at the date of this announcement, save for the 20,000,000 Share Options granted on 10th September, 1999 and held by Messrs. Law Shik Chuen, Peter and Lee Ka Yue, Peter, both being ex-Directors, which will lapse on 10th December, 2001, all other outstanding Share Options granted under the Share Option Scheme have lapsed. The Directors do not intend to grant any further Share Options under the Share Option Scheme prior to the Capital Reorganisation becoming effective.

Upon the Capital Reorganisation becoming effective, the Directors intend to adopt a new share option scheme to replace the Share Option Scheme.

The Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Company and its subsidiaries.

CONDITIONS OF THE CAPITAL REORGANISATION

The Capital Reorganisation is conditional on the fulfillment of the following conditions:

- the passing by the Shareholders of a special resolution to be proposed at the SGM approving the Capital Reduction and Share Consolidation respectively;
- the Directors confirming that on the effective date of the Capital Reduction, there are no reasonable grounds for believing that the Company is, and after the Capital Reduction would be, unable to pay its debts as they fall due;
- the publication of a notice in Bermuda in respect of the Capital Reduction in accordance with the Companies Act; and
- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares.

CHANGE IN BOARD LOT SIZE AND TRADING ARRANGEMENTS

The Board also proposes that the board lot size for trading on the Stock Exchange be changed from 2,000 Shares to 10,000 Consolidated Shares upon the Capital Reorganisation becoming effective, which is expected to take place on or about 16th January, 2002.

The proposed change in board lot size will increase the value of each board lot of Consolidated Shares and such increase is expected to result in a reduction of the transaction costs for dealings in the Consolidated Shares.

The Capital Reorganisation will not result in any change in the relative rights of the Shareholders, except that any fractions of the Consolidated Shares to which the Shareholders would otherwise be entitled upon the Capital Reorganisation becoming effective will be aggregated and sold for the benefit of the Company.

In order to facilitate the trading of odd lots (if any), the Company will procure an agent to arrange for the sale and purchase of odd lots on behalf of the Shareholders and potential investors. The Company will also make available arrangements to the Shareholders for the free exchange of existing share certificates for new share certificates for the Consolidated Shares, which will be different in colour, upon the Capital Reorganisation becoming effective.

Further details of the parallel trading arrangements, arrangements for odd lot facilities and free exchange of share certificates will be announced by the Company as soon as practicable.

GENERAL MANDATES TO ISSUE AND REPURCHASE CONSOLIDATED SHARES

In connection with the reduced share capital in issue as a result of the Capital Reorganisation, the Directors will seek the approval of Shareholders to grant to the Directors a general mandate to allot and issue Consolidated Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following the Capital Reorganisation and to allot and issue further Consolidated Shares repurchased by the Company pursuant to the repurchase mandate referred to below.

The Directors will also seek the approval of Shareholders to grant to the Directors a general mandate to repurchase Consolidated Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the Capital Reorganisation.

EXPECTED TIMETABLE

The SGM is expected to be held on or about 15th January, 2002. It is expected that the effective date of the Capital Reorganisation will be 16th January, 2002, the business day immediately after the SGM. Further announcement regarding the expected timetable for the Capital Reorganisation and the procedures for free exchange of share certificates for the Consolidated Shares will be made as soon as practicable.

GENERAL

The Consolidated Shares that will be in issue upon the Capital Reorganisation becoming effective will rank pari passu in all respects with each other, having the rights attached thereto as set out in the Bye-laws.

A circular containing, among other things, details of the Capital Reorganisation, the granting of the general mandates to issue and repurchase Consolidated Shares, change in board lot size, parallel trading arrangements, arrangements for free exchange of share certificates for the Consolidated Shares together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“Capital Reduction”	the proposal to reduce the nominal value of the issued Shares to HK\$0.005 each by cancellation of HK\$0.095 paid-up capital for each issued Share
“Capital Reorganisation”	the proposed reorganisation of the capital of the Company by way of the Capital Reduction and Share Consolidation
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	Peace Mark (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	new issued share(s) with nominal value of HK\$0.10 each in the capital of the Company after the Capital Reorganisation becomes effective
“Directors”	directors of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“New Share(s)”	new issued share(s) with nominal value of HK\$0.005 each in the capital of the Company following the implementation of the Capital Reduction
“SGM”	the special general meeting of the Company to be convened for the purpose of considering the Capital Reorganisation and the granting of the general mandates
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the proposed share consolidation whereby every 20 issued New Shares will be consolidated into 1 Consolidated Share
“Share Option(s)”	share option(s) granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 15th January, 1993
“Shareholder(s)”	holder(s) for the time being of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Chau Cham Wong, Patrick
Chairman

Hong Kong, 30th November, 2001

*Please also refer to the published version of this announcement in Hong Kong iMail,
Hong Kong Economic Times and Hong Kong Economic Journal.*