Peace Mark (Holdings) Limited
宜進利(集團)有限公司

Interim Report 2005 年中期報告

CORPORATE **PROFILE**

Peace Mark founded in 1983 and is listed on the Stock Exchange of Hong Kong since 1993 with stock code 304 and is a constituent stock in the MSCI (Morgan Stanley Capital International) Hong Kong Small Cap Index Series.

Peace Mark, headquartered in Hong Kong, is a **leading manufacturer, distributor and retailer** in the timepiece industry.

Its business involves OEM, ODM, distribution and retail of licensed and own brand 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 the **Asian** countries.

The Group has production facilities located in **Hong Kong**, **Shenzhen** and **Shanghai**, **China**, and **Bienne**, **Switzerland**, employing a total of more than 4,000 staff.

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. Fong Ho Yan, *HKICPA, FCCA*

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

OTHER OFFICES

US Office
140-58th Street Suite 6C, Brooklyn, New York 11220

Swiss Office
Route de Reuchenette 19, 2502 Bienne, Switzerland

French Office
1 rue Royale-438
Bureaux de la Colline, 92213 Saint-Cloud

PRODUCTION FACILITIES

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

China
107 Shui Ku Lu, Fenghuang Gang,
Xixiang, Baoan, Shenzhen, PRC

Block 9 & Block 12, Tong Fu Cun Gong Ye Yuan,
Da Lang Cun, Long Hua Zhen, Baoan, Shenzhen, PRC

32 Wudong Road, Yangpu District, Shanghai, PRC

Third Gong Ye Qu, Bitou Estate, Songgang, Baoan,
Shenzhen, PRC

38 Shi Ma Lu Duan, Jiu Guang Hua Lu, Bai Yun Qu,
Guangzhou, PRC

Swiss
Route de Reuchenette 19, 2502 Bienne, Switzerland

DISTRIBUTION OFFICES

US
389 5th Avenue, Suite 302, New York, N.Y. 10016

Hong Kong
Unit 3, 7th Floor, Cheung Fund Industrial Building,
23-39 Pak Fin Par Street, Tsuen Wan, Hong Kong

China
6th Floor, Integrated Building,
China Construction Second Division,
Shenzhen First Company,
Jing Er Road, Luo Hu District, Shenzhen, PRC

Room 1905, 308 Da Tak Road, Guangzhou, PRC

Room 1501, 15A Shuguang Building,
189 Puan Road, Shanghai, PRC

Unit 11, 12/F, Metro Tower,
30 Tian Yao Qiao Road , Xu Hui District,
Shanghai, PRC

Taiwan
3/F., No. 317, Sec 3 Ho-Ping E. Road,
Taipei, Taiwan, ROC

Panama
Apartado 2034, Zona Libre de Colon,
Republic of Panama

Germany
Milus Deutschland GmbH, Zahringerallee 25,
DE 75177 Pforzheim
Schlop Street 23,
D-82031 Grunwald,
Postfach 1341

WEBSITE

http://www.peacemark.com

REGISTERED OFFICE

Clarendon House, Church Street, Hamilton HM 11,
Bermuda

STOCK INFORMATION

Listed on the main board of Stock Exchange of
Hong Kong Limited

STOCK CODE

SEHK : 304
Bloomberg : 304 HK
Reuters : 304.HK

INVESTOR RELATIONS

Corporate Communications Department – general
Corporate Accounting and Finance Department –
financial information

Peace Mark (Holdings) Limited
Unit 3, 12th Floor, Cheung Fung Industrial Building,
23-39 Pak Tin Par Street, Tsuen Wan, Hong Kong
Email: ir@peacemark.com

PRINCIPAL BANKERS

ABN AMRO Bank N.V.
Agricultural Bank of China
BNP Paribas
China Construction Bank
ING Bank N.V.
Hang Seng Bank
HSH Nordbank AG
HVB AG
Merrill Lynch

AUDITORS

Chu and Chu
Certified Public Accountants
A member of AGN International
Suite 2302-7, ING Tower,
308 Des Voeux Road Central,
Hong Kong

LEGAL ADVISORS

Simmons & Simmons
35th Floor, Cheung Kong Center,
2 Queen's Road Central,
Hong Kong

Gallant Y.T. Ho & Co
5th Floor, Jardine House,
1 Connaught Place, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong:
Secretaries Limited
Ground Floor,
Bank of East Asia Harbour View Center,
56 Gloucester Road, Wanchai, Hong Kong

In Bermuda:
The Bank of Bermuda Limited
Bank of Bermuda Building,
6 Front Street,
Hamilton HM 11, Bermuda

Results	Six months ended 30th September, 2005 (unaudited)	2004 (unaudited, restated)	Changes %
Turnover (HK$ million)	**999.0**	860.2	16.1
Gross Profit (HK$ million)	**305.5**	216.1	41.4
EBITDA (HK$ million)	**148.0**	111.8	32.4
EBIT (HK$ million)	**115.1**	80.6	42.8
Profit Attributable to Shareholders (HK$ million)	**80.6**	57.6	39.9
Basic Earnings per Share (HK cents)	**9.11**	7.05	29.2
Interim Dividend per Share (HK cents)	**3.00**	2.20	36.4

Financial Position	As at 30th September, 2005 (unaudited)	As at 31st March, 2005 (audited, restated)	Changes %
Total Assets (HK$ million)	**2,611**	2,395	9.0
Cash and Bank Balances (HK$ million)	**764.3**	666.2	14.7
Total equity (HK$ million)	**1,277.2**	1,192.7	7.1
Net Assets per Share (HK$)	**1.41**	1.37	2.9

CONDENSED CONSOLIDATED **INCOME STATEMENT (UNAUDITED)**

The board of directors (the "Board") of Peace Mark (Holdings) Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2005 together with the comparative figures for the corresponding period as follows:

		Six months ended 30th September,	
	Note	**2005** **HK$'000**	2004 *HK$'000* (restated)
Turnover	*2*	**998,995**	860,237
Cost of sales		**(693,465)**	(644,169)
Gross profit		**305,530**	216,068
Other revenue		**21,319**	9,008
Selling and distribution costs		**(121,154)**	(74,828)
Administrative expenses		**(82,964)**	(70,285)
Other operating expenses		**(7,652)**	(4,236)
Profit from operations		**115,079**	75,727
Share of profit of an associate		**3,481**	6,529
Share of loss of a jointly controlled entity		**(744)**	(646)
Finance costs		**(22,721)**	(9,900)
Profit before taxation	*2, 3*	**95,095**	71,710
Taxation	*4*	**(12,539)**	(7,280)
Profit for the period		**82,556**	64,430
Attributable to:			
Equity holders of the Company		**80,572**	57,639
Minority interest		**1,984**	6,791
		82,556	64,430
Interim dividend	*5*	**26,992**	18,405
Earnings per share for profit attributable to the equity holders of the Company during the period	*6*		
Basic (HK cents)		**9.11**	7.05
Diluted (HK cents)		**9.11**	6.71

CONDENSED CONSOLIDATED **BALANCE SHEET**

	Note	As at 30th September, 2005 (unaudited) HK$'000	As at 31st March, 2005 (restated) HK$'000
Non-current assets			
Property, plant and equipment	7	**480,874**	458,007
Interest in leasehold land held for own use		**20,989**	21,256
Intangible assets		**53,629**	53,629
Goodwill		**147,995**	147,995
Interest in an associate		**97,915**	65,375
Interest in a jointly controlled entity		**19,012**	15,640
Available-for-sale financial assets		**16,798**	–
Investment in securities		**–**	16,768
Held-to-maturity investments		**29,225**	29,225
Deferred tax assets		**12,079**	12,577
		878,516	820,472
Current assets			
Inventories		**544,864**	513,300
Derivative financial instruments		**201**	–
Trade receivables	8	**296,378**	276,038
Trade deposits and other receivables		**126,724**	119,402
Cash and bank balances		**764,319**	666,167
		1,732,486	1,574,907
Current liabilities			
Trade and other payables	9	**248,941**	220,094
Interest-bearing borrowings	10	**389,505**	671,570
Obligations under finance leases	11	**2,223**	2,918
Profits tax payable		**23,058**	21,974
		663,727	916,556
Net current assets		**1,068,759**	658,351
Total assets less current liabilities		**1,947,275**	1,478,823
Non-current liabilities			
Interest-bearing borrowings	10	**654,000**	269,140
Obligations under finance leases	11	**723**	1,651
Deferred tax liabilities		**15,364**	15,314
		670,087	286,105
Net assets		**1,277,188**	1,192,718
Capital and reserves			
Share capital	12	**90,571**	86,808
Reserves		**1,097,921**	1,021,098
Equity attributable to equity holders of the Company		**1,188,492**	1,107,906
Minority interests		**88,696**	84,812
Total equity		**1,277,188**	1,192,718

CONDENSED CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

	Attributable to Equity Holders of the Company											
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Merger deficit** *HK$'000*	**Capital reserve** *HK$'000*	**Contributed surplus** *HK$'000*	**Leasehold properties revaluation reserve** *HK$'000*	**Other reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** ***HK$'000***	**Minority Interest** *HK$'000*	**Total Equity** ***HK$'000***
As at 1st April, 2005	86,808	339,499	(11,988)	12,372	349,431	5,466	(26)	2,209	328,038	**1,111,809**	84,812	**1,196,621**
Opening adjustment for the adoption of HKAS 17	–	–	–	–	–	–	–	–	(3,904)	**(3,904)**	–	**(3,904)**
Balance as at 1st April, 2005	86,808	339,499	(11,988)	12,372	349,431	5,466	(26)	2,209	324,134	**1,107,905**	84,812	**1,192,717**
Issue of new shares pursuant to the exercise of warrants	3,762	20,693	–	–	–	–	–	–	–	**24,455**	–	**24,455**
Exchange realignment	–	–	–	–	–	–	–	920	–	**920**	–	**920**
Profit for the period	–	–	–	–	–	–	–	–	80,572	**80,572**	1,984	**82,556**
Increase investment from minority interest	–	–	–	–	–	–	–	–	–	**–**	1,900	**1,900**
2005 final dividend paid	–	–	–	–	–	–	–	–	(25,360)	**(25,360)**	–	**(25,360)**
As at 30th September, 2005	**90,570**	**360,192**	**(11,988)**	**12,372**	**349,431**	**5,466**	**(26)**	**3,127**	**379,346**	**1,188,492**	**88,696**	**1,277,188**

	Share capital *HK$'000*	Share premium *HK$'000*	Merger deficit *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Leasehold properties revaluation reserve *HK$'000*	Other reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority Interest *HK$'000*	Total Equity *HK$'000*
As at 1st April, 2004	69,075	113,374	(11,988)	12,372	349,431	5,466	(26)	868	239,327	777,899	60,178	838,077
Opening adjustment for the adoption of HKAS 17	–	–	–	–	–	–	–	–	(3,369)	(3,369)	–	(3,369)
Balance as at 1st April 2004	69,075	113,374	(11,988)	12,372	349,431	5,466	(26)	868	235,958	774,530	60,178	834,708
Issue of new shares for subscription	12,650	193,409	–	–	–	–	–	–	–	206,059	–	206,059
Shares repurchased and cancelled	(80)	(930)	–	–	–	–	–	–	–	(1,010)	–	(1,010)
Issue of new shares pursuant to the exercise of warrants	969	5,330	–	–	–	–	–	–	–	6,299	–	6,299
Issue of new shares as 2004 final scrip dividend, in lieu of cash	834	9,833	–	–	–	–	–	–	–	10,667	–	10,667
Exchange realignment	–	–	–	–	–	–	–	(476)	–	(476)	–	(476)
Increase investment from minority interest	–	–	–	–	–	–	–	–	–	–	2,846	2,846
Minority interest arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	10,950	10,950
Profit for the period	–	–	–	–	–	–	–	–	57,639	57,639	6,791	64,430
2004 final dividend paid	–	–	–	–	–	–	–	–	(16,539)	(16,539)	–	(16,539)
As at 30th September, 2004	83,448	321,016	(11,988)	12,372	349,431	5,466	(26)	392	277,058	1,037,169	80,765	1,117,934

CONDENSED CONSOLIDATED **CASH FLOW STATEMENT (UNAUDITED)**

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Net cash from operating activities	**76,116**	61,991
Net cash used in investing activities	**(74,244)**	(256,095)
Net cash from financing activities	**96,280**	205,163
Net increase in cash and cash equivalents	**98,152**	11,059
Cash and cash equivalents at 1st April	**666,167**	467,491
Cash and cash equivalents at 30th September	**764,319**	478,550
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	**764,319**	478,550

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations ("HK-Int")) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 31, 33, 37, 40, HKAS-Int 15, HKAS-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

HKAS 17

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and impairment losses. Depreciation was calculated to write off the cost on a straight-line basis over the shorter of the lease term and the estimated useful lives of the buildings.

With the adoption of HKAS 17, the interest in leasehold land held for own use is accounted for as being held under an operating lease where the fair value of the interest in any buildings situated on the leasehold land could be separately identified from the fair value of the interest in leasehold land at the time the lease was first entered into by the Group, or taken over from the previous leasee, or at the date of construction of those buildings, if later. Any prepaid land premiums for acquiring the land leases, or other lease payments, are amortized in the income statement on a straight-line basis over the lease term or where there is impairment, the impairment is expensed in the income statement. This new accounting policy has been adopted retrospectively and comparative amounts have been restated accordingly. The resulting effect on the financial statements of the Group is set out in notes 1(a) and (b) below.

HKASs 32 and 39
In prior years, the accounting policies for certain financial instruments were as follows:

– Equity investments, other than investments in subsidiaries, associates and jointly controlled companies, were classified as (i) investment securities, where the investments were held on a continuing basis for an identifiable long-term strategic purpose were classified as investment securities and were stated at cost less any provisions for impairment loss; and (ii) other investments, and were stated at fair value with changes in fair value recognized in the income statement as they arose.

– The notional amounts of derivative financial instruments, including interest rate and currency swaps, interest rate options and foreign currency options, entered into by the Group were not reflected in the balance sheet. The related interest flows were accounted for on an accrual basis and the premiums paid on purchased options were amortized over the terms of the respective options.

In accordance with HKASs 32 and 39, the following new accounting policies have been adopted for the financial instruments mentioned above:

– All non-trading investments, other than investments in subsidiaries, associates and jointly controlled companies, are classified as available-for-sale financial assets and carried at fair value. Changes in fair value are recognized in the fair value reserve under equity, unless there is objective evidence that an individual investment has been impaired. If there is objective evidence that an individual investment has been impaired, any amount held in the fair value reserve in respect of the investment is transferred to the income statement for the period in which the impairment is identified. Any subsequent increase in the fair value of available-for-sale financial assets is recognized directly in the fair value reserve. If there is no reasonable estimate on the fair value, the available-for-sale financial asset is stated at cost less impairment loss.

– All derivative financial instruments entered into by the Group are stated at fair value. Changes in fair value are recognized in the income statement as they arise.

– Fair value of financial instruments is estimated as follows:

  (i) The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

  (ii) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

Comparative amounts have not been restated nor has the opening balance of the fair value reserve been restated as this is prohibited by the transitional arrangements in HKAS 39. The resulting effect on the financial statements of the Group is set out in notes 1(a) and (b) below.

HKFRS 3 and HKASs 36 and 38
In prior periods, goodwill arising on consolidation for acquisitions:

– before 1st April, 2001 was taken directly to reserves at the time it arose, and was not recognized in the income statement until disposal or impairment of the acquired business; and

– on or after 1st April, 2001 was amortized on a straight-line basis over its useful life and was subject to impairment testing when there were indications of impairment.

– Intangible assets mainly comprise the trademark, which is stated at acquisition cost and is amortized on a straight line basis over its expected future economic life of 20 years.

In accordance with the transitional arrangements under HKFRS 3, and the provisions of HKASs 36 and 38:

– The Group ceased amortization of goodwill prospectively;

– The cumulative amount of amortization as at 1st January, 2005 has been offset against the cost of the goodwill, with no comparative amounts restated;

– Goodwill which had previously been taken directly to reserves will not be recognized in the income statement on disposal or impairment of the acquired business, or under any other circumstances;

– Goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognized when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount; and

– The Group has reassessed the useful lives of its intangible assets. Intangible assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events that the carrying amount may not be recoverable.

The resulting effect on the financial statements of the Group is set out in notes 1(a) and (b) below.

HKAS 21
In prior years, goodwill was carried at cost less amortisation and impairment.

With the adoption of HKAS 21, any goodwill arising on the acquisition of a foreign operation is treated as an asset of the foreign operation. Thus it is expressed in the functional currency of that foreign operation and is retranslated at the closing rate at each balance sheet date. Any resulting exchange difference is taken directly to the exchange reserves, together with any other differences arising form the re-translation of the net assets of the foreign operation.

In accordance with the transitional provisions in HKAS 21, this new policy has not been adopted retrospectively and will only be applied to acquisitions occurring on or after 1st April, 2005.

HKFRS 2
In prior years, no amounts were recognized in the income statement for the share options granted to employees or directors of the Group to acquire shares of the Company at specified exercise prices under the share option schemes operated by the Group.

If the employees or directors of the Group chose to exercise the share options, the nominal amount of share capital and share premium were credited only to the extent of the share option's exercise price receivable.

With the adoption of HKFRS 2, the Group recognizes the fair value of such share options or shares as an expense in the income statement. A corresponding increase is recognized in the employee share-based compensation reserve under equity. Where the employees or directors are required to meet vesting conditions before they become entitled to the share options or shares, the Group recognizes the fair value of the share options or shares granted as an expense over the vesting period. If the employees or directors choose to exercise share options, the respective amount in the employee share-based compensation reserve is transferred to share capital and share premium, together with the exercise price. At each balance sheet date, the Group revises its estimates of the number of share options or shares that are expected to become vested. The impact of the revision of original estimates, if any, is recognized in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to all share options or shares granted to employees or directors on or before 7th November, 2002.

a. Effect on the unaudited consolidated income statement

In respect of the six-month period ended 30th September, 2005, the following table provides estimates of the extent to which the profits for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the six-month period ended 30th September, 2004, the table discloses the adjustments that have been made to the profits as previously reported for that period, in accordance with the transitional provisions of the respective new HKFRSs. As retrospective adjustments have not been made for all changes in accounting policies as explained above, the amounts shown for the six months ended 30th September, 2004 may not be comparable to the amounts shown for the current interim period.

In HK$'000		Effect of adoption		
	HKAS17	HKASs 32 & 39	HKFRS 3, HKASs 36 & 38	Total
For the six months ended 30th September, 2005				
Increase/(Decrease) in profit				
Decrease in amortization of goodwill			3,965	3,965
Decrease in amortization of intangible assets			1,547	1,547
Increase in other gains, net		201		201
Increase in amortization of Land Lease premium	(267)			(267)
Total increase/(decrease) in profit attributable to equity holders of the Company	(267)	201	5,512	5,446

In HK$'000				
For the six months ended 30th September, 2004				
Decrease in profit				
Increase in amortization of Land Lease premium	(267)			(267)
Total decrease in profit attributable to equity holders of the Company				(267)

b. Effect on the unaudited consolidated balance sheet

In respect of the position as at 30th September, 2005, the following table sets out (i) the adjustments that have been made to the opening balances at 1st April, 2005, which are the aggregate effect of retrospective adjustments as at 31st March, 2005 and the opening balance adjustments made as at 1st April, 2005; and (ii) the estimates of the extent to which movement of balances for that period are higher or lower than they would have been had the previous policies still been applied in the interim period, where it is practicable to make such estimates.

In respect of the position as at 31st March, 2005, the table only discloses the aggregate effect of retrospective adjustments as at 31st March, 2005, which are in accordance with the relevant transitional provisions of the respective

In HK$'000		Effect of adoption		
	HKASs 17	HKASs 32 & 39	HKFRS 3, HKASs 36 & 38	Total
As at 30th September, 2005				
Increase/(Decrease) in assets				
Decrease in property, plant and equipment	(20,989)			(20,989)
Increase in interest in leasehold land held for own use	20,989			20,989
Increase in goodwill			3,965	3,965
Increase in intangible assets			1,547	1,547
Increase in derivative financial instruments (assets)		201		201
Increase in equity				
Increase in retained profits		201	5,512	5,713

In HK$'000				
As at 31st March, 2005				
Increase/(Decrease) in assets				
Decrease in property, plant and equipment	(21,256)			(21,256)
Increase in interest in leasehold land held for own use	21,256			21,256
Increase in equity				
Increase in retained profits				0

2. TURNOVER AND SEGMENTAL INFORMATION

Segment information is presented by way of geographical segments. As the Group's turnover and operating profit were contributed solely by manufacturing, trading, distributing and retailing timepieces products, business segments are not presented.

In determining the Group's geographical segments, segment revenue and results are based on the final destination of goods sold as follows:

	Turnover Six months ended 30th September,		**Segment results Six months ended 30th September,**	
	2005	2004 (restated)	**2005**	2004 (restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The Americas	**422,921**	420,423	**57,984**	51,794
Asia (excluding China)	**186,845**	189,503	**16,015**	29,668
Europe	**128,001**	128,962	**11,093**	23,901
China	**261,228**	121,349	**99,284**	35,877
	998,995	860,237	**184,376**	141,240
Other revenue			**21,319**	9,008
Unallocated expenses			**(87,879)**	(68,638)
Finance costs			**(22,721)**	(9,900)
Profit before taxation			**95,095**	71,710

3. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting):

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000* (restated)
Depreciation of property, plant and equipment	**32,936**	31,192
Amortization of intangible assets	**–**	3,123
Amortization of goodwill	**–**	1,785
Amortization of Land Lease premium	**267**	267
Interest expenses	**22,721**	9,900
Interest income	**(12,779)**	(835)

4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30th September, 2004: 17.5%) on the estimated assessable profits. Taxation on other overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries of the Group operate.

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
Current period		
Hong Kong profits tax	**11,274**	8,478
The People's Republic of China (the "PRC")	**167**	–
Overseas	**550**	42
Deferred taxation		
Origination and reversal of temporary differences	**548**	(1,240)
	12,539	7,280

5. DIVIDEND

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
2005 interim dividend declared of 3 HK cents (2004: 2.2 HK cents) per ordinary share	**26,992**	18,405

This dividend declared after the balance sheet date has not been recognised as a liability at the balance sheet date.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is as follows:

	Six months ended 30th September,	
	2005	2004
	HK$'000	*HK$'000*
		(restated)
Profit attributable to equity holders of the Company	**80,572**	57,639
Weighted average number of shares for the purpose of basic earnings per share calculation	**884,531,348**	817,472,226
Potential dilutive shares		
– share options	**18,098**	17,268
– warrants	**–**	40,916,080
Weighted average number of shares for the purpose of diluted earnings per share calculation	**884,549,446**	858,405,574
Basic earnings per share (HK cents)	**9.11**	7.05
Diluted earnings per share (HK cents)	**9.11**	6.71

7. CAPITAL EXPENDITURE

During the period, the Group spent approximately HK$57,660,000 (31st March, 2005: HK$121,986,000) on property, plant and equipment to expand its business. Carrying amount of property, plant and equipment of the Group disposed of during the period amounted to HK$1,089,000 (31st March, 2005: HK$202,000).

8. TRADE RECEIVABLES

Payment terms with customers are mainly on credit. Invoices are normally payable within 90 days to 120 days of issuance. Each customer has a pre-set maximum credit limit.

An aging analysis of trade receivables is as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Not yet due	**219,002**	214,307
Over due within 90 days	**28,959**	38,444
Overdue between 91 to 180 days	**26,198**	21,021
Overdue over 180 days	**22,219**	2,266
	296,378	276,038

9. TRADE AND OTHER PAYABLES

An aging analysis of trade payables is as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Trade payables:		
Not yet due	**85,519**	59,295
Overdue within 90 days	**44,202**	43,030
Overdue between 91 to 180 days	**10,996**	9,680
Overdue over 180 days	**7,639**	6,903
	148,356	118,908
Accruals and other payables	**100,585**	101,186
	248,941	220,094

10. INTEREST-BEARING BORROWINGS

The interest-bearing borrowings are repayable as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Within one year	**389,505**	671,570
After one year but within two years	**268,000**	217,940
After two years but within five years	**386,000**	51,200
	1,043,505	940,710
Less: amount repayable within one year	**389,050**	671,570
	654,000	269,140
Analyzed as:		
– secured	**–**	16,800
– unsecured	**1,043,505**	923,910
	1,043,505	940,710

11. OBLIGATIONS UNDER FINANCE LEASES

The obligations under finance leases are repayable as follows:

	As at 30th September, 2005 *HK$'000*	As at 31st March, 2005 *HK$'000*
Within one year	**2,427**	3,187
More than one year but within two years	**652**	1,151
More than two years but within five years	**117**	611
	3,196	4,949
Less: future finance charges	**(250)**	(380)
	2,946	4,569
Less: amount repayable within one year	**2,223**	2,918
	723	1,651

12. SHARE CAPITAL

	As at 30th September, 2005 *HK$'000*	As at 31st March, 2005 *HK$'000*
Authorized:		
6,000,000,000 (31st March, 2005: 6,000,000,000) ordinary shares of HK$0.10 each	**600,000**	600,000
Issued and fully paid:		
905,705,780 (31st March, 2005: 868,082,259) ordinary shares of HK$0.10 each	**90,571**	86,808

	Note	**Number of shares issued**	**Paid-up nominal value** *HK$'000*
As at 31st March, 2005		868,082,259	86,808
Issue of new shares pursuant to the exercise of warrants	*a*	37,623,521	3,763
As at 30th September, 2005		**905,705,780**	**90,571**

Notes:

a. A bonus issue of warrants (the "Bonus Warrants") of the Company to its shareholders was approved by the Board on 1st August, 2003. The Bonus Warrants are exercisable at any time from 5th August, 2003 to 4th August, 2005, both dates inclusive. Each Bonus Warrant entitles the holder thereof to subscribe for one new share at an initial subscription price of HK$0.65. During the period, 37,623,521 new shares of HK$0.1 each were issued upon the exercise of 37,623,521 Bonus Warrants. These shares rank pari passu with the existing shares of the Company.

13. RELATED PARTY TRANSACTIONS

Significant related party transactions which were carried out in the normal course of the Group's business and were conducted on normal commercial terms are as follows:

		Six months ended 30th September,	
	Note	**2005** ***HK$'000***	2004 *HK$'000*
Sales of finished goods to related companies	*a*	**23,282**	3,001
Rental for use of plant and machinery provided to and charged to a related company	*b*	**944**	1,000
Electroplating services provided by and respective fee charged by a related company	*c*	**(5,109)**	(5,432)
Key management compensation	*d*	**1,828**	2,776

Notes:

a. Sales of finished goods to the related companies were conducted in the ordinary course of business at prices and terms as determined by the transaction parties on arm's length basis. In respect of transactions for which the price or volume has not yet been agreed with the relevant parties, the directors have determined the relevant amount based on their best estimation.

b. The amounts of the rental received from the jointly controlled entity and the related company were agreed between the transaction parties on arm's length basis.

c. Fees for electroplating services provided by the jointly controlled entity and the related company were charged at prices and terms as agreed between the transaction parties on arm's length basis.

d. Detail of key management compensation of the Group

	Six months ended 30th September,	
	2005 ***HK$'000***	2004 *HK$'000*
Salaries and other short-term employee benefits	**1,750**	2,698
Post employment benefits	**78**	78

14. COMMITMENTS UNDER OPERATING LEASES

As at 30th September, 2005, the Group had total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings falling due as follows:

	As at 30th September, 2005	As at 31st March, 2005
	HK$'000	*HK$'000*
Within one year	**19,331**	5,126
More than one year but within five years	**36,311**	8,679
More than five years	**2,402**	–
	58,044	13,805

15. CONTINGENT LIABILITIES

As at 30th September, 2005, the Group has contingent liabilities in respect of bills discounted with recourse amounting to approximately HK$75,032,000 (31st March, 2005: HK$45,497,000).

During the Period, the Group recorded a remarkable growth in both top and bottom lines as turnover increased to HK$999 million, up 16.1% over the same period of the 2005 financial year ("FY2005"). The expansion of retail business presence in the Chinese Mainland market emerged as a major driving force behind the revenue growth. The synergy effect arising from manufacturing, distribution and retail operations successfully bolstered overall profitability and margin improvement. The Gross profit, margin at 30.6%, up 41.4% compared to the first half of FY2005. EBITDA, margin at 14.8%, and EBIT, margin at 11.5%, an improvement of 32.4% and 52.0% respectively.

Swatch in Shanghai

REVIEW OF OPERATIONS

Distribution and Retail

China Market

Mid-range fashion brands

With the implementation of CEPA in January 2004, Peace Mark has been aggressively expanding into the distribution and retail market in China to capture the tremendous growth opportunities. A strong distribution and retail network has been established, an asset of significant value to support the Group's further penetration and development in the Mainland.

After completing a series of acquisitions of distributors and retailers in China, Peace Mark consolidated during the Period some of the acquired networks and their support offices in order to achieve better operational and financial efficiency. The successful establishment of a nationwide distribution and retail network laid a solid growth foundation while the logistics infrastructure and information system were put in place as a backbone for future expansion. With continued dedicated efforts, Peace Mark has positioned itself well to widen the penetration into the Mainland market by gearing up the infrastructure establishment.

TimeZone "Mega Shop-in-Shop" in Shanghai

As part of the expansion strategy in China, the Group converted certain outlets of its TimeZone network into much larger and more prominent shop-in-shops within department stores on the Mainland. The shop image and layout have been re-designed to make them more contemporary with a distinguished identity. The new shop image was well received by both the end-consumers and the department stores.

The first two mega shop-in-shop was opened at Parkson Department Store in Shanghai and Chengdu. During the Period, many fashion brands had approached TimeZone for the distribution and retail businesses in China. At present, Peace Mark has more than 50 brands under its distribution and retailing on exclusive or non-exclusive basis. To extend the reach to different customers, TimeZone has spun off a new chain of shops under TimeZone "EEC" (EEC stands for "Exclusive European Collection") for the higher-end fashion brands and "Lady TimeZone" for women's models.

In tandem with the Mainland expansion, TimeZone commenced its retail operation in Hong Kong during the Period. With a retail network of its own, Peak Mark is in a better position to serve the brands' penetration in China and Hong Kong through cross-border advertising and promotional activities. At present, there are 8 retail operations in Hong Kong.

Other than TimeZone, Peace Mark is selling exclusively through its subsidiary the Swatch brand in the eastern part of China including Shanghai. Swatch, being one of the best selling brands in China, is expected to experience strong growth in coming years.

With TimeZone and some other single brand counters, the Group has built up 615 points of sale covering the whole of China. This is the biggest mid-range fashion brands network in China considering the number of points of sale, the number of brands on offer and the coverage of the marketplace. Peace Mark is providing global fashion brands worldwide a solid platform with access to a full range of services from manufacturing, distribution and retail in China.

Luxury watch market

Peace Mark made its foray into the luxury watch retailing in China during the Period. At present, China is ranked the 11th in the world in terms of luxury watches purchase and the market is expected to grow rapidly in coming years. In China's luxury watch market, consumers are looking for varieties of brands and styling from reliable retailers. The Group's successful infrastructure establishment for its mid-range fashion brands has resulted in a shorter learning curve for the development of the luxury watch retailing in China. Solomon Watch & Jewellery, a member of Peace Mark, is targeting to offer luxury brands to the high net-worth customers in the major cities of China. The first Solomon watch shop occupying a gross floor area of 450 square metres was opened at the Jin Mao Lifestyle Centre in Shanghai in August 2005. The business model is different from the traditional watch shops in China as Solomon adopts an active promotional approach in partnership with the brands. After the opening of the first Solomon shop, it has already held five joint promotion campaigns with the brands like Breitling, Ulysse Nardin, Girard-Perregaux, Chronoswiss and Parmigiani. The customer response and the resulting sales of these promotional activities were remarkable. Peace Mark plans to open the second retail watch shop in Shanghai in January 2006. The second shop will be located at Xintiandi occupying a gross floor area of 1,000 square metres, making it the biggest watch shop in China by floor area and offering the most prestige watch brands to the market.

Milus in Basel World 2005

TimeZone "EEC" in Hong Kong

Other than Solomon, Peace Mark also operates boutique shops and shop-in-shop for individual brands. In Chongqing, Peace Mark has established and operated four boutique shops for four brands, namely, Omega, Breguet, Blancpain and Glashutte. In Ningbo, Peace Mark has operated several shops-in-shops for brands like Rolex, Omega, Tudor, Rado and Movado and a Citizen Counter occupying 300 square metres in total in Chengfa Shopping Centre. A boutique shop of approximate 100 square metres for Omega will open soon in Shenzhen.

Joint Promotion: Solomon & Ulysse Nardin in Shanghai

In June 2005, Milus, Peace Mark's own brand, was ranked the 10th on the top list of the Best Lady Watches 2005 presented by Chronos Magazine in Germany. The expert jury was composed of 100 of the best jewellers in Austria, Germany and Switzerland together with numerous watch specialists, Other than the existing markets like Europe, Russia and Middle East, Milus plans to enter into the China and Singapore markets.

Manufacturing and export business

Peace Mark has 8 production facilities in total. Six production facilities are located in China encompassing components (including movement) making, electroplating and final assembly, one in Hong Kong and one in Switzerland.

Subsequent to the commencement of production at Timetech Industrial Limited in September last year, Peace Mark has strong in-house support of design, prototyping and stainless steel components supply. This state-of-the-art production facility has won the orders from multiples high-end fashion brands. In May 2005, four of the Peace Mark produced brands were awarded the Hong Kong Q-Mark by the Federation of Hong Kong Industries in a further recognition of the Group's commitment to excellency in production. In addition, Mr. Tommy Leung, the CEO of the Group, was appointed as the President of the Hong Kong Watch Manufacturers Association in June 2005 and the Vice-Chairman of the Hong Kong Mould and Die Technology Association in December 2005. This helps further strengthen Peace Mark's position in the industry.

Solomon Watch & Jewellery in JinMao Tower, Shanghai

The mechanical watch movement factory in Shanghai has undergone stages of production facilities and labour skill upgrades. The development has been progressing well with a view to teaming with the Swiss counterparts in making mechanical movements.

The production facilities of the Group have strong capability with the utilization rate at approximately 70% as a whole and will be sufficient to cope with future increases in order levels with the out-sourcing support.

In the US market, Peace Mark continued to develop direct contact and communication with the major watch buyers to facilitate sales. This macro trend in supply chain management will benefit the major manufacturers of watches of high quality supply as well as with well-managed distribution capability.

Omni, the US distribution arm, experienced increases in order levels with the support of manufacturing in China. The successful transformation from a manufacturer to an integrated manufacturer and distributor has increased the revenue and margin in the US market despite the pricing pressure from US retailers.

In order to further strengthen the marketing for the European market, Peace mark has set up a marketing subsidiary in France currently employing 9 staff and an marketing office of 20 staff for the German market.

The Group's development of the distribution and retail network in China has generated additional manufacturing business for the fashion brands which had not sourced their supplies from Peace Mark previously. The distribution and manufacturing operations have been complementing each other, creating synergy to drive business growth.

FUTURE PROSPECTS AND OUTLOOK

The solid manufacturing business has been providing a stable revenue stream to the Group while the distribution and retailing operations in China generate increasing revenues. Given the vast opportunities in the Mainland's extremely under-penetrated but fast-growing watch market, Peace Mark is poised to see a respectable growth in both manufacturing and distribution businesses over the medium term.

In China, Peace Mark will further strengthen the business platform for fashion and high-end brands worldwide. TimeZone, in order to gain a deeper penetration into the market, has formulated a plan to set up shop-in-shops in the accessories section of a department store as well as establishing Lady TimeZone outlets in the women's clothing section selling ladies' models. For now, more than 15 TimeZone Lady outlets have been established with the target to increase the number to approximately 40 by the end of FY2006. Similar strategies will be adopted for outlets in the sports' and kids' sections of department stores. More points of sale will be set up in various department store chains in China to reach customers.

Solomon, a trend setter in selling luxury watches on the Mainland, will roll out its unique business model and extend its presence to other major cities in China. Solomon is gaining rising awareness from the Mainland consumers and aims to project an image as "the favourite luxury watch shop in China". With the focus on strengthening the relationship with the brands, Solomon prides itself on the retailer and brand joint marketing effort, which will continue to be one of its core marketing initiatives. The Group has budgeted approximately HK$250 million for the expansion of the luxury watch market in China.

Joint Promotion: Solomon & Parmigiani in Shanghai

Breguet, Blancpain and Glashutte bontique shops in Chongqing

On the manufacturing and export business, Peace Mark will reinforce its position as a supply chain partner for the major retailers. The vertically integrated manufacturing and distribution business model begins to bear fruit after the dedicated efforts in the past two years and this leading edge will be further enhanced to support development. In respect of distribution, Peace Mark has demonstrated its capability in serving the requirements of the retailers who are all satisfied that the strategy will improve the operational efficiency along supply chain.

Lady TimeZone in Chengdu

Going forward, Peace Mark has geared up well to maintain its position as a leading vertically integrated player in the international watch market, given its strong manufacturing capability, fast penetration into the distribution and retail market of China as well as well-developed supply chain relationship with the US retailers.

FINANCIAL

During the Period, the Group recorded a remarkable growth in both top and bottom lines as turnover increased to HK$999 million, up 16.1% over the same period of the 2005 financial year. The expansion of retail business presence in the Chinese mainland market emerged as a major driving force behind the revenue growth. The synergy effect arising from manufacturing, distribution and retail operations successfully bolstered overall profitability and margin improvement. The gross profit, margin at 30.6%, up 41.4% compared to the first half of FY2005. The expenses associated with sales and marketing, distribution and administration were well managed and controlled at a level of 20.4% of the revenue. With strict control of the expenses, the Group turned in an EBITDA, margin at 14.8% and an EBIT, margin at 11.5%, an improvement of 41.4% and 52.0% respectively.

Golden Time (Mechanical Movement Factory) in Shanghai

In terms of geographical breakdown, the Americas, China, Europe and Asia (ex-China) account for 42.3%, 26.2%, 12.8% and 18.7% respectively. The US market has grown in magnitude but decreased by the percentage of total turnover. In terms of business segment breakdown, OEM/ODM manufacturing, license/OBM manufacturing, US distribution and China distribution and retailing were 44.4%, 17.6%, 11.8% and 26.2% respectively. The EBITDA margin for manufacturing, US distribution and China retailing were 10.8% 16.1% and 19.0% respectively. Manufacturing margin stayed at more or less the same level as FY2005 while the higher margin from high-end products were to a certain extent contained by the higher operating costs in China. The EBITDA margin for China retailing continued to improve as the fixed costs were averaged down on increased business turnover.

In respect of the balance sheet, a capital expenditure of HK$58 million was spent during the period including approximately HK$24 million for the maintenance operation and HK$34 million for the POS expansion. Working capital (after trade finance) had been closely monitored and was kept at 21.7% of turnover. In view of the longer business cycle resulting from the integrated manufacturing and distribution businesses, the longer inventory days amidst the trend of retailers pushing back the inventory holding to distributors as well as new inventory added for luxury watch retailing, the inventory turnover was stayed at 27.3% of turnover, an increase of 0.8 point as compared to FY2005. Trade receivables turnover was maintained at 14.8% of turnover. Short-term trade finance in addition to supplier credits had been utilized to fund the working capital requirements. The cost of financing by trade financing was at a much lower rate than trade credits extended by the manufacturing and raw material suppliers. Nevertheless, the operating cash inflow from operating activities after working capital was 7.6% of the turnover.

Subsequent to 31st March, 2005, Peace Mark entered into a 4-year syndicated term loan in the amount HK$630 million with 23 syndicate bankers. The borrowing rate is 0.55% over HIBOR. The purpose of the loan was to extend the maturity profile of the debts, as Peace Mark will continue to be in an expansion mode in the medium term while saving the interest costs. As at 30th September, the percentage of short-term debts to total debts had been reduced from 71% at the year end of FY2005 to 37%.

Cash and bank balances amounting to HK$764 million were highly liquid and available for financing the expansion plans in the distribution and retail businesses in China. The net gearing was 23%. There is room for the balance sheet to further leverage given the highly predictable cash flows of the business.

In view of the cash generating from operations, the management is of opinion that the Group has adequate cash resources for current business development and capital expenditure requirements.

Citizen in Ningbo

Omega in Chongqing

Subsequent to 30th September, 2005, with a view to improving the earnings per share, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows and all these shares have been duly cancelled:

Month of purchase	Number of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK'000*
October 2005	4,050,000	1.90	1.77	7,551
November 2005	1,920,000	1.88	1.77	3,512

RISK MANAGEMENT

Currency exposure

Peace Mark has been operating its processing factories as well as distributing and retailing in China. The appreciation of RMB has had no significant impact on the group as a whole as to a great extent the RMB exposure has been naturally hedged. For the period, 23% of its operating expenses and cost of goods sold are denominated in RMB while the RMB revenue accounts for a 26% of the total turnover.

Currency forward contracts were entered into for hedging the receipts and payments in foreign currency.

Interest rate exposure

Interest rate swap contracts were secured to hedge against the increase in interest rate. At 30th September, approximately 60% of the debt were swapped to fixed rate and 40% were on floating rate.

NUMBER OF EMPLOYEES AND REMUNERATION POLICY

As at 30th September, 2005, the Group had a total of approximately 4,000 employees worldwide.

The Group remunerates its employees based on their performance, experience and prevailing industry practice. In addition, the Group has established discretionary bonus and employees share options scheme which are designed to motivate and reward employees to achieve the Group's business performance targets.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30th September, 2005, 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	Family interests	Number of ordinary shares Corporate interests	Other interests	Total	Percentage of issued share capital
Mr. Chau Cham Wong, Patrick	65,631,077	–	296,840,459	28,416,795 *(note a)*	390,888,331	43.16%
Mr. Leung Yung	–	–	325,257,254	65,631,077 *(note b)*	390,888,331	43.16%
Mr. Tsang Kwong Chiu, Kevin	98,353	–	–	–	98,353	0.01%
Mr. Cheng Kwan Ling	293,904	–	–	–	293,904	0.03%
Tang Yat Kan	500,000	740,000 *(note c)*	–	–	740,000	0.08%

Notes:

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

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

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

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company being held by the directors in trust for the Company, as at 30th September, 2005, none of the directors of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and during the six months ended 30th September, 2005, none of the directors of the Company, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights by any of them, as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Share options are granted to the directors, employees and other eligible persons under the share option scheme (the "Scheme") of the Company adopted on 24th January, 2002. Particulars of the share options outstanding during the period and as at 30th September, 2005 are as follows:

Participants	**Number of share options as at 31st March, 2005 and as at 30th September, 2005**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price of share options** *HK$*	**Price of Company's shares at grant date of options** *HK$*
Employees in aggregate	20,000	23/08/2002	23/02/2003 to 23/02/2006	0.2	0.202

No options was granted, exercised, cancelled or lapsed under the Scheme during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th September, 2005, the following persons (other than the directors of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	*Note*	**Total**	**Percentage of issued share capital**
United Success Enterprises Limited	*a*	390,888,331	43.16%
A-ONE INVESTMENTS LIMITED ("A-ONE")	*b*	390,888,331	43.16%
Arisaig Greater China Fund ("Arisaig")	*c*	87,240,119	9.63%
Arisaig Partners (Mauritius) Limited ("Arisaig Mauritius")	*d*	87,240,119	9.63%
Cooper Lindsay William Ernest ("Mr. Cooper")	*e*	87,240,119	9.63%

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 390,888,331 shares of the Company pursuant to section 317 of the SFO.

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

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 arised 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.

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 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 30th September, 2005.

DISCLOSURE WITH RULE 13.18 OF CHAPTER 13 OF THE LISTING RULES

In compliance with the Rule 13.18 of the Listing Rules, the following disclosures are included in respect of a facility agreement dated 22nd April, 2005 relating to a term loan and revolving credit facility in an aggregate amount of HK$630 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.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of 3 HK cents for the six months ended 30th September, 2005 (2004: 2.2 HK cents) payable on Thursday, 26th January, 2006, to shareholders whose names appear on the register of members of the Company on Friday, 13th January, 2006. The dividend per share represents a payout ratio of 34.7%.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 11th January, 2006 to Friday, 13th January, 2006, 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, 10th January, 2006.

OTHER DISCLOSURE

Apart from above, other areas which are required to be disclosed under the requirements of paragraph 46 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited either have no material changes from the information disclosed in the annual report of the Company for the year ended 31st March, 2005 or are considered not significant to the Group's operations, and hence no additional disclosure has been made in this announcement.

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 30th September, 2005, in compliance with the code provisions of the Code on Corporate Governance Practice in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 30th September, 2005.

PURCHASE, SALES, OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30th September, 2005, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities of the Company.

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 30th September, 2005, 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, 19th December, 2005

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