Peace Mark (Holdings) Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 304)
(website: http://www.peacemark.com)

ANNOUNCEMENT OF FINAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2008

HIGHLIGHTS

	2008 **HK$'000**	2007 HK$'000	Changes in %
Turnover	**4,177,106**	3,040,514	37.4
EBIT	**611,299**	392,045	56.0
Profit Attributable To Equity Holders	**457,218**	300,276	52.3
Earnings Per Share	**44.03 cents**	30.28 cents	45.4
Return on Equity	**19.1%**	17.8%	1.3pts

The board of directors (the "Directors") is pleased to announce the consolidated results of Peace Mark (Holdings) Limited (the "Company") and its subsidiaries (together with the Company hereinafter referred to as "Peace Mark" or the "Group") for the year ended 31 March 2008.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	2	**4,177,106**	3,040,514
Cost of sales		**(2,711,624)**	(2,055,700)
Gross profit		**1,465,482**	984,814
Other revenue		**126,061**	132,846
Selling and distribution expenses		**(476,175)**	(363,782)
Administrative and general expenses		**(323,229)**	(283,896)
Other operating expenses		**(73,255)**	(13,644)
Profit from operations		**718,884**	456,338
Share of profit (loss) of associates		**10,726**	(9,512)
Share of profit (loss) of a jointly controlled entity		**536**	(2,027)
Finance costs	4	**(195,296)**	(111,880)
Profit before taxation	2, 3	**534,850**	332,919
Taxation	5	**(63,249)**	(28,316)
Profit for the year		**471,601**	304,603
Attributable to:			
Equity holders of the Company		**457,218**	300,276
Minority interests		**14,383**	4,327
		471,601	304,603
Dividends	6	**54,203**	102,727
Earnings per share for profit attributable to equity holders of the Company during the year	7		
Basic (HK cents)		**44.03**	30.28
Diluted (HK cents)		**42.00**	29.54

CONSOLIDATED BALANCE SHEET

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**1,005,979**	518,010
Freehold land and interest in leasehold land		**64,458**	7,961
Investment properties		**2,244**	–
Intangible assets		**2,372,889**	239,289
Interest in associates		**297,626**	87,300
Interest in a jointly controlled entity		**20,114**	15,994
Other financial assets		**415,194**	181,057
Deferred tax assets		**55,977**	9,566
		4,234,481	1,059,177
Current assets			
Inventories		**3,246,856**	1,015,963
Derivative financial instruments		**71,201**	46,282
Other financial assets at fair value through profit or loss		**17,548**	6,585
Trade receivables	8	**873,326**	613,776
Trade deposits and other receivables		**699,355**	266,718
Cash and bank balances		**1,536,111**	1,460,091
		6,444,397	3,409,415
Current liabilities			
Trade and other payables	9	**1,480,513**	294,789
Derivative financial instruments		**125,361**	24,023
Interest-bearing borrowings		**5,360,238**	988,231
Obligations under finance leases		**1,024**	200
Tax payable		**83,343**	33,878
		7,050,479	1,341,121
Net current (liabilities) assets		**(606,082)**	2,068,294
Total assets less current liabilities		**3,628,399**	3,127,471
Non-current liabilities			
Interest-bearing borrowings		**75,963**	1,077,727
Obligations under finance leases		**1,880**	142
Deferred tax liabilities		**158,181**	13,064
		236,024	1,090,933
Net assets		**3,392,375**	2,036,538
Capital and reserves			
Share capital		**108,847**	99,308
Reserves		**2,863,558**	1,707,171
Equity attributable to equity holders of the Company		**2,972,405**	1,806,479
Minority interests		**419,970**	230,059
Total equity		**3,392,375**	2,036,538

Notes

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standard ("HKASs") and Interpretations ("HK-Ints")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Standards, amendments and interpretations effective and adopted by the Group for the financial year ended 31 March 2008

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above new standards, amendments to standards and interpretations have no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented, except for HKFRS 7 and HKAS 1 Amendment, which introduced new disclosures relating to financial instruments and capital management.

(b) Standards, amendments and interpretations that have been issued but are not yet effective for the financial year ended 31 March 2008 and have not been early adopted by the Group

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation [1]
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [2]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 12	Service Concession Arrangements [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 July 2009.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

IFRIC represents the International Financial Reporting Interpretation Committee.

The Group is in the process of making an assessment on the impact of these new/revised standards, amendments and interpretations of HKFRS upon initial application. In the opinion of the directors, the above new/revised standards are not expected to result in substantial changes to the Group's accounting policies or have material impact on the Group's financial statements.

2. Segment information

In accordance with its internal financial reporting policies, the Group has determined that business segments should be presented as primary reporting format. However, business segments are not presented because the Group's turnover and operating profit were contributed solely by manufacturing, trading, distributing, retailing and related service income of timepiece products.

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

	2008		2007	
	Turnover	**Segment Results**	Turnover	Segment Results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
The Americas	**721,212**	**106,213**	823,139	123,329
Asia (excluding China)	**230,966**	**23,487**	336,356	33,263
Europe	**265,984**	**29,042**	337,249	32,397
China and Hong Kong	**2,958,944**	**579,795**	1,543,770	276,135
	4,177,106	**738,537**	3,040,514	465,124
Unallocated expenses		**(127,238)**		(73,079)
Finance costs net of interest income		**(87,711)**		(47,587)
Share of profit (loss) of associates		**10,726**		(9,512)
Share of profit (loss) of a jointly controlled entity		**536**		(2,027)
Profit before taxation		**534,850**		332,919

3. Profit before taxation

	2008	2007
	HK$'000	*HK$'000*
Profit from operations is arrived at after charging/(crediting):		
Auditors' remuneration	**5,974**	3,275
Depreciation of property, plant and equipment	**127,070**	70,508
Amortization of land lease premium	**168**	141
Impairment loss of intangible assets	**11,320**	12,484
Loss on write-down of inventories to net realizable value	**45,343**	1,217
Loss on disposal of property, plant and equipment	**5,205**	2,981
Staff costs, including directors' emoluments		
– Wages, salaries and benefits in kind	**331,391**	177,532
– Pension costs: defined contribution plans, net of forfeited contributions	**9,776**	4,278
– Share option expense	**52,252**	14,804
Operating leases charges in respect of properties		
– Minimum lease payments	**152,466**	70,650
– Contingent rents	**93,276**	88,840
Provision for impairment loss on trade receivables	**6,825**	120
Exchange loss	**17,505**	3,765
Interest income		
– Debt instruments	**(28,860)**	(33,344)
– Associates	**(21,481)**	(573)
– Others	**(57,244)**	(30,376)
Gain on disposal of subsidiaries	**–**	(10,054)

4. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest on:		
Term loans, syndicated loans and bank overdrafts wholly repayable within five years	**175,844**	110,821
Associates	**19,446**	848
Obligations under finance leases	**6**	211
	195,296	111,880

5. Taxation

Income tax in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Current profits tax		
Hong Kong	**55,402**	37,197
The People's Republic of China (the "PRC")	**22,002**	800
Overseas	**1,000**	1,038
Over provision in prior years	**–**	(12,049)
Deferred taxation		
Origination and reversal of temporary differences	**(15,155)**	1,330
	63,249	28,316

Hong Kong profit tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the year. Taxation on other overseas profit for the year 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.

6. Dividends

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK5.0 cents per share (2007: HK4.1 cents)	**54,203**	40,704
Final dividend proposed of Nil (2007: HK6.2 cents)	**–**	62,023
	54,203	102,727

7. Earnings per share

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

	2008	2007
Profit attributable to equity holders of the Company (in HK$'000)	**457,218**	300,276
Weighted average number of shares for the purpose of basic earnings per share calculation (in '000)	**1,038,467**	991,796
Potential dilutive shares – share options (in '000)	**50,100**	24,548
Weighted average number of shares for the purpose of diluted earnings per share calculation (in '000)	**1,088,567**	1,016,344
Basic earnings per share (HK cents)	**44.03**	30.28
Diluted earnings per share (HK cents)	**42.00**	29.54

8. Trade receivables

An aging analysis of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Not yet due	**662,443**	369,553
Overdue within 90 days	**113,925**	221,559
Overdue between 91 to 180 days	**87,857**	14,739
Overdue over 180 days	**9,101**	7,925
	873,326	613,776

Credit policy:

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.

9. Trade and other payables

An aging analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Trade payables:		
Not yet due	**462,981**	67,054
Overdue within 90 days	**131,541**	42,300
Overdue between 91 to 180 days	**237,036**	16,334
Overdue over 180 days	**208,279**	24,806
	1,039,837	150,494
Accruals and other payables	**440,676**	144,295
	1,480,513	294,789

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

GREATER CHINA (CHINA, HONG KONG, TAIWAN AND MACAU) LUXURY RETAIL

China showed a strong growth in the import of Swiss watches during the financial year. Federation of the Swiss Watch Industry FH recorded that the import by China for the financial year 2008 was CHF 653 million representing a 55% growth year on year.

The growth of demand for high-end watches were mainly driven by the proliferation of the newly rich, widespread advertising campaigns by the brands and an increasing disposable income from the second-tier cities. The strong presence of the newly rich is a typical characteristic of the emerging markets. That explains why sales of discretionary items are performing well even during the economic downturn. High-end watches are being perceived as a symbol of status, which is one of the key motivations for luxury consumption in China.

Over the course of FY2008, Peace Mark has made progress in expanding its luxury retail network in China. The total number of retail outlets increased by 43 from 65 to 108 stores through organic and acquisitive growth. The level of competition, diversity of consumer preferences and various stages of infrastructure developments required different strategies for penetrating different cities in China.

In a bid to support the growth of our retail network in China, we built the infrastructure for the distribution of goods. We secured the rights to set up public bonded warehouses in Jizhou and Chongqing from the Chinese Government.

The warehouse in Jizhou will be the only public bonded warehouse in the city and the one in Chongqing is the only public bonded warehouse used for storing timepieces and jewelry among the three warehouses in the city. The warehouses will enable Peace Mark to provide one-stop services from importation to storage, logistics, distribution and retail to all peers, allowing for greater savings on tax and logistics costs while boosting operational efficiency for the Group and its clients.

Both of the bonded warehouses are designed for public use. The warehouse in Jizhou will be a jointly-owned facility between the Group and Jizhou Sundry Goods Timepiece Limited holding 60% and 40% equity, respectively for various commodities. The facility in Chongqing is wholly-owned by the Group for storage of timepieces and jewelry. Any goods deposited in the warehouses will be deferred from import duty, value-added tax and consumption tax until they are transferable by endorsement.

In an effort to establish the network across China, we have been taking a multi-format strategy that has worked well in China to cope with the wide range of consumer preferences. It involves the establishment of domestic joint ventures, mono-brand boutiques and Tourneau stores. The formation of strategic alliances and joint ventures with foreign and domestic companies enables us to leverage their resources to our competitive advantage.

DOMESTIC JOINT VENTURE

Peace Mark has systematically invested and acquired domestic companies over the recent years to increase its geographic coverage in China.

Other than first-tier cities like Shanghai, Beijing and Guangzhou, we have significant presence in the second-tier cities like Chengdu, Chongqing, Xian, Ningbo, Shenzhen, Tianjin, Shenyang, Hangzhou and Urumqi through the partnership with strong players in these areas.

The Group recognized the Shenyang joint venture as a 51% owned subsidiary during the year. The joint venture in Ningbo extended the presence to Hangzhou. We had 29 new stores during the year making a total of 67 joint venture stores. Sales growth was recorded across all the areas covered by these domestic joint ventures.

MONO-BRAND BOUTIQUES

With an ever-growing interest of luxury brands in China, many of them appointed independent companies to assist their penetration into the market through various initiatives from brand management, distribution to retailing. Peace Mark has been one of the preferred partners of the brands in this regard.

We were operating 37 mono-brand stores in Hong Kong, China and Macau by the end March 2008.

We opened mono-brand shops in areas which we have our own operation or through the setting up of domestic joint ventures.

The Rolex shop opened in February 2007 in Tsim Sha Tsui, Hong Kong, and started to generate a full-year revenue contribution. The sales performance of this shop was remarkable.

In China, we opened 11 Rolex shops in total in areas like Kunming, Changsha, Chongqing, Xian, Shenyang, Taiyuan and Ningbo. More shops are committed to open for Rolex in the coming year. For Omega, we also opened and upgraded shops in locations like Metropolitans in Chonqqing, Friendship Shop in Chengdu, Yitian Holiday Plaza in Shenzhen, Paragon Center in Xiamen, Hisense Plaza in Qingdao, Dong Shun Department Store in Shenyang and GDA Plaza Department Store in Hangzhou. Other than Omega and Rolex, we opened shops for Blancpain, Glashutte, Longines and Rado separately. The biggest Tissot boutique was also opened during the year in Chongqing.

We serve a wide range of brands with mono-brand shops from Rolex, Omega, Cartier to Vacheron Constantin as well as other luxury brands.

TOURNEAU

In August 2007, in addition to the 3 Tourneau stores operating in China, the Group opened a Tourneau store of approximately 4,500 square feet at The Venetian in Macau in 2008 – making a total of 4 stores.

MIDDLE-RANGE MARKET

We achieved strong sales growth of 38.0% in FY2008 as our retail businesses continued to show solid network expansion and same-store-sales growth.

With the increasing disposable income both in the urban and rural cities in China, the middle-range segment has been performed well. Given the increasing brand awareness of the middle class, international brands have been gaining market share and overtaking local brands in terms of presence in many cities.

With the independent distributors and our own retail operation, we operated a total of over 1,000 outlets for the middle-range sector at the year end carrying over 100 brands.

Certain mid-range brands like Swatch and Citizen have operated mono-brand counters or shop-in-shop through Peace Mark to expand their retail presence.

Outside Mainland China, there are 38 TimeZone outlets in Hong Kong and Taiwan in total. With that, we were operating a comprehensive retail network in the Greater Region for the mid-priced fashion brands.

We continued to invest in organic growth. With the improved efficiency and growth potential in many second-tier cities in China, we believe strong revenue growth will continue to deliver through organic growth and network expansion.

BRAND MANAGEMENT

MILUS

Milus has put a lot of emphasis on design and its effort was recognized by one of the most representative organizations in France. In December 2007, Milus was honoured with the first prize in the <Ladies Watch> category with its MEREA TriRetrograde Seconds Skeleton in the "Prix Official de La Revue des Montres" announced by La Revue des Montres. The "Prix Officiel de La Revue des Montres" recognizes the novelties of the most renowned brands of the watch industry for their creative research, quality and innovation.

Milus is reinforcing its presence in additional luxury markets such as the United States, Eastern Europe as well as the entire Middle East region. With the development of the brand through a retail expansion strategy with the local partners, Milus targets to be present in all leading luxury markets within the next two years. More new distribution partners will join Milus to grow the brand on a wider horizon. The brand identity will be further strengthened in the marketplace.

BOUCHERON

We were granted the franchise to operate Boucheron shops in China, Hong Kong and Macau since February 2007. Boucheron, a brand of Gucci Group, was ranked as the fourth most desirable luxury jewelry brand in China by Forbes China in June 2007.

The sales of Boucheron for the financial year 2008 were increased by almost three-folds compared to last year.

Two stores opened in the second half of the financial year – one at Plaza 66 in Shanghai and the other at The Venetian in Macau.

This year also marked the 150th anniversary of the brand and celebrating events were held in the second half of 2008. This gave the brand additional visibility to drive business to grow further. Hong Kong has become a strategic and priority market in the world for Boucheron and was one of five cities in the world selected by the brand to host a 150th anniversary regional dinner. Communication budgets will be doubled for the financial year 2009 to support the sales growth in the region and to make the brand even more desirable for the Chinese elites.

In the coming financial year, two more Boucheron boutiques have been committed. A flagship store of more than 2,000 square feet will be opened in Beijing, a location next to the capital's new Hong Kong Jockey Club, and a second boutique in Heritage 1881, Hong Kong.

DEBEERS

In March 2008, we entered into a five-year exclusive franchise agreement with DeBeers. We plan to open DeBeers Boutiques in the major cities in China. The first two boutiques will be opened in Plaza 66 in Shanghai and Qianmem in Beijing. Securing this franchise agreement demonstrated Peace Mark's strengths in managing retailing for luxury goods, which were recognized by the high-end brands.

SEA-GULL

Sea-Gull is a long-established watch brand in China. The plan was to reposition the brand as a high-end Chinese brand in the watch industry. Newly-designed watches with complications were developed during the FY2008 and were launched in the China and Hong Kong markets after the year end date. The initial responses from the market and the industry were encouraging. A flagship store was opened at Nathan Road, Kowloon in May 2008.

SINCERE WATCH

In March 2008, we completed the voluntary general offer to acquire the 97.08% of the Sincere Watch. The total acquisition costs at the balance sheet date were HK$2,753 million.

According to Sincere Watch's 2008 Annual Report, the revenue increased by 25.5% to a record of S$451 million . Net profit for the year was down 8.2%, translating into an earnings per share of 10.47 cents, a fall of 11% year-on-year. The results had been impacted by a foreign exchange adjustment of S$20 million and a one-off professional fee of S$5.6 million.

MANUFACTURING

On top of a 6% increase in 2007, Hong Kong's watches and clocks exports grew by 16% during January-March 2008.

Peace Mark was in the process of shifting its focus from low-end to high-end manufacturing. Slowing US consumption caused a sluggish demand for mass-market watches, and the total watch export was flat for the year 2007 as compared to 2006. Retailers were more cautious in sales forecast and therefore order placing. As an ongoing process of restructuring the manufacturing process, we had outsourced more of the manufacturing process to independent subcontractors.

A division within the manufacturing segment that showed strong market demand was the mechanical movement which is a key component of high-end watches. The current global supply of mechanical movements has not been able to fully satisfy the increasing market demand. Peace Mark through its Tianjin Seagull manufacturing division has emerged as the most important supplier of quality mechanical movement in China. Peace Mark has become the leader in the China mechanical movement manufacturing with a market share of about 40% and superb technology capability of producing various complications. The current capacity is approximately 6 million pieces a year and has been running at 80% utilization.

In October 2007, we completed the capital injection of the Seagull joint venture and its financials had been included in the second half of this financial year. The six-month revenue booked in the second half was HK$258 million.

FUTURE

The tightening economic measures in the Mainland have slowed its growth. Federation of the Swiss Watch Industry FH reported the year-to-date growth of China at 60%. However, there were already signs of softening in May 2008 as the rate of growth was only 38%, supported by the less severe supply constraint and the network growth across China.

From the macro point of view, we believe the Chinese government will continue to promulgate policies which encourage domestic consumption. The proliferation of the newly rich in China has no doubt made China a very important market for high-end consumption. Strong Chinese Yuan relative to Swiss Franc will further fuel the growth of the industry. During the economic downturn, fashion and luxury items have a relative stronger pricing power on the retail level, thus our margin as a distributor and retailer to a large extent will sustain.

In China, we will continue to grow the retail network in the luxury and mid-range segments.

More co-operations with brands are expected, which in turn will further strengthen our foothold in China. The scale of the network which we have developed through acquisitions and organic growth puts us in a better position to negotiate with the upscale players.

In the mid-range segment, the increasing disposal income and urbanization are the key drivers for the future consumption in China. As the new generation has been influenced by the influx of advertising by the imported brands, the dominance of local brands in this segment is expected to diminish and the growth of imported brands in terms of the market share will continue. Structural change in the spending pattern of the Chinese consumers has shown increasing spending in the category of clothing and accessories.

Department stores in China have been gradually transforming into a concession business model for merchandises with a wide diversity of brands and models like the mid-range watch segment. This transformation is in favour to companies like Peace Mark that have a large brands stable and an established network. We believe that we will continue to deliver good performance in the segment.

According to the Swiss watch export statistics, Singapore, being the eighth largest importer of Swiss watches, registered a year-to-date growth of 56%. In May the growth rate was 72% which was the highest amongst all the import countries around the world. However, the spillover effect of the global financial market turmoil, the contraction in private housing market and a fragile outlook for financial assets in Singapore could compose negative wealth effects which would in turn impinge on high-end consumption. Sincere Watch provides a platform for Peace Mark to capture the growth of South East Asia which is one of the fastest growing regions in luxury watch sales.

The merger of Sincere Watch and Peace Mark should create one of the largest fully-integrated watch companies in Asia, making it well-positioned in the industry to capture the future growth opportunities in the region. The transaction with Sincere Watch allows Peace Mark to achieve a much larger scale in a shorter timeframe. Scale benefits will be realized with the integration process. The combined management depth of Sincere Watch and Peace Mark will certainly help the Group to grow further.

We are facing a period of uncertainty in the coming year. However, with its geographical diversity, strong management and solid market positions, Peace Mark is well placed to weather any storms that lie ahead.

FINANCIAL REVIEW

TURNOVER AND PROFITS

Financially, the Group posted strong results with improvement in operating profitability. Growth recorded across all the business segments.

This year, Group turnover increased by 37.4% to HK$4,177 million. The income statement of Sincere Watch was not included as the post-acquisition incomes and expenses for FY2008 were not material. Sales in China rose 91.7% and represented 70.8% of the Group turnover. The luxury division represented 29.4% of the total business turnover and the mid-range division accounted for 36.7%. Manufacturing and US distribution turnover accounted 33.9% of the Group turnover. Seagull revenue, classified as manufacturing division, contributed six-month turnover of HK$258 million.

Strong top-line growth positively reflected the successful execution of the Group's expansion and acquisition strategies in 2008. Overall EBITDA margin for 2008 was 17.7%, an increase of 2.4 percentage point, compared to 2007. High start-up costs and low revenue contribution of new stores caused relatively low EBITDA margin of 14.5%, compared to the industry norm of the luxury segment. EBITDA for mid-range segment continued to grow due to economies of scale and reached 22.1%. In the manufacturing and US distribution segment, higher operating costs and RMB appreciation caused a margin decline but to a certain extent compensated by higher margin Sea-Gull operation resulting in a overall EBITDA margin of 11.2%.

Operating profit rose by 55.9% to HK$611 million and the corresponding operating profit margin improved to 14.6%. This primarily reflected the increased sales from 43 new luxury stores, expanded network and the same-store sales growth.

Net income improved by 52.3% to a record high of HK$457 million. Success in executing the expansion plans of different business segments contributed to the improved margin. This strong earnings performance reflected the another stage of business transformation of Peace Mark in this year.

Earnings per share was HK44.03 cents, increase of 45.4% compared to 2007. The Board paid an interim dividend per share of HK5 cents representing a total payout ratio of 12% for the year. The Board of Directors considered not to recommend the final dividend to preserve the cash for working capital requirement.

Other operating expenses

Operating expenses decreased from 21.8% in 2007 to 20.9% in 2008 of turnover. Selling and Distribution expenses were increased due to increased turnover of distribution and retailing businesses. Better operating efficiency has been achieved through larger scale of operations in both the middle and luxury ends. Management had focused on integrating various China businesses acquired in the last two years and removed overlapping of resources. This highly scalable platform enabled the Group to further control the level of operating expenses. Nevertheless, the new stores rolled out during the year incurred exceptionally high selling, distribution and administrative expenses compared to the initial stage of sales performance.

As the Sincere Watch acquisition required substantial resources to support, additional internal costs of accounting and administrative for the acquisition process were incurred and expensed for the year.

Return on Equity was 19.1% increased from 17.8% last year. Given the pace of growth and non-full year contribution in terms of revenues and profits in an expanding mode, the return on capital could further be improved in the coming 24 months with fully fledged operation and operational synergies amongst various operations.

Taxation

The effective tax rate before deferred tax for the year was 14.7%.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Shareholders' Funds increased from HK$1,806 million to HK$2,972 million. Sincere Watch and Sea-Gull acquisitions were completed during the year. Net Asset Value per share was HK$2.73.

Financial Position

The overall financial strength of the Group remains healthy after the Sincere Watch acquisition. In the course of expanding the network in China, we have utilized internal funding and bank debts for financing the working capital needs and the associated capital expenditure plans.

At the year end date, the cash and bank balances were HK$1,536 million and the borrowings were at HK$5,439 million. The net gearing, expressed as a percentage of total net borrowings to equity attributable to shareholders, was 131.3%. The increased net gearing was a result of additional working capital requirements from operations and capital expenditures and for acquisition of Sincere Watch.

The year-end borrowings were reclassified as short-term from the long-term as loans were prepaid by a bridge loan facilities. The structures of the borrowings were mainly term and trade finance facilities. The Group continues to refinance the existing borrowings by longer-maturities debts.

The major financings during the year were:

In June 2007, a syndicated loan amounting to HK$1,200 million was completed. This is a 4-year loan with the proceeds raised for the purposes of refinancing the then existing HK$630 million syndicated loan and for future working capital of the expansion plan.

In preparation for the Sincere Watch acquisition, a facility agreement has been entered into on 1 February 2008 (the "Bridge Loan") between Peace Mark and ABN AMRO Bank N.V., BNP Paribas and ING Bank N.V.

Pursuant to the Bridge Loan, the three lenders agreed to make available to Peace Mark a term loan facility in an aggregate amount of US$500 million (the "Facility"). The Facility consists of Facility A in an amount of up to US$200 million, which was made available to Peace Mark for the purchase of shares in Sincere Watch and Facility B in an amount of up to US$300 million, which was made available to Peace Mark as a stand-by facility for the repayment of the existing facilities. The Facility is for a term of eight months or, if earlier, 30 September 2008. We had obtained an in principle agreement from the lenders to extend the tenor from 30 September 2008 to 31 March 2009 on substantially similar terms.

The Bridge Loan contains certain events of default including:

(a) if Mr. Chau Cham Wong, Patrick ceases at any time to be the Chairman;

(b) if Mr. Chau Cham Wong, Patrick and Mr. Leung Yung collectively (1) are no longer holding beneficially (directly or indirectly) more than 30 per cent. of the voting share capital of the Company; or (2) no longer have management control of the Group; and

(c) if Mr. Tay Liam Wee is not appointed as a director of the Company.

US$144 million of the US$300 million stand-by facility was drawn to prepay a 3-year syndicated term loan facility of HK$600 million and a 4-year loan of RMB380 million subsequent to year end.

The purposes of the fund raising activities were to finance the Sincere Watch acquisition plan and pre-pay part of the debts.

The securing of the Bridge Loan and the subsequent extension of tenor demonstrated the creditability of Peace Mark amongst the banking community in Hong Kong enabling us to proceed an acquisition deal during a difficult credit market.

As the credit market has been further deteriorated and after the Sincere Watch results announcement on 30 May 2008, on 5 June 2008, Peace Mark entered into a placing agreement with ABN-AMRO and BNP Paribas, the placing agents. Peace Mark issued 159,922,000 new shares at HK$7.90 to various institutional shareholders. The placing shares represent approximately 14.6% of the then existing share capital of the Company of 1,095,423,174 shares, and approximately 12.74% of the enlarged share capital of the Company. The net proceeds, after the deduction of the related expenses, were amounted to approximately HK$1,230 million, which was mainly used for prepaying debts and for general working capital purposes.

44%, 42% and 11% of the carrying amounts of the year-end borrowings are denominated in Hong Kong dollar, US dollar and RMB respectively.

The interest coverage, expressed as a multiple of EBITDA over the interest expenses, was 3.78 which remained at a comfortable level.

The Group will further strengthen its balance sheet by lengthening the debt maturities. We possess the adequate financial resources to fund the general working capital and the expansion by organic growth.

Working Capital

The management continued to focus on managing the working capital. For the analysis below, we combined the FY2008 turnover and cost of goods sold of Sincere Watch for the calculation as the year-end balances of the inventories, receivables and payables were inclusive of Sincere Watch. The proforma revenue and cost of goods sold for Peace Mark and Sincere Watch combined were HK$6,721 million and HK$4,549 million respectively.

Working capital was calculated as the total inventories and receivables less payables. In arriving at working capital analysis below, we had excluded HK$152 million receivables which were related to the amount due from share scheme receivables and the working capital acquired from Sincere Watch as of 31 March 2008 of HK$460 million. The total working capital increased by HK$1,125 million, in which the first half of 2008 accounted for HK$585 million, representing 52% of the increase and the second half of the year contributed to HK$541 million, representing 48% of the increase. Whereas the split of revenue growth for the year between the first half and the second half of the year were 42.9% and 57.1%. Second half of 2008 which accounted for 57% of turnover but only 48% of working capital increase, had showed sign of improvement.

	Increase in Working Capital		**Turnover**
	Amount in HK$'m	*% of Total*	*% of Total*
First half	585	52	43
Second half	540	48	57
Total	1,125	100	100

Cash Conversion Cycle

	FY2008	FY2007
	(days)	*(days)*
Inventories	261	180
Trade Receivables	47	74
Accounts Payable	119	52
Cash Conversion Cycle	189	202

The cash conversion cycle was shorten from 202 to 189 days with Sincere Watch as a combined group.

With Sincere Watch consolidated, inventory level was at HK$3,247 million, increased by HK$2,231 million, representing 261 turnover days. During the year, 43 new stores were added in China, Hong Kong and Macau. Significant amount of initial inventory for the new stores openings and less-than-full year revenue contribution were the causes of low inventory turnover. In manufacturing division, we consolidated only six-month Sea-Gull profits on group level. The change in business mix towards more luxury as a percentage of total revenue also caused the higher inventory turnover days.

We strived to increase the inventory turns of luxury business. The risk of luxury products become obsolete was less significant given the long product life cycle. Fashion watches were of shorter life cycle and we were more flexible in price setting as a retailer. Taking advantage of the variation in consumer preferences, as well as brand awareness in different cities in China, we were enable us to reallocate inventory for optimizing the stock turns amongst different cities.

With Sincere Watch consolidated, total trade and other receivables increased by HK$692 million to HK$1,573 million. Included in the total receivables there was an amount of HK$152 million due from share scheme participants. The improved turnover days was mainly due to the diluted manufacturing contribution of the group turnover.

As part of the working capital management, the Group also utilized working capital loans to finance its purchases. The costs of trade financing to a certain extent were lower than the suppliers' credit in general resulting in improved gross profit margin.

HUMAN RESOURCES

The Group employed over 5,000 employees mainly in China, Hong Kong, the USA and Europe. The total staff costs amounted to HK$393 million as compared to HK$197 million of last year.

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

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: HK6.2 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 August 2008 to 26 August 2008, both days inclusive, during which period no transfer of shares will be effected.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 27 August 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company did not redeem any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

CORPORATE GOVERNANCE

The "Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 March 2008:

The Company has received annual confirmation from each of the Independent non-executive directors concerning their independence to the Company and considers that each of the Independent non-executive directors is independent to the Company.

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 year ended 31 March 2008.

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 year ended 31 March 2008, 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.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2008 have been agreed by the Group's auditors, Chu and Chu, Certified Public Accountants ("Chu and Chu"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Chu and Chu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Chu and Chu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ON WEBSITE

The financial information required to be disclosed under paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to all our staff, the management team and board members for their hard work and dedication. Their commitment to the Group, along with the support of shareholders, bankers, customers and suppliers, has been crucial to our long-term success.

List of all directors of the Company as at the date of this announcement:

Executive Directors:
Chau Cham Wong, Patrick *(Chairman)*
Leung Yung *(Chief Executive Officer)*
Tsang Kwong Chiu, Kevin *(Chief Financial Officer)*
Man Kwok Keung
Cheng Kwan Ling
De Jaillon Hugues Jacques

Independent Non-Executive Directors:
Susan So
Kwok Ping Ki, Albert
Wong Yee Sui, Andrew
Tang Yat Kan
Mak Siu Wing, Clifford

Non-executive Director:
Tay Liam Wee

By Order of the Board
Peace Mark (Holdings) Limited
Chau Cham Wong, Patrick
Chairman

Hong Kong, 22 July 2008