Final Results

For the year ended 31 March 2004, the Group recorded a consolidated turnover of HK$1,876 million (2003: HK$1,902 million), representing a decrease of approximately 1.4%, and the profit attributable to shareholders of HK$68.6 million increased by 4.7% (2003: HK$65.5 million) compared to the same period of last year. Basis earnings per share for the year was 24.93 Hong Kong cents (2003: 23.79 Hong Kong cents), representing an increase of 4.8% over last year.

Final Dividend

The Directors are pleased to propose a final dividend of 4.0 Hong Kong cents per share (2003: 3.5 Hong Kong cents) for the year ended 31 March 2004 to members, whose names appear on the Register of Members on 25 August 2004.

Business Review and Prospects

During the first quarter, the Hong Kong economy was badly hit by the outbreak of the Severe Acute Respiratory Syndrome (SARS). Fortunately, the epidemic was under control after a short period of time, thus the effect of it on our business was limited mainly to our first quarter. In addition, the Central Government's policy relaxation on allowing mainland tourists to visit Hong Kong helped significantly in the recovery of the local economy. The Group did work persistently to capture this opportunity. The results are reflected by the significant improvement in the profits of the second half period, which are 36% higher than the first half and 28% higher than the same period of the previous year. The Board finds this result very encouraging.

The Group has consistently and gradually worked towards achieving our short to midterm goal of establishing a retail network in the major cities of the PRC. During the period we have successfully opened two new retail outlets bearing the name "Oriental Watch Company" in both Nanjing and Guangzhou districts. Two more outlets have also been opened in the Zhengzhou and Nanchang districts in the past few months. The performances of all four retail outlets to date are satisfactory. Moreover, the Group will be opening its first flagship store in Shanghai later this year. The Group has strong expectations towards a successful opening. We believe this shop will further strengthen the Group's exposure and image in the PRC market.

In the coming year the Group will continue its penetration of the PRC market, examining new locations for opening new shops. However, it is not our policy to expand too hastily. We will first consolidate the position of our existing shops. We believe that a good foundation is the only platform for any future expansions. In addition, the Central Government has been setting policies aimed at cooling down the over-heated economy of the PRC, which will also restrict our expansion plans somewhat. Yet we will continue our principle of seeking and capturing opportunities as they arise.

In terms of management, the Group continues to standby its strict cost and stock controls. This can be reflected in our low debt to equity ratio and strong cash position. This way we can ensure that we will have the resources to invest when the opportunities arise. During the period, we have further improved our internal audit procedures and will be enhancing the computer system this coming year. With these improvements, management efficiency will be further strengthened.

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 85% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 72% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued capital, had any interest in the share capital of any of the five largest suppliers of the Group.

Capital and Finance

The Group still maintains its policy of conservative capital management with its gearing ratio at prudent level. The financial foundation of the Group is strong with ample cash flow. Based on the solid cash position and banking facilities, the Group has healthy working capital and liquidity to meet its operating and expansion needs. At the end of the financial year under review, the Group's net assets amounted to HK$657 million (2003: HK$604 million) with a net asset value per share HK$2.39 (2003: HK$2.19). The Group's net current assets increased by approximately 10.6 % to HK$564 million (2003: HK$510 million). Shareholders' funds at 31 March 2004 reached HK$657 million, up by 8.8% (2003: HK$604 million). The Group had cash on hand of HK$205.5 million (2003: HK$110.6 million) as at 31 March 2004 whilst bank loans and overdrafts totalled HK$22.3 million (2003: HK$26.3 million). The ratio of the Group's net bank borrowings was insignificant when compared to shareholders' funds.

Appreciation

On behalf of the Board, I would like to take this opportunity to express gratitude to our shareholders, customers and colleagues for their support and contributions to the Group in the last twelve months. I look forward to continuing and improving relationships with Group for many more periods ahead.

By order of the Board
Yeung Ming Biu
Chairman

Hong Kong, 21 July 2004