

CHAIRMAN'S STATEMENT

FINAL RESULTS

For the year ended 31 March 2005, the Group recorded a consolidated turnover of HK\$2,042 million (2004: HK\$1,876 million), representing an increase of approximately 8.8%, and the profit attributable to shareholders of HK\$74.0 million increased by 7.9% (2004: HK\$68.6 million) compared to the same period of last year. Basic earnings per share for the year was 26.9 Hong Kong cents (2004: 24.9 Hong Kong cents), representing an increase of 8.0% over last year.

FINAL DIVIDEND

The Directors are pleased to propose a final dividend of Hong Kong 4.5 cents per share (2004: 4.0 Hong Kong cents per share) for the year ended 31 March 2005 to members, whose names appear on the Register of Members on 31 August 2005.

BUSINESS REVIEW AND PROSPECTS

The economic conditions of Hong Kong improved the past year, thus providing a better environment for business development. The Group recorded healthy growth during the period in both turnover and gross profit. However, a portion of the Group's income was affected by the increase in local rental rates of our retail shops. There has been an upward movement on the price of the local real estate rental rates, and this will in the near future create a pressure on our performance. The other portion of the increase in administration expenses is due to our investment in the development of our retail network in the PRC.

Since the commencement of our retail network in the PRC last year, we have now established ten outlets under the management of the Group. They are spread among the major cities of Beijing, Shanghai, GuangZhou, Nanjing, NanChong, ShengYang, CheungSha and ZhengZhou. In the second half of this year, more outlets will be opened in Beijing, NanJing, GuiYang and GuangZhou. Other than multi-brand shops bearing the name of Oriental Watch Company, the Group will also begin engaging in the management of boutique-style shops retailing a single brand name. Furthermore, through CEPA, the Group has acquired a permit for establishing a wholly-owned regional head office in the LuWan district of Shanghai. With this significant step accomplished, our control over the Group's various business concerns in the PRC will be much improved.

Our intensive investment in the PRC will continue to affect our short term performance, thus leading to further expansion of our retail business in the PRC. However, in the long term, we have strong confidence that our investment will certainly pay-off. As China continues to have one of the highest economic growth rate in the world, the people's spending power is continually increasing. As the PRC Government is also actively encouraging internal consumption, the prospects for our expanding retail network are very positive.

Due to our increasing investment in the PRC, we continue to closely monitor the movement of its currency. We are confident that our resources will allow us to take advantage of the current relative undervaluation of the RMB and to minimize the effect of its potential upward re-evaluation. With many of our investments already underway, we are in a position to acquire the benefits of such a re-evaluation through our current RMB accounts both in the PRC and in Hong Kong.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS *(Continued)*

At present, the Hong Kong market remains the main source of retail income for the Group. As most PRC tourists continue to target Hong Kong as a main travel destination, the Group's coming marketing strategy will include the consideration of re-locating some of our retail shops to those areas most highly visited by Mainland Chinese tourists.

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 91% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 75% 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\$715 million (2004: HK\$657 million) with a net asset value per share HK\$2.60 (2004: HK\$2.39). The Group's net current assets increased by approximately 5.1% to HK\$593 million (2004: HK\$564 million). Shareholders' funds at 31 March 2005 reached HK\$715 million, up by 8.8% (2004: HK\$657 million). The Group had cash on hand of HK\$150.2 million (2004: HK\$205.5 million) as at 31 March 2005 whilst bank loans and overdrafts totalled HK\$85.8 million (2004: HK\$22.3 million). The ratio of the Group's net bank borrowings was insignificant when compared to shareholders' funds.

In terms of management, the Group will continue to apply its strict cost and stock controls.

APPRECIATION

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

By order of the Board
Yeung Ming Bui
Chairman

Hong Kong, 20 July 2005