

Chairman's Statement

Dear Shareholders

On behalf of the Board of Directors ("the Board"), I take the pleasure to present the Company's Annual Report for the year ended 31st May, 2005.

FY 04/05 shows a record high in our revenue (HK\$3,716 million) and earnings (HK\$211 million), with 6% and 48% upsurge respectively, - thanks to our strategy of a balanced mix of organic growth and strategic alliance / participation.

As a fast growing international group focusing on sales and marketing of branded luxury and fashion accessories, with vertically integrated manufacture support, EganaGoldpfeil since 1998 the acquisition of Goldpfeil until today, has been successfully established a portfolio of 51 brands, among which 36 are self owned brands and 15 are under exclusive license. Our brands are managed under the unique brand pyramid model and governed by a vertically integration approach.

Salamander

31st March, 2005 saw the latest acquisition of a renowned shoe retailer - Salamander. The company originated from Germany since 1904, and is positioned as one of the top distributors in Europe. On acquisition, Salamander operated 52 shops in Germany, and 117 stores and outlets in Eastern Europe, Austria, Belgium and France. After the acquisition, the Group has opened 5 new Salamander shops

in Germany as well as 1 additional shop in Russia, Poland, Austria and France respectively. In line with our plan to increase exposure of own branded footwear in the Salamander shops, we are planning to raise the portion of sales of higher-margin Salamander shoes in the coming years.

Currently, Salamander shops carry 25% of products which are own branded / licensed footwear including Salamander, Sioux and the children's brand, Lurchi; 5% are private label; and 70% are other branded footwear. We plan to introduce small leather goods under Salamander label and those from Goldpfeil and/or Comtesse into Salamander shops. EganaGoldpfeil is gradually selling on a selective basis leather bags and small leather goods (Goldpfeil and Comtesse) through Salamander's retail network. Within 175 Salamander shops, most shops will carry small leather goods under Salamander label; Approximately 30 shops will also carry Goldpfeil / Comtesse products as well as JOOP! leather accessories and footwear.

It is believed that not only the small leather goods and bags will help raising the revenue of the Group, but also our European logistic centre will provide centralized distribution function. By applying a vertically integrated business model, EganaGoldpfeil will also take advantage of the in-house production function which will enhance cost competitiveness, thereby further uplifting gross margin going forward.

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OLDER VALUE.
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China - Goldpfeil Shop Opening

"Luxury goods in China" has been raised as the hot topic in our industry. Economists projected that by 2010, Chinese should account for nearly 20% of the industry's sales. Within 10 years, Chinese luxury consumers will catch up with their counterpart in Japan, accounting for the 41% of sales. The Galeries Lafayette in France says that Chinese tourists are the biggest spenders now and have overtaken the Japanese. In 1Q 2005, we have established a strategic and planning committee to coordinate our business development in the Greater China market.

The consumer products market in China is highly fragmented, the marketing strategy therefore should be made according to culture, trade nature and population size of each region / city.

In January 2005, the Group signed Franchise Agreements for Goldpfeil for various cities in China. On 29th September, 2005, the first Goldpfeil shop in China will be opened in Qingdao. 2 Goldpfeil shops in Beijing will be opened in early October 2005 and in the beginning of next year respectively.

Junghans' Innovativeness

One of the Group's core business philosophies is being innovative. This can best be illustrated by Junghans which was founded in 1861 and acquired by the Group in 2000. Junghans introduced the world's

first radio-controlled clock and watch. In 2001, Junghans launched radio-controlled watches for the Japanese market and for the US for the first time.

The use of state-of-the-art solar technology allows the highly accurate time display with a deviation of only 1 second in 100,000 years. In 2003, Junghans has signed a Business Cooperation Agreement with Seiko Epson. Junghans contributed its know-how and several patents for the processing of radio signals to the project, while Seiko Epson developed new energy-saving movement parts with the aim to reduce the thickness of the movement significantly. The market expects that radio control watches will enlarge the market size of Timepiece industry globally.

Innovative Platinum Process

EganaGoldpfeil has developed a new innovative way to make platinum jewellery with more unique design, larger surface and yet considerably lighter than previously possible. The new jewellery is made of the highest purity of platinum. It is not cast but made through stamping and tooling with the highest workmanship. The pieces are joined together to create jewellery that is lightweight, and seamless, with a fine finish. Like Mr. Huw Daniel, president of the Platinum Guild International USA said: "This is definitely a breakthrough, a true innovation". The new jewellery is scheduled to be launched in the US market in time for the Christmas season.

FUTURE STRATEGY.
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PUMA - Fashion and Sports

EganaGoldpfeil maintains a strategic focus on the most important segments in the fashion accessory industry. In July 2004, the famous sport lifestyle brand PUMA was added to our brands portfolio. EganaGoldpfeil is actively developing certain fashion and sports brands into the "lifestyle" brands; it matches perfectly with PUMA's brand image. Therefore, such business cooperation should create positive synergy that allows EganaGoldpfeil to further promote its fashion and sports lifestyle brand approach to another new horizon. The licensing agreement grants EganaGoldpfeil a long-term and exclusive license for PUMA watches covering Europe as well as Asia. The first collection is being launched in Autumn/Winter 2005 in 12 countries (including Germany, France, Austria, Belgium, Italy, Greece, Spain, Hong Kong and Japan).

USA - Strategic Participation in KIA Group

Being a truly vertically integrated brand management specialist with in-house product development and production facilities in Europe and Asia contributing to support the manufacture of 75% of our branded sales, EganaGoldpfeil is better positioned and more competent than our peers in tapping the US market through appropriate strategic participation in certain US chain stores / importers with distribution



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network which would rely on our "world class" production support for their US labels, and our international brands portfolio for marketing.

The latest acquisition was the 15% strategic participation in a well established footwear distributor group in the US, KIA Group, which should allow us to introduce our footwear products to the US market in a more effective and expeditious manner.

Going Forward

In FY 04/05 , the revenue pie from our core activities, timepieces, jewellery and leather (including footwear) are 47%, 23% and 30% respectively.

With the Salamander acquisition, and the planned expansion into Asia and the US, we expect the leather segment will enjoy a relatively faster growth in the revenue share of the Group, targeting for 45%.

We remain focused on our core competence in timepiece, jewellery and leather (including footwear) accessories for being one of the leading and most respected multi-brand luxury and fashion accessories group with global coverage.

On behalf of the Board, I would like to express our heartfelt thanks for the commitment and contribution of our employees to the Group. With their dedication; our core value belief ("Caring, Integrity and Fairness") governing our Corporate Governance philosophy; and the proven business model, the Group remains confident of realizing our achievable visions for a promising future.



Hans-Joerg Seeberger
Chairman and Chief Executive
Hong Kong, 14th September, 2005

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WORLDWIDE SUCCESS.



BRAND PYRAMID. APPROACH.