

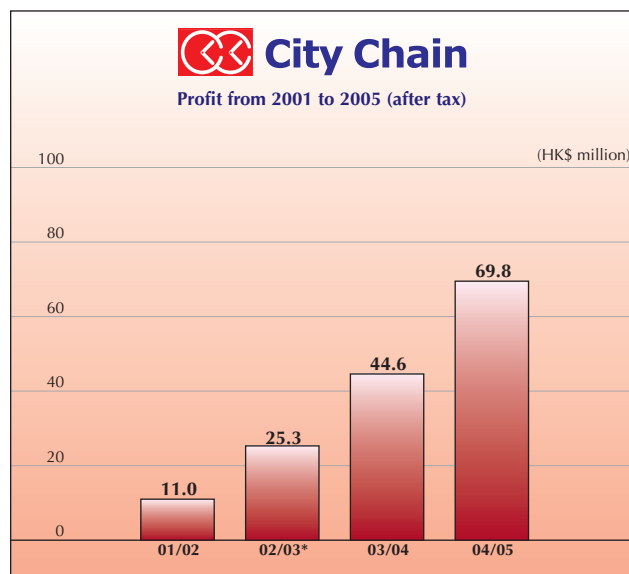
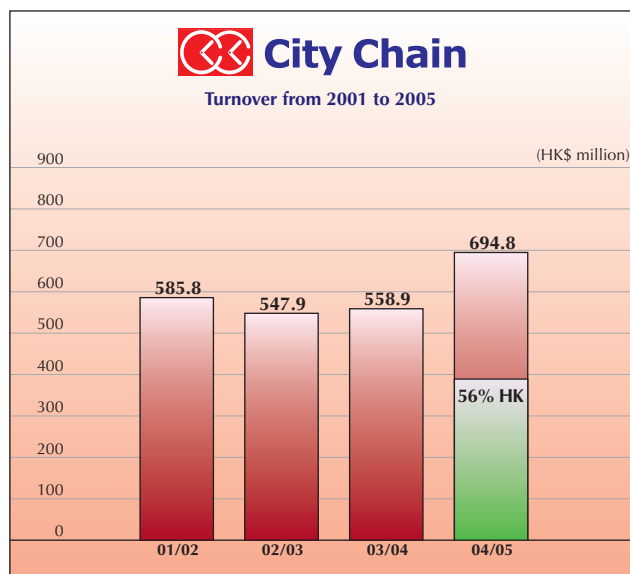
The Group reported a 16% increase in turnover, from HK\$1,218 million last year compared to HK\$1,421 million this year. This year the Group is pleased to announce a profit attributable to shareholders of HK\$171 million compared to a profit of HK\$83 million last year (as restated), a year on year increase of 107%.

The Directors recommend the payment of a final dividend of HK\$0.025 (2004: HK\$0.02) per ordinary share. Total dividends paid and proposed for the financial year ended 31st March 2005 was HK\$0.035 (2004: HK\$0.02).

WATCH BUSINESS

Retailing – City Chain

Our watch retailing business reported a 61% increase in pre-tax profits, from HK\$49 million last year to HK\$78 million before provision for adidas stocks of HK\$9 million this year. Turnover was also up by 24% to HK\$695 million.



* Excluding impairment of land and buildings of HK\$2,000,000.

Several factors contributed to these pleasing results.

- Improving gross margins. Successful marketing of the Group’s high margin watch brands, together with an effective sales staff incentive scheme helped to drive turnover and improve gross margins.
- Expansion in the region.
- Improved Asian economies, and in particular, the strong recovery in the Hong Kong retail sector.

Generally, our subsidiaries reported double digit growth in turnover and profits either meeting or exceeding our expectations. Shop expansion continued to be in line with our targets, with Malaysia and Thailand growing at the fastest pace.

City Chain Hong Kong was a major profit contributor, reporting pre-tax profits of HK\$44 million, an increase of 106% from last year. As anticipated, Hong Kong landlords sought increased rentals on lease renewals.

The successful advertising campaign for "Solvil et Titus" continued to run during the year, contributing to increased watch sales. Subsequent to the period under review, a leading artiste was signed up to promote the Group's Swiss watch brand, "CYMA", which retails at City Chain stores in Asia.

Our mid-term targets for City Chain are:

- To maintain double digit growth in turnover and profits for the FY 2005/06.
- To accelerate growth of our non-Hong Kong business so that it comprises more than 60% of City Chain's turnover by FY 2007/08.
- To further improve gross margins in order to neutralize the negative effects of escalating rentals and operating costs.

Export & Trading

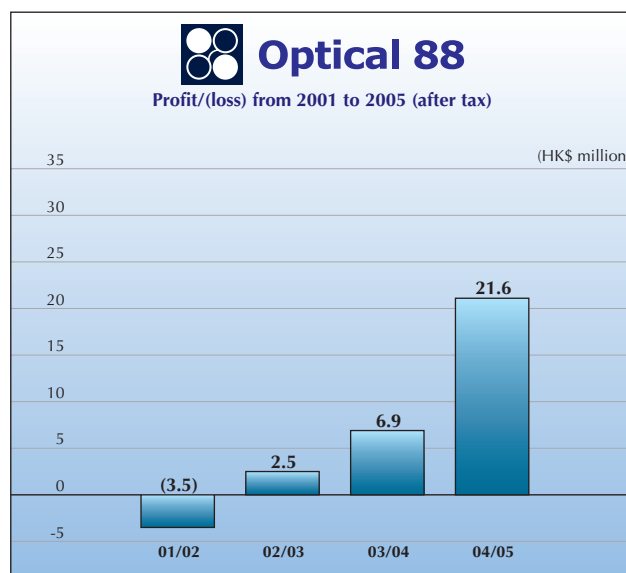
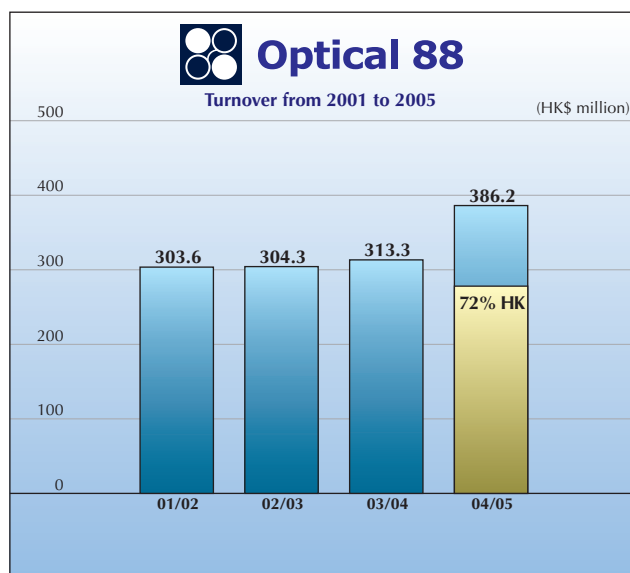
As anticipated, the ending of the adidas watch partnership impacted on Q4 sales dragging down turnovers. Our UK distribution subsidiary reported a small loss and pre-tax profits were down 11% at our HK export subsidiary to HK\$12 million. This was due to the lower turnover and additional investment made in re-building the Group's own brand ellesse. The Everlast watch was launched in Basel 2005 with a good response. Moreover, other watch brand licensing arrangements are under negotiation.

Due to the early termination of the adidas licence at the end of December 2005, the stocks have been written down to their net realisable value and a stock provision of HK\$9 million was charged to the profit and loss account this year.

OPTICAL BUSINESS

Retailing – Optical 88

Our optical retailing business returned much better results with pre-tax profits of HK\$23 million compared to HK\$9 million last year, a year on year increase of nearly 140%. Turnover was also up by 23% to HK\$386 million. Hong Kong and Thailand were major profit contributors reporting profits of HK\$17 million and HK\$7 million respectively. Likewise, the strong recovery in the Hong Kong retail sector, better gross margins and aggressive opening of shops contributed to the positive results.



Optical 88 Hong Kong, continued to increase its market share during the year by opening more shops and improving the performance of existing shops. Staff incentive schemes; enhanced deployment of staff to high volume shops; and bringing in high margin exclusive agency brands all contributed to the increased turnover and profits.

Our mid-term targets for Optical 88 are:

- To maintain a double digit growth in turnover and profits for FY 2005/06.
- To accelerate growth of our non-Hong Kong business so that it comprises no less than 50% of Optical 88’s turnover by FY 2007/08.
- To further improve gross margins in order to neutralize the negative effects of escalating rentals and operating costs.

HIPO.FANT CHILDREN WEAR

Although, Hipo.fant Hong Kong and regionally reported improved performances compared to last year, a loss before stock provision of nearly HK\$8 million was still recorded this year. After a re-evaluation of the chain's past performance and prospects for future development, the directors are of the view that the business should be closed. Owing to the closure, in addition to normal provision for obsolete stock of HK\$2 million, an additional provision of HK\$15 million has been made to write down the stocks to their net realisable value for this financial year. A separate announcement containing more details regarding the closure will be published on 15th July 2005.

PROPERTY INVESTMENT

Stelux House continues to contribute stable income to the Group. Rental income for the year was approximately HK\$23 million (2004: HK\$30 million). The average floor area occupied during the year was 84.26% (2004: 85.49%). Surplus on revaluation of investment properties was HK\$154 million compared to a surplus of HK\$26 million last year.

GROUP STRATEGIES

- We shall focus on what we are best at – the watch and optical businesses. We aim to be Asia's leading watch and optical group – two businesses where the Group now already enjoy competitive advantages. In attaining this goal, resources will be focused on these two core businesses, building retail/wholesale distribution networks in Asia, our home market, in the coming years.
- We look to grow our home market by organic expansion as well as acquisition of businesses which compliment and synergize with our existing businesses.
- We consider Europe, Japan, North America and Middle East as export markets, where we have built a network of distributor partners for adidas watch over the last 10 years.
- We intend to build our watch export business with a portfolio of house and licensed brands for long term growth. Once this is completed in two to three years time, the Group's watch business would become more globalized.
- It is expected that funds for growing our business will come from internal funds and bank borrowings.

FINANCE

The Group's bank borrowings at balance sheet date were HK\$495 million (2004: HK\$503 million), out of which, HK\$216 million (2004: HK\$253 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.51 (2004: 0.61, as restated), which was calculated based on the Group's bank borrowings and shareholders' funds of HK\$963 million (2004: HK\$822 million, as restated).

Of the Group's bank borrowings, 3% (2004: 4%) were denominated in foreign currencies. The Group's bank borrowings denominated in Hong Kong Dollars were on a floating rate basis at either bank prime lending rates or short term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

STAFF

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 31st March 2005, the Group had 2,259 (2004: 2,048) employees.

I express my most sincere thanks and gratitude to colleagues and staff members for their commitment, hard work and loyalty to the Group during the year.

PROSPECTS

With the liberalisation of China's retail markets and the opening of major tourist attraction projects in Hong Kong, Singapore and Macau, we see substantial growth potential for our retail businesses, City Chain and Optical 88, in the next two to three years.

High oil prices, escalating rentals and other operating costs will have some impact on the performance of individual countries but generally, we remain optimistic that our core businesses will continue to perform.

On behalf of the Board

Joseph C. C. Wong

Vice Chairman and Chief Executive Officer

Hong Kong, 14th July 2005