

For the year ended 31st March, 2006, the Group's profit from operations increased by 17% as per following segmental analysis:

| | 2006 HK\$ | 2005 HK\$ |
|--------------------------------|--------------|--------------|
| Segment result | | |
| Manufacture of watches | 22,689,415 | 36,786,467 |
| Trading of watch movements | 991,303 | 7,750,277 |
| Property development | 31,789,401 | (7,649,275) |
| Property investment | 20,196,720 | 31,317,968 |
| Consolidated segment result | 75,666,839 | 68,205,437 |
| Interest income | 643,523 | 584,819 |
| Unallocated other income | 6,915,750 | 1,132,264 |
| Unallocated corporate expenses | (6,304,674) | (4,460,645) |
| Profit from operations | 76,921,438 | 65,461,875 |

For manufacture of watches, the division had made provision for obsolete stocks of HK\$6,255,594 and provision for doubtful debts of HK\$2,214,382 at the second half of this financial year which adversely affected the division's second half year's performance.

For trading of watch movements, the Group adopted the new HKFRS relating to derivative financial instruments which resulted in loss on fair value changes of derivative financial instruments of HK\$1,320,498 and loss on derecognition of derivative financial instruments of HK\$645,446 for the division at the year end date.

For property development, the division improved in performance mainly due to the disposal of 80% of the interest in its subsidiary which held the Connaught Road project resulted in a gain on disposal of HK\$37,912,580.

For property investment, the decrease in segmental profit was mainly due to the increase in fair value in investment properties decreased from HK\$27,411,840 in 2005 to \$16,000,000 in 2006.

Capital structure

As at 31st March 2006, the shareholder's funds of the Group totaled approximately HK\$426 million and total bank borrowings was approximately HK\$763 million and the maturity profile of the Group's bank borrowings falling due within one year was 28% and more than one year was 72%.

Liquidity and financial resources

As at 31st March 2006, total bank balance was approximately HK\$119 million (2005: HK\$29 million).

The Group maintains a reasonable level of cash resources and stand-by credit facilities to provide adequate liquid funds to finance its business activities.

Gearing Ratio

As at 31st March 2006, the Group's gearing ratio was 1.28 which is calculated based on the Group's long-term borrowings of approximately HK\$546 million and shareholders' funds of approximately HK\$426 million.

Within this long-term bank borrowings of HK\$546 million, approximately HK\$276 million was the land and construction loan advanced for the Group's One St. Thomas project in Toronto, Canada which was fully secured by executed pre-sale purchase and sale agreement. Partial deposit of HK\$131 million for the apartment units of One St. Thomas project has been received. Thus, the Group's gearing ratio based on the long-term bank borrowings of HK\$270 million (excluding HK\$276 million advanced for the Canadian project) is 0.63.

The Group's gearing ratio at 31st March 2005 was 1.03 which is calculated based on the Group's long-term borrowings of approximately HK\$383 million and shareholders' funds of approximately HK\$373 million.

Within this long-term bank borrowings of HK\$383 million, approximately HK\$122 million was the land and construction loan advanced for the Group's One St. Thomas project in Toronto, Canada which was also fully secured by executed pre-sale purchase and sale agreement. Partial deposit of HK\$65 million for the apartment units of One St. Thomas project has been received. Thus, the Group's gearing ratio based on the long-term bank borrowings of HK\$261 million (excluding HK\$122 million advanced for the Canadian project) is 0.70.

As compared with the balance as at 31st March, 2005, the Group's gearings decreased from 0.70 in 2005 to 0.63 in 2006 after adjusting for the effect of the loans advanced for the Group's One St. Thomas project in Toronto, Canada.

Cashflow from Operating/Investing Activities

During the financial year, the Group generated net cash inflow from operating activities of approximately HK\$34.2 million (2005: HK\$52.7 million) and the net cash used in investing activities to approximately HK\$155.3 million (2005: HK\$183.7 million)

Future plan for material investments

As mentioned in the Chairman's Statement, the total future capital expenditure to be incurred for the acquisitions of two properties will be HK\$134.5 million. Such purchase consideration will be funded by bank borrowings of HK\$96.2 million and the remaining portion of funding of HK\$38.3 million will be provided by the Group's internal resources at the future dates of completion.

Pledge of assets

Certain properties of the Group having a carrying value of approximately HK\$991 million as at 31st March 2006 were pledged to secure banking facilities of the Group.

Treasury policy

The Group adopts a prudent treasury policy. The acquisition of investment properties and properties for development are financed partly by internal resources and partly by secured bank loans. Repayments of bank loans are scheduled to match asset lives and development project completion dates.

All borrowings are denominated in Hong Kong dollars, Japanese Yen, United States dollars or Canadian dollars and bear interest at floating rates. Foreign currency exposure is monitored closely by the management and hedged by forward foreign currency contracts and foreign currency borrowings to the extent desirable. The Group also uses derivative financial instruments to manage foreign exchange exposures for hedging purpose only.

Employees and remuneration policies

The Group employs approximately 4,849 employees in Hong Kong, in other parts of the People's Republic of China ("PRC") and overseas. Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance.



Heart Rate Monitor (HRM) Bike System monitors heart rate, speed, cadence, average speed, maximum speed, distance, etc. Three wireless sensor transmitters (2 mounted on the bike and one around the biker's chest) interact with the wrist watch, which acts as a receiver to display information.