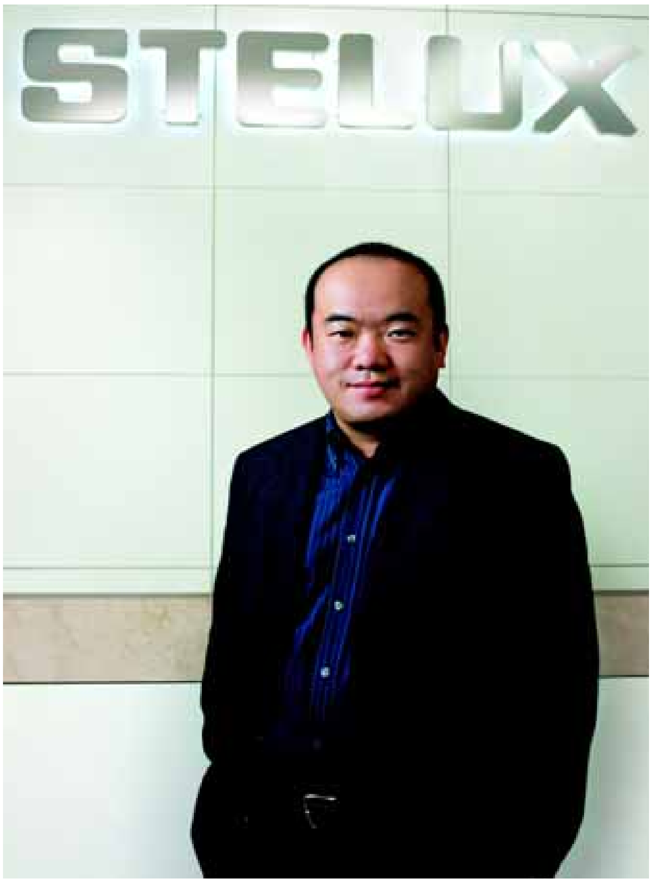
This year the Group is pleased to announce a profit attributable to shareholders after tax of HK$187 million after minority interests compared to an after tax profit of HK$171 million last year. Turnover was HK$1,618 million up from HK$1,414 million (restated) last year.

The Directors recommend the payment of a final dividend of HK$0.028 (2005: HK$0.025) per ordinary share. Total dividends paid and proposed for the financial year ended 31st March 2006 was HK$0.538 (2005: HK$0.035), including a special dividend of HK$0.5 per share.

Comparative figures for Group turnover, profit attributable to shareholders and dividends paid/proposed for the three financial years ended 31st March 2006 are shown below:



	Turnover *(HK$ million)*	**Profit** *(HK$ million)*	**Dividend** *(HK$)*	**Special Dividend** *(HK$)*
2003/2004	# 1,210	83	0.020	–
2004/2005	# 1,414	171	0.035	–
2005/2006	1,618	187	0.038	0.500

Dividend income from unlisted investments and interest income have been reclassified from turnover to other gains to conform with the presentation of the year 2005/2006.

WATCH RETAIL BUSINESS

Our watch retail business mainly operate as "CITY CHAIN" and "MOMENTS". Turnover was up 11% from last year. Profit for the year before tax was HK$23 million compared to HK$78 million last year.

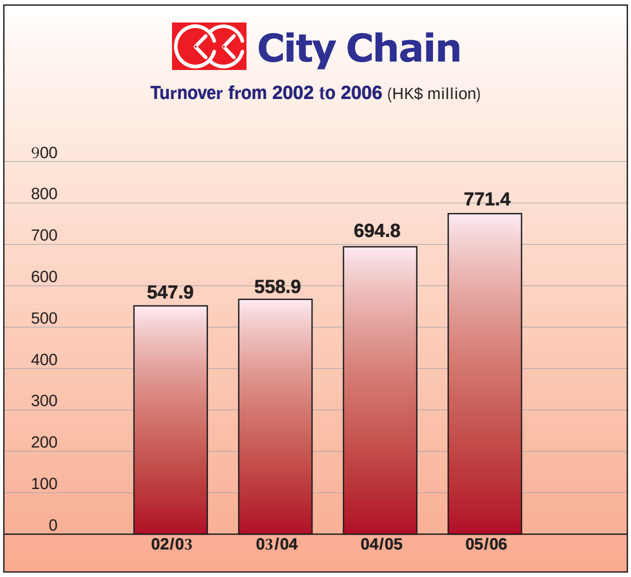
The decrease in profit, despite an increase in turnover was due to several factors – Higher Hong Kong shop rentals; high oil prices which dampened buying sentiment (particularly, in the South East Asian markets); initial setting up costs for our mainland China expansion (which are higher compared to other countries); and aggressive advertisement spending for the launching of the "CYMA" brand.

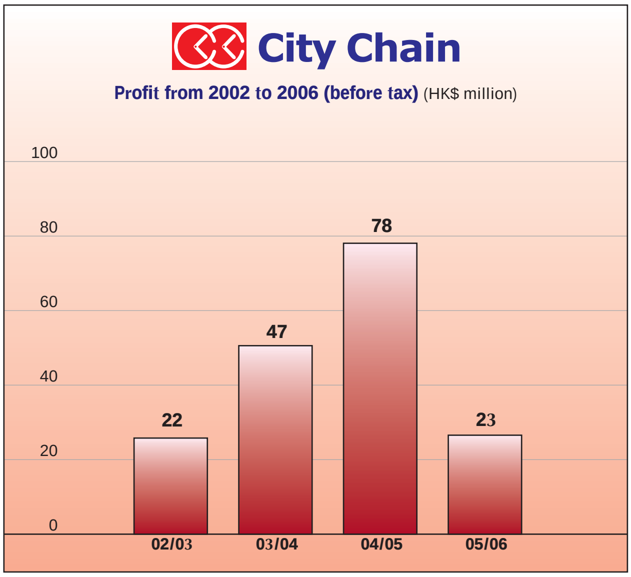
Additionally, due to the politically induced and volatile retail market in Taiwan, "CITY CHAIN" retail operations there were closed down and a new wholesale business unit was set up during the year. We have taken a prudent approach and made a provision for the cessation of the retail business. Together with the operating loss for the Taiwan retail operations for the year and the provision for cessation of business made, our watch retail operations have taken a hit of HK$9 million.

All these factors, with the Taiwan factor being one-off, contributed to the downturn in profits, particularly, during the first six months of the financial year, but despite this, performance improved considerably in the second half with a profit of HK$26 million. Profit growth will resume in the coming year with a double digit growth in turnover.

Our watch operations will continue to expand in all countries where we have a presence. Particularly, in mainland China to enhance the brand image of the "CITY CHAIN" brandname, we intend to open more stand alone shops in the coming year. In addition to the current operations in Guangdong province and Shanghai, shops will also be opened in Beijing. There are currently 17 shops and 71 "CITY CHAIN" and house brand counters in mainland China.

The vast mainland market where there is a burgeoning and fast growing middle class is most suitable for the "CITY CHAIN" brandname and watch house brands, "CYMA" and "TITUS" which are in the mid-priced range segment. Investment costs in building and enhancing our brandnames will be recouped in the coming years. We believe the mainland market will be a major profit contributor in the future.

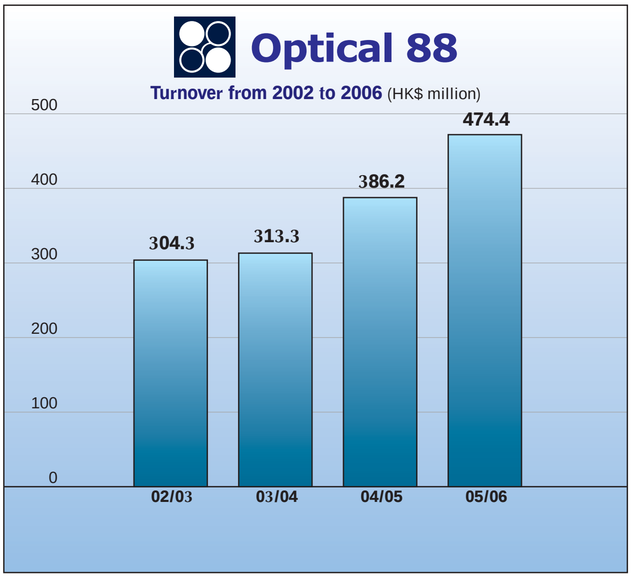


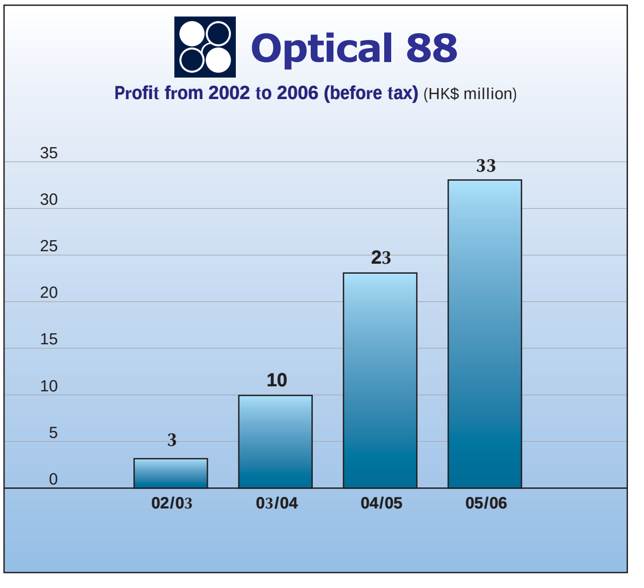


OPTICAL RETAIL BUSINESS

Our optical retail business, comprising mainly of "OPTICAL 88", "IZE" and "INSIGHT" returned a strong performance this year. Turnover was up 23% and profit before tax was HK$33 million compared with HK$23 million last year, a year on year increase of almost 44%. The good results were due to several factors, including, constant growth in market share in all countries and widening our customer profile by opening premier shops "IZE" and "INSIGHT".

In addition to the strong growth in Hong Kong and Macau, operations in Thailand, Singapore and Malaysia are beginning to mature and contribute to positive results. Southern China while not yet contributing is also making satisfactory progress. We will continue to expand in all markets where we have a presence. We expect satisfactory growth in profits and turnover for our optical retail business in the coming year.





WATCH ASSEMBLY, WHOLESALE AND EXPORT TRADING

Our watch assembly, wholesale and export trading business recorded a loss of about HK$3 million.

Our UK wholesale subsidiary was closed down at the end of March 2006 as we cannot see any competitive advantage in operating a wholly owned wholesale subsidiary after the end of the adidas watch licence in 2005. The operating loss and provision for the closure of this business, which is non-recurring was HK$12 million.

UNIVERSAL GENEVE, a premier luxury watch brand, has relaunched its own movement, "UG 100 MICROTOR", an updated version of the "UG 66 MICROTOR" which was introduced in the 1960's as the world's slimmest automatic movement. The "MICROTOR" collection received a good response when exhibited at the Basel World 2006. We have taken a prudent approach expensing research, development and set-up costs for the "MICROTOR" movement in this year's result. Universal Geneve S.A. recorded a loss of HK$12 million this year.

Our export and trading arm only recorded a slight profit due to restructuring. Satisfactory progress is made for the licensed brand, "EVERLAST". We expect to sign on more licensed brands in the coming year.

The Thong Sia Group (sole distributor for "SEIKO" timepieces acquired in September 2005) was a major profit contributor in this business segment. Thong Sia's six months performance after the acquisition was up to expectation. With increased sales and a full year's performance reflected in the accounts, Thong Sia is expected to report even better results next year.

INVESTMENT HOLDING

During the year, the Group took a 3% shareholding at IPO price in Xinyu Hengdeli Holdings Limited ("Xinyu"), a luxury brand watch retailer and distributor in mainland China. The gain from this shareholding was about HK$51 million for the period under review. As part of the Group's expansion into mainland China, we will explore business opportunities with Xinyu.

In line with our business strategy, the disposal of Stelux House to the Group's substantial shareholder was completed at the end of March 2006 and a special dividend of HK$0.50 per share was paid to shareholders.

BUSINESS STRATEGY

During the year under review, the Group, in line with its strategy of focusing on the watch and optical businesses, has undergone a substantial restructuring, consolidating its businesses to strengthen competitive advantages.

- acquisition of the Thong Sia sole distributorship for "SEIKO" timepieces in Hong Kong, Malaysia and Singapore in September 2005;
- the closure of our "HIPO.fant" child and infant business in March 2006;
- the disposal of Stelux House at the end of March 2006 to our substantial shareholder;
- the closure of Taiwan "CITY CHAIN" retail operations and setting up a wholesale business under the Thong Sia Group; and
- the closure of our UK wholesale subsidiary and partnering a local distributor.

We believe that the restructuring and consolidation sets a solid foundation for the Group's future growth and development.

FINANCE

The Group's bank borrowings at balance sheet date were HK$322 million (2005: HK$495 million), out of which, HK$286 million (2005: HK$216 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.50 (2005: 0.51), which was calculated based on the Group's bank borrowings and shareholders' funds of HK$648 million (2005: HK$963 million).

Of the Group's bank borrowings, 10% (2005: 3%) 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 2006, the Group had 2,451 (2005: 2,259) 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.

On behalf of the Board
Joseph C. C. Wong
Vice Chairman and Chief Executive Officer

Hong Kong, 19th July 2006