

Chairman's Statement

Overview and Prospects

The Group has turned in a strong performance for the year ended 31 March 2006, with profit attributable to Shareholders of HK\$74.0 million, a 21% increase on last year's profit. The Group's turnover for the year was HK\$755.7 million, representing an increase of 19.4% compared with the same period last year. Earnings per share were 4.6 cents (2005: 3.8 cents).

The Group achieved a notable growth in turnover which was driven by turnover generated by new stores and by robust growth in the existing Hong Kong stores.

A 50-50 retail jointly controlled entity with a vendor was established in July 2005. This new company operates and manages all its boutiques and businesses in Hong Kong and Taiwan.

In view of the favorable outlook for the luxury goods sector in China, the Group is broadening its China strategy, adding direct specialty retailing to its sub-franchising activities, with all mainland operations to be managed under an enlarged China division – Joyce Boutique (China) Limited. Joyce Distribution Limited, the Group's sub-franchising division, has been renamed as Joyce Boutique (China) Limited. The new enlarged division will roll out directly-operated mono-brand shops for selected major brands in first- and second-tier mainland cities commencing in the new fiscal year. The Group's mainland China sub-franchising division continued to develop its business during the year.

As the Group focuses its financial and management resources on the higher-growth mainland China and Hong Kong markets, its retail operations in Taiwan will be scaled down in the coming financial year.

Hong Kong

The newly renovated 16,000 square-foot Joyce flagship store at New World Tower on Queen's Road Central was reopened in late September 2005. The store features voluptuous interiors designed by the Dutch architect Gert Voorjans and American artist Michele Oka Doner. The ground floor includes a new Joyce Beauty department, followed by a procession of rooms and anterooms for day and evening wear and accessories, with three customized designer corners dedicated to John Galliano, Alexander McQueen and Emilio Pucci. The lower level features menswear as well as additional womenswear collections.

The new design points the way to 2007, when the store will total at 35,000 square feet. Renovations will commence in December 2006 and are scheduled to be completed by March 2007. The timely expansion of the Central retail portfolio will enable the Group to maximize sales for its strongest-performing brands, the majority of which it represents exclusively in Hong Kong.

An additional four stores are scheduled to open in Hong Kong in the coming year. These will include a 700 square-foot BOSS boutique in the Sogo department store in Causeway Bay, opening in September 2006; and Jil Sander, Anna Sui and Etro boutiques in the new retail wing of Ocean Centre, Kowloon, opening in the summer of 2006 and totaling more than 4,000 square feet.

Taiwan

The Group has decided to scale down its operations in Taiwan, however, the jointly controlled entity will continue to operate the existing three boutiques in the Taipei and Kaohsiung. A new 800-square-foot boutique is scheduled to open in July 2006 in the Mitsukoshi department store in Taichung.

While tighter control of overheads and the May 2004 closure of the multi-label Joyce store at Taipei Metro Mall helped reduce losses, slow growth in Taiwan's unstable economy and an uncertain business environment, and the opportunity to direct management and financial resources to the fast-expanding mainland China market and steadily growing Hong Kong market, were all factors in the Group's decision to further scale down its Taiwan operations.

Mainland China

Going forward, the Group is broadening its China strategy, adding direct specialty retailing to its sub-franchising activities, with all mainland operations to be managed under an enlarged China division – Joyce Boutique (China) Limited.

The new division plans to open a total of six directly-operated stores in Shanghai and Beijing over the coming 12 months. The first, a 1,000 square-foot Jil Sander boutique in Plaza 66, Shanghai, the city's most prestigious shopping mall, opened its doors in April 2006. A Joyce multi-label flagship store will open in Plaza 66 in February 2007, at the start of the Spring/Summer season.

An Anna Sui store will open in Plaza 66 in December 2006. Three stores will be opened at the new Mitsukoshi department store in Beijing in February 2007; a second Anna Sui store; a second Jil Sander boutique; and a Pleats Please mono-brand shop, the first in China for Issey Miyake's contemporary line.

Joyce Boutique (China) Limited's sub-franchising division is scheduled to open the third sub-franchised Etro boutique in the Mitsukoshi department store in Beijing in February 2007.

Financial Resources

The Group's net cash position, after the payment of previous fiscal year's dividend, as of 31 March 2006, remained strong at HK\$244.0 million (2005: HK\$293.6 million).

Final Dividend

In view of the Group's solid financial situation and the past year's markedly improved performance, the Board recommends the payment of a final dividend of 2.0 cents per share for the fiscal year.

On behalf of the Board, we wish to express our gratitude to the Group's employees, partners and other stakeholders for their inestimable contributions in a truly outstanding year. We look forward to sharing an even more exciting future in a region and industry whose best years are yet to come.

Walter K. W. Ma*Chairman*

22 June 2006