We are pleased to announce that the Group achieved record revenues of HK$5.98 billion in FY 2005/06, operating profit of HK$472.1 million and profit attributable to equity holders of the Company amounting to HK$305.0 million, with 61%, 39% and 31% upsurge respectively, which in a way firmly proved our unique and sustainable business development model and consistent marketing strategy.

For the financial year ended 31st May, 2006, the revenue split for leather / lifestyle division, timepiece and jewellery were 47%, 35% and 18% respectively, as compared to 30%, 47% and 23% respectively in FY 2004/05, due to inter alias the Salamander addition to the leather division.

Salamander

This was a fruitful year for Salamander after one year smooth integration process from the time of acquisition in March 2005. This was demonstrated by its record sales contribution to the Group, which accounted for 27% of the Group's enlarged revenue pie. More importantly it showed a remarkable operating profit margin improvement of 50% in just one year.

This was largely due to the rejuvenation of the brand by introducing the first ever Salamander handbag and small leather accessories, while expanding its range of lady's shoes and man's shoes, to existing Salamander shops with venture into new territory, which success exceeded all expectations.

Up to May 2006, 24 new Salamander shops were opened in Europe, in which 10 in Germany, 2 in France and 12 in Eastern Europe respectively. Currently, we operate 185 Salamander shops, in which 91 shops are in prime locations in Central and Eastern Europe. We have converted 30 Salamander Directly-Operated-Stores ("DOS"), in selected locations, into multi-brand presentation shops carrying, in addition to Salamander products, Goldpfeil, Comtesse, Sioux, Apollo and JOOP! products. With higher priced products being accepted, the new multi-brand shops showed a 17% average sales price increase in Eastern Europe and 10% in Germany.

In addition to the contribution made from Salamander DOS, we are in the process of extending our distribution network, based on 1 to 4 formula, to secure reputable partners to open franchise shops, shop-in-shops in Western Europe, Eastern Europe and Asia going forward. We aim to increase the number of the franchise shops and shop-in-shops to 800 in Europe in 5-year time. In US, we are able to leverage on our strategic partner — KIA's extensive distribution network (KIA, an established US footwear importer and distributor, which has 1,200 POS in the US) so as to introduce Salamander footwear into US market.

With the successful integration of Salamander operations into the Group, the operating profit margin for Salamander was increased from 4% at the time of acquisition to 6% at the financial reporting day of 31st May, 2006. The increase of operating profit margin was principally achieved by 3 strategic factors. Firstly, we have been pursuing centralized procurement from the European Headquarters in Germany for Salamander operations in Europe that with the centralized distribution function, the operating profit margin was improved by 0.5%. Secondly, we instituted the in-house product development and production, which has further enhanced the operating profit margin by 1%. Thirdly, we introduced Salamander leather accessories to replace the private label for better margin as well as enhancing brand awareness, which has improved the operating profit margin by 0.5%. We will continue to work on the integration of the procurement of Salamander operations in Europe, the in-house product development and production, the introduction of more Salamander leather accessories as well as the co-marketing plan between Salamander division and the Group's other brands in Eastern Europe markets, thereby saving the marketing cost and sharing better synergy effect. Through the aforesaid measures, we aim to further enhance operating profit margin of Salamander division.

Goldpfeil — 150 Years Anniversary

Founded in 1856, Goldpfeil, the German luxury label is rooted in the characteristics of the highest demands on quality and aesthetics as well as the greatest attention to detail in material and finishing.

Goldpfeil is celebrating its 150th anniversary in 2006. Goldpfeil Bracelet Bag — launched exclusively for its anniversary with a limited European edition of 150 pieces. The special present is not only made for all fans of the brand, but also for children in developing countries, who are eager for receiving education opportunity. A substantial part of revenues generated from the Goldpfeil Bracelet Bag will be donated to United Nations Children's Fund ("UNICEF"). Two fully equipped schools in Africa will be constructed from this charitable donation.

Goldpfeil, as the lead of our leather division, is the driving force, which helps extend the branded leather accessories from Europe to Asia successfully.

Greater China

Geographically, the revenue increased in all regions, with exception of US. Greater China has been the fastest growing region amongst our distribution network coverage including Europe, US and Asia. Greater China contributed 19% of the Group's revenue (16% in FY 2004/05).

The revenue from China upsurged by 46% for FY 2005/06 — thanks to our unique "one country four strategies" business model in China, which has been demonstrated as a proven one.

The Swiss Watch Federation in April 2006 commented that Mainland China had already accounted for about 10% of total Swiss watch exports. Thus, the Federation estimated that Mainland China comprises the world's largest customer base for Swiss watch. The Group also believes that China, as one of the emerging markets besides India and Eastern Europe, has demonstrated a huge potential in demanding high quality and fashionable products.

Benefiting from our vertically integrated business model, we are able to design, develop and produce more collections of fashion products, so as to congregate the end consumers' expectation on more innovated design and high quality products. Our advanced European Technology and Logistics Center ("ETLC") system in Germany enables the European operations continuously to enjoy a favorable logistic cost to sales of no more than 6%, ahead of industry norm of 7%. With a plan for accelerating the market expansion in Greater China, the Group is in the process of transplanting the ETLC system into our modern production base in Southern China as the logistic hub to serve the Greater China market, with a view to reducing the logistic cost to sales to reach the Group's 6% threshold. This is believed to further enhance the profitability of our Greater China division as well as achieve faster order fulfillment for revenue increment.

Innovation to bring market expansion

Junghans continued to illustrate its capability for producing highly sophisticated mechanical timepieces when it presented the new caliber j 830 mechanical movements in 2006 Basel Fair. During the exhibition, it showed that the range of customer groups, which were interested in our high-end mechanical timepieces, has been extended from Germany to USA, Eastern Europe and Japan. The radio controlled watch technology of Junghans continued to be the pioneer of its application, extending the market share from Europe to Japan.

It has been our long-term ambition to bring the (in-house developed) innovative platinum jewellery production technology in conjunction with prestigious brands to reach the success stage.

In 2006 Basel Fair, Abel & Zimmermann of Germany launched its latest jewellery collection — Excession containing the innovative platinum technology. About this collection Baselworld News wrote that "not only has a very striking look, it also has an attractive price that is surprisingly inexpensive for platinum jewellery of this expensive size". It has attracted strong interest from numerous customers, particularly from US, where 40% of the bridal jewellery business is in platinum category.

PUMA — A Trendy Star

Since the debut in September 2005 in Germany, PUMA lifestyle watch has been launched with great success in 12 jurisdictions in FY 2005/06. In just 4 months from FY 2005/06, we have extended it to 30 jurisdictions.

PUMA, in association with this year's World Soccer Cup, launched a limited collection for countries including Italy, France, Germany, Brazil, Argentina, UK, Portugal and Spain. The innovated idea together with the outstanding quality made another successful story for PUMA watch. PUMA watch, a rising star in our fashion and sports segment, is expected to continuously contribute and enjoy encouraging growth.

The privatization of Egana Jewellery & Pearls Limited ("Egana Jewellery")

On 11th September, 2006, the independent shareholders of Egana Jewellery approved the proposal from EganaGoldpfeil (Holdings) Limited ("EganaGoldpfeil") for privatization of Egana Jewellery. Subject to the sanction of the privatization proposal by the court, Egana Jewellery would become a wholly-owned subsidiary of EganaGoldpfeil and it is expected that Egana Jewellery will be delisted from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") effective 24th October, 2006.

The privatization exercise was believed to be beneficial for both of EganaGoldpfeil and Egana Jewellery shareholders, for 1) withdrawal of the listing will result in a leaner corporate structure and will enhance operational efficiency and management accountability; 2) the liquidity in the EganaGoldpfeil shares traded on the Stock Exchange has been relatively higher compared to that of the Egana Jewellery shares; 3) offering the Egana Jewellery shareholders an opportunity to exchange their investment to an interest in EganaGoldpfeil, whose shares are considered to have higher market capitalization and wider range of investor's coverage as well as growth potential; and 4) the privatization would reduce the profit of EganaGoldpfeil attributable to the minority interest after Egana Jewellery becomes a wholly-owned subsidiary of EganaGoldpfeil, i.e. the inclusion of minority interests profit of Egana Jewellery (which otherwise has to be excluded from EganaGoldpfeil's consolidated financial statements if Egana Jewellery remains a non-wholly owned subsidiary of EganaGoldpfeil).

Richemont Investment

On 16th August, 2006, Peninsula International Limited ("PIL") (the investment holding company of Mr. Hans-Joerg SEEBERGER, Executive Chairman and Founder of EganaGoldpfeil Group) and VDCI SA (an indirect wholly-owned subsidiary of Compagnie Financière Richemont SA) entered into an agreement to jointly participate in an investment holding company (Joint Asset) on a 70:30 basis pursuant to which Joint Asset holds 33.33% shareholding interests in EganaGoldpfeil (without taking into account the issue of EganaGoldpfeil shares under the privatization proposal). Compagnie Financière Richemont SA is one of the world's leading luxury goods groups, with particular strength in jewellery, luxury watches and writing instruments.

Richemont's investment is not expected to result in a change of the ultimate control of EganaGoldpfeil Group. Mr. Seeberger through PIL and Joint Asset continues to be the controlling shareholder holding 37.22% of EganaGoldpfeil. It does not intend to introduce any change to the existing Board and management structure or the operations of EganaGoldpfeil.

Under the arrangement, VDCI SA is not a connected person of EganaGoldpfeil under the Rules Governing the Listing of Securities on the Stock Exchange.

FINANCIAL REVIEW

Group's annual revenue recorded HK$5.98 billion upsurge by 61% as compared to FY 2004/05. The growth was mainly attributed to a recurring revenue contribution of HK$1.6 billion from Salamander division, as well as a strong organic growth of 28% in all major products and in all principal regions.

Geographically, the revenue for Western Europe represented 64% of the Group's total, with Eastern Europe at 7%, Asia at 25%, and USA for 4% (as compared to 70%, 4%, 22% and 4% respectively in FY 2004/05).

The gross profit increased by 53% to HK$2.33 billion in FY 2005/06. The management successfully maintained the gross margin at 39% in line with that of FY 2004/05 of 41%, as we did not compromise on price reduction for the sake of increasing revenue. There has been an increase in raw materials cost of 30%. However, through enhanced production efficiency and better procurement planning, we managed to maintain the cost of sales to within 61%.

The operating profit margin for Salamander division was enhanced to 6% from 4% (by the time of acquisition in March 2005), as a result of its smooth integration and well-planned business growth strategies, which was within the context of the management's focus to continuously improve the operating efficiency and margin of the entire Group.

The operating profit margin for China division was also uplifted from 1% in FY 2004/05 to 4% for 2005/06, - thanks to our unique "one country four strategies" business development model designated for China market. In FY 2005/06, the operating profit margin ex-Salamander and China division was 9% in line with that of FY 2004/05.

Inventory turnover was 124 days, as compared to 171 days in FY 2004/05. The inventory increased by 14% in the midst of revenue growth of 61%. These were the result of the Group having adopted a stringent and prudent inventory control policy as well as having successfully integrated Salamander into the Group.

The average debtor turnover has shortened from 64 days in FY 2004/05 to 60 days in FY 2005/06. Having regard to an increase of revenue of HK$2,259 million, there was an increase of trade debtors by HK$1,052 million, which primarily reflected the organic growth as well as substantial orders from Salamander division during the financial year. As of 31st May, 2006, 94% of the accounts receivable were within 60 days. These were attributable to our ongoing tight credit control practice.

With the sharp upsurge in revenue, the distribution cost has increased accordingly. However, the distribution cost as percentage of sales remained relatively stable at 22%, due to our proven marketing and promotion program, which effectively brought the positive results to the Group's branding, marketing and sales activities.

We continue benefiting from logistics efficiency enhancement pursuant to the European Technology & Logistic Center near to Frankfurt, Germany. As such, the administration expenses to sales were further reduced from 14% in FY 2004/05 to 11% in FY 2005/06.

75% of our branded products was in-house produced under our production facility network in Europe (7) and Asia (5) for global product development and production, which supports 80% of Group's revenue.

Finance cost increased by 47% in FY 2005/06 as compared to that of FY 2004/05. However, on the enlarged revenue basis, the finance cost to sales was reduced from 2.5% in FY 2004/05 to 2.3% in FY 2005/06, even in the midst of interest rise span, which was attributable to a well defined treasury policy.

The Group continuously improved its working capital to sales level and managed to reduce it from 30% to within 28%. This provides a viable base for the Group to plan its financial resources in a more cost-effective manner, and with higher certainty in securing funds to cope with the business expansion.

The net gearing ratio (net debt to shareholders' funds) was slightly increased from 0.55x in FY 2004/05 to 0.59x for FY 2005/06. It was primarily due to the increase in long-term borrowing of Euro 60 million (syndication loan), in which Euro 32 million was used to pay down bridging finance for the acquisition of Salamander (i.e. refinance Salamander consideration), and Euro 28 million was for new shops opening. In February 2006, additional Euro 20 million syndication loan was raised for general working capital for Salamander division, in particular in relation to the marketing and promotion program for Europe and Asia.

During FY 2005/06, we have opened 10 new Salamander shops in Germany, 12 in Eastern Europe and 2 in France.

Distributable earnings attributable to shareholders were HK$305 million, an encouraging 31% increment over FY 2004/05's, representing a return on equity of 16% (14% in FY 2004/05).

The shareholders' funds continued to show a double-digit growth (13%) in FY 2005/06 and stood at HK$1,873.1 million.

The Group's fully diluted earnings per share increased by 33% from HK18 cents to HK24 cents in FY 2005/06.

Total assets increased by 37% reaching HK$6,577 million in FY 2005/06, along with our profit growth of 31%.

During the financial year, the Group has a net cash position of HK$1,385 million, an increase of HK$572 million as compared to prior year's. The increase represented a net operating cash inflow and a portion of the 5-year syndication loan, which was set aside for future Salamander new shop opening, marketing and product development.

Our revenue and assets were denominated in Euro and Swiss Francs 65%; US$ and HK$ 26% and other 9%. Payment and liabilities were in Euro and Swiss Francs 48%; US$ and HK$ 50% and other 2%.

The Group practices natural hedging to the extent possible and currency hedging as far as is reasonably practicable. Hence, the foreign currency exposure against adverse exchange movements has been adequately contained.

The Group had no significant capital commitment as at 31st May, 2006. There were no material contingent liabilities or off balance sheet obligations.

PROSPECT

Despite recent market turmoil, the emerging market like Eastern Europe, India and China showed a strong demand in luxury goods, in which we have already established solid basis for further extension.

Going forward, we are to focus on 5 principal expansion strategies in a coordinated manner to boost the growth in revenue and earnings as well as to attain our target return on equity yardstick of 20%.

1) Ride on the strong brand recognition of Goldpfeil in the luxury segment for co-branding to widen the consumer range, as well as Goldpfeil's established brand equity in Western Europe, for expansion to Eastern Europe, China and Japan;

2) Introduce Salamander shops as a multi-brand footwear and leather accessories network in Europe, thereby providing an immediate enlarged base for carrying the Group's other branded items, and roll it out as a model for capturing markets in Japan, China and India;

3) Capitalize on the product development capability and the recognition as the most trusted watch brand of Junghans Germany for launching the Junghans watch collection for Europe and Asia, as well as for application of the technology to other brands of the Group;

4) Pursue related diversification of product coverage under the same brand to increase brand equity; and

5) Identify appropriate strategic alliance in distributor and chain stores network in the US to expand the growth of contribution from the Group's US operations.

We continue to maintain our revenue model of 25:75, being revenue from retail via our DOS versus revenue from wholesale via our franchisees, department stores, chain stores, independent retailers and cooperative partners, which is believed to be more cost-effective and flexible for managing a well-balanced pyramid of brands covering luxury, affordable luxury and fashion & sports segments.

EganaGoldpfeil has positioned to excel as one of the leading and respected international brand managers in the luxury and fashion accessories industry through provision of quality, innovative and trend setting products as well as services, and appropriate communications program to help raise the awareness of the community towards our brands, products and the corporate as a whole.

People is the most valuable asset of the Group that we have a committed team sharing common vision and core values for furtherance of the Group's mission beyond this Century.

With different brand managers for each key brand to ensure that the respective brand DNA is optimized, and is differentiated with its uniqueness for its target audience, we will continue to practice the proven framework of "centralized management and corporate support" so that the brand division, as a profit center, on its autonomy on the business development can draw upon the Group's pooled resources, through economies of scale, to maximize the contribution to the Group.

EganaGoldpfeil continues to focus on our core competence in jewellery, timepiece and leather (including footwear) accessories, our reinforce our brands across our main markets, and procure the conquest of new network, thereby enhancing our shareholder value and benefiting our stakeholders at large.