

CHAIRMAN'S STATEMENT



The Group recorded its best financial results since the year 2000. During the year, the Group succeeded in eliminating the substantial losses incurred during the months of SARS, achieved year on year sales growth, and improved gross margins.

The continued economic recovery in Hong Kong and neighbouring countries, together with a significant increase in Chinese tourists due to the introduction of the Individual Visit Scheme, have propelled the retail industry into a new phase of strong growth. Expansion plans which will result in strong future earnings growth are being implemented and, barring unforeseen circumstances, the Group is extremely confident about its future growth prospects.

Financial Results, Final Dividend and Bonus Issue

Turnover for the year ended 31st March, 2004 was HK\$2,609.9 million, an increase of 6.7 per cent. compared with last year.

Profit attributable to shareholders for the year ended 31st March, 2004 was HK\$120.3 million, an increase of 92.2 per cent. over the previous year. On a like for like basis, this figure is 151.3 per cent. more than the HK\$47.9 million recorded last year, after excluding last year's non-operating items of HK\$14.7 million.

In view of these results, the Board is recommending the payment of a final dividend of 22 cents per share, an increase of 193.3 per cent. over last year. Together with the interim dividend of 3 cents per share, the total dividend payout of 25 cents per share represents an increase of 233.3 per cent. compared with the previous year.

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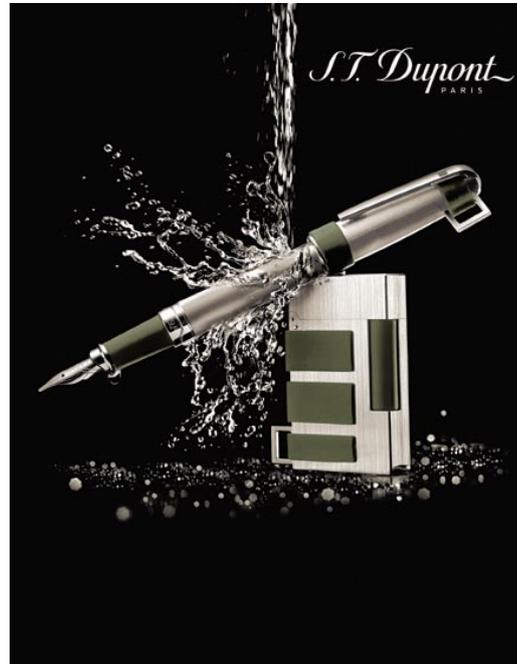
The Board is also recommending a bonus issue to Shareholders in the proportion of one share for every ten existing shares held in view of the Group's confidence in the performance of its operations in the current financial year.

Review of Operations

Asian Retailing

With a total of 78 shops and shop-in-shops opened during the year under review, the Group's retail network at 31st March, 2004 totalled 360 shops and shop-in-shops. This comprised 51 in Hong Kong, 116 in China, 143 in Taiwan and 50 in Singapore, Malaysia and the Philippines.

These new shops and shop-in-shops were opened under leading brands such as Christofle, Polo Ralph Lauren, Polo Jeans Company, Dickson Watch & Jewellery, Coach, Brooks Brothers, Kenneth Cole, Benetton and Sisley.

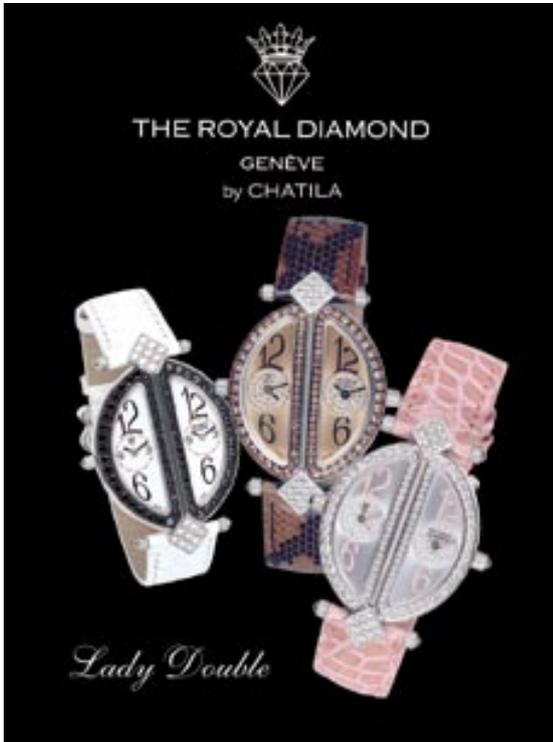


*Luxury lighter and writing instrument by S.T. Dupont.
「都彭」名貴打火機及書寫文具。*



*Hong Kong Seibu at Pacific Place.
位於太古廣場的「香港西武」。*

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*The Royal Diamond 'Lady Double' watches.
「The Royal Diamond」的「Lady Double」系列手錶。*

Hong Kong

A total of 10 new shops and shop-in-shops were opened during the year under review. With 51 shops in Hong Kong as well as the two Hong Kong Seibu stores in Pacific Place and Windsor House, the Group is perfectly positioned to capture business from both local consumers and tourists alike.

As the leading retailer in all three categories of watches, fashion and cosmetics which are the top shopping priorities of Chinese consumers, and with the Group's brands having been firmly established in China for over 12 years, the Group's products are well known and desired by Chinese tourists visiting the territory. This will further ensure that the Group's Hong Kong operations continue to achieve significant turnover and profits growth.



*Leathergoods by Coach.
「Coach」皮具。*

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China

The Group started investing in China over 12 years ago and has firmly established the prestige and popularity of the leading international brands it represents.

As part of the Group's expansion plans, an additional 37 S.T. Dupont, Polo Ralph Lauren, Polo Jeans Company, Brooks Brothers and Dickson Watch & Jewellery shops and shop-in-shops were opened during the year under review. With a retail network of over 115 shops and shop-in-shops in first, second and third tier cities throughout China, the Group is able to reach the widest customer base possible.

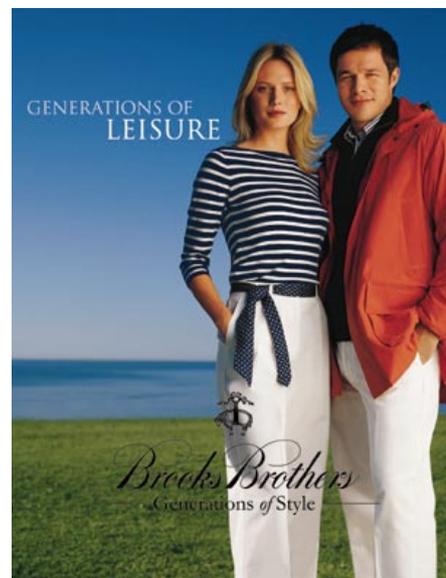
The Group's Seibu department store operations have been established in Shenzhen for almost 10 years. Together with the Group's own brands, leading brands such as Louis Vuitton, Cartier, Fendi and Burberry are exclusively retailed at the two Seibu stores in Futian and Lowu which clearly illustrates that Seibu has firmly established itself as the most well known and most successful upmarket lifestyle store.

As the Group continues to develop and expand its Seibu operations in China, the Hong Kong Seibu department stores will also benefit from this recognition as Chinese visitors to Hong Kong will undoubtedly prefer to shop at stores they recognise in China.

The Group will continue to actively expand its operations throughout the whole of China and solidify its leading position in this rapidly growing market of such enormous potential.



The Seibu store at Lowu, Shenzhen.
位於深圳羅湖區的西武百貨公司。



Brooks Brothers casualwear.
「Brooks Brothers」便服。



Christofle tableware.
「Christofle」餐具。

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*Mens and ladies fashion
by Kenneth Cole.
『Kenneth Cole』男士
及女士服裝。*

Taiwan

In Taiwan, despite the significant losses incurred during the months of SARS, the Group succeeded in achieving increased sales and profits compared with the previous year.

One of the most important retail events of the year in Taiwan was the opening in November 2003 of Taipei 101, currently the tallest building in the world. The Group is one of the anchor tenants of this mall and has opened 6 new Dickson Watch & Jewellery, Ralph Lauren, Brooks Brothers, Kenneth Cole, Benetton and Sisley shops there. Taipei 101 has attracted consumer interest from all over Taiwan and Asia which will undoubtedly benefit the Group's shops there.



*Ladieswear by Sisley.
『Sisley』女士服裝。*

With over 140 shops and shop-in-shops located throughout Taiwan, the Group's comprehensive retail network is able to serve consumers across the island. The Group is confident that its Taiwan operations will continue to grow and be a major contributor to the Group's turnover and profits.



*Childrenswear by Benetton Kids.
『Benetton Kids』童裝。*

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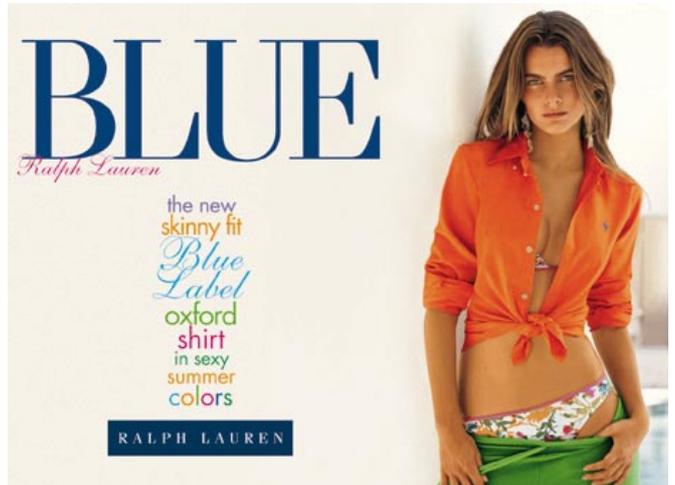
Other Asian Markets

The Group's retail presence in the rest of Asia comprises 50 shops and shop-in-shops in Singapore, Malaysia and the Philippines.

A total of 15 new shops and shop-in-shops were opened in these countries. Of particular note were the opening of 4 new Ralph Lauren, Dickson Watch & Jewellery, Benetton and Sisley boutiques at the newly-refurbished Paragon shopping mall on Orchard Road, Singapore and the opening of 6 new boutiques at One Utama, Petaling Jaya, Malaysia under the brands of Polo Ralph Lauren, Brooks Brothers, Kenneth Cole, Sisley, Benetton and Benetton Kids.



Ralph Lauren Purple Label.
「Ralph Lauren」的「Purple Label」系列。



Ralph Lauren Blue Label.
「Ralph Lauren」的「Blue Label」系列。

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Board of Directors and Employees

I would like to take this opportunity to thank all my fellow Directors for their invaluable contributions to the Group's significantly improved results this year.

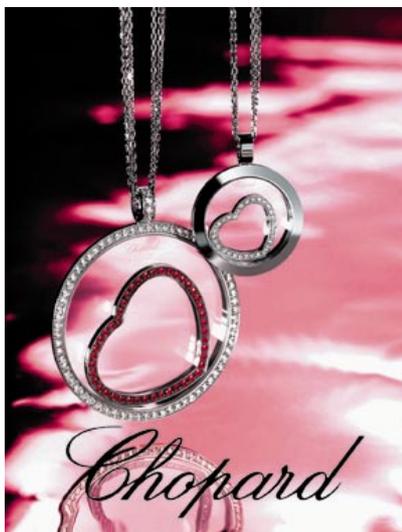
On behalf of my fellow Directors, I would also like to extend a warm welcome to Mr. Nicholas Peter Etches who was appointed an Independent Non-Executive Director of the Company on 1st June, 2004.

Lastly, I would also like to thank all the Group's employees for all their unswerving loyalty, dedication and hardwork without which the Group's success would not be possible.

Future Prospects

The Group's retail network of 360 shops and shop-in-shops throughout the region will be the foundation for the Group's growth in the immediate year ahead.

On 15th March, 2004, the Group announced that a total of over HK\$50 million would be invested in the opening of a new Hong Kong Seibu store of over 20,000 s.f. and a Dickson Watch & Jewellery shop of nearly 1,400 s.f. at the new Langham Place development in Mongkok.



Luxury watch and jewellery
by Chopard.
「Chopard」名貴手錶及
珠寶首飾。



Charles Jourdan watches.
「卓丹」手錶。

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The above investment, coupled with an additional 32 shops and shop-in-shops the Group plans to open during the current financial year, will form the foundation for strong future earnings growth in the medium term.

During the year, the Group also announced plans to open the first exclusive Harvey Nichols store in Asia at The Landmark. Occupying about 60,000 s.f. over 5 floors of prime retail space at Hong Kong's premier retailing location, the Harvey Nichols store is scheduled to open in Fall 2005 and will set a benchmark as the most exciting and prestigious international fashion store.

This Harvey Nichols store, which is expected to be profitable after 12 months of operation, will ensure strong turnover and profits growth in the longer term.

Together with its net cash position of over HK\$650 million and its strong balance sheet, the Group is also perfectly positioned to take full advantage of the economic growth in Asia and exploit any investment opportunities of exceptional value.

The future is bright and the Group looks forward to years of strong growth ahead.



Dickson Poon
Group Executive Chairman

Hong Kong, 24th June, 2004



The Harvey Nichols store at Knightsbridge, London.
位於倫敦 Knightsbridge 的「夏菲尼高」百貨公司。



The Harvey Nichols store in Leeds, United Kingdom.
位於英國列斯的「夏菲尼高」百貨公司。