

Directors' Report

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in watch trading.

During the year, the Group operated eleven retail shops: eight in Hong Kong and three in Guangdong Province in the People's Republic of China.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 22.

An interim dividend of 2.5 cents per share was paid during the year. A final dividend of 4.5 cents per share being proposed by the directors is subject to approval by the shareholders in the forthcoming annual general meeting. The total dividends declared in respect of the year are set out in note 9 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 54.

SHARE CAPITAL

Details of the authorised and issued share capital of the Company are set out in note 23 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the Group's investment properties during the year are set out in note 11 to the financial statements.

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OTHER PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the Group's other properties, plant and equipment during the year are set out in note 12 to the financial statements.

BORROWINGS

Bank borrowings of the Group at 31 March 2002 comprised secured short-term loans.

The repayment schedule of the Group's obligations under finance leases is set out in note 19 to the financial statements.

During the year, a mortgage loan was fully repaid when the Group disposed of an investment property.

No interest was capitalised by the Group during the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Yeung Ming Biu (*Chairman and Managing Director*)

Siu Leung Wai

Fung Kwong Yiu

Chan Che Kwong, William

Yeung Man Yee, Shirley

Yeung Him Kit, Dennis

Independent non-executive directors:

Sun Ping Hsu, Samson, Dr.

Li Sau Hung, Eddy, Dr.

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In accordance with Bye-law 87 of the Company's Bye-laws, one third of the directors, including non-executive directors, will retire from office by rotation. However, no director holding office as Chairman or Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of directors to retire. Accordingly, Madam Yeung Man Yee, Shirley and Dr. Sun Ping Hsu, Samson retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each non-executive director is the period up to his retirement as required by the Company's Bye-laws as indicated above.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 March 2002, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company under Section 29 of Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Yeung Ming Biu	10,787,260	6,000,000	96,800,000	—
			<i>Note (a)</i>	
Siu Leung Wai	—	—	6,069,244	<i>Note (c)</i>
			<i>Note (b)</i>	
Fung Kwong Yiu	1,803,152	—	—	<i>Note (c)</i>
Chan Che Kwong, William	9,778,515	—	—	<i>Note (d)</i>
Yeung Man Yee, Shirley	—	167,547	—	<i>Note (e)</i>
Yeung Him Kit, Dennis	—	—	—	<i>Note (f)</i>
Sun Ping Hsu, Samson, Dr.	—	—	2,000,000	—
			<i>Note (g)</i>	
Li Sau Hung, Eddy, Dr.	—	—	—	—

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Notes:

- (a) Mr. Yeung Ming Biu and his wife, Madam Au Po Kee, are the beneficial owners of 45% and 22.5% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited is the beneficial owner of 55% of the issued share capital of Furama Investments Limited which is the beneficial owner of 80% of the issued share capital of Datsun Holdings Limited. Datsun Holdings Limited is the beneficial owner of 96,800,000 shares in the Company.
- (b) Mr. Siu Leung Wai and his family members are the beneficial owners of the entire issued share capital of Power Dragon Holdings Limited, which is the beneficial owner of 6,069,244 shares in the Company.
- (c) Messrs. Siu Leung Wai and Fung Kwong Yiu are the beneficial owners of 21% and 6% respectively of the issued share capital of Real Champ Limited, which is the beneficial owner of 20% of the issued share capital of Datsun Holdings Limited.
- (d) Mr. Chan Che Kwong, William is the beneficial owner of 10% of the issued share capital of Furama Investments Limited and 10% of the issued share capital of Y.H. Chan Limited. Y.H. Chan Limited is the beneficial owner of 25% of the issued share capital of Furama Investments Limited and also directly holds 294,365 shares in the Company.
- (e) Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5% of the issued share capital of Realtower Holdings Limited.
- (f) Mr. Yeung Him Kit, Dennis is the beneficial owner of 10% and 7% of the issued share capitals of Realtower Holdings Limited and Real Champ Limited respectively.
- (g) Dr. Sun Ping Hsu, Samson and his family members are beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 2,000,000 shares in the Company.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company, none of the directors or their associates as at 31 March 2002 had any interest in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the share option scheme (the "Scheme") adopted at a special general meeting of the Company held on 20 September 1993, the directors of the Company may grant options as incentives to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company within a period of ten years commencing from 20 September 1993. The subscription price of the shares is set to be the higher of the nominal value of the Company's shares or an amount which is 80% of the average closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options. Exercise prices are subject to adjustment as provided in the Scheme.

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The maximum number of shares in respect of which options may be granted cannot exceed 10% of the issued share capital of the Company from time to time within the ten-year and the maximum number of shares in respect of which options may be granted to any one employee cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

Options granted must be accepted by written notice from the grantees with an undertaking to hold the options on the conditions subject to which it was offered and to be bound by the terms of the Scheme accompanied by a remittance in favour of the Company of HK\$1 as consideration for the grant of the options within 21 days inclusive of, and from, the date of the making of offer for grant by the Company.

On 30 October 1996, the Company granted options to certain directors and employees of the Group to subscribe for a total of 24,000,000 shares of HK\$0.10 each in the Company at an exercise price of HK\$0.77 per share as follows:

Name of director	Number of shares for which options were granted
Yeung Ming Biu	3,000,000
Siu Leung Wai	2,500,000
Fung Kwong Yiu	2,000,000
Chan Che Kwong, William	2,500,000
Yeung Man Yee, Shirley	2,000,000
Yeung Him Kit, Dennis	2,000,000
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	14,000,000
Employees	10,000,000
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	24,000,000
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The options were exercisable within five years from the date of grant. None was exercised and all had lapsed in October 2001.

No other options have been granted.

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Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate. Similarly, none of the spouses or children under the age of 18 of the directors or chief executives had any rights to subscribe for securities of the Company or had exercised any such rights during the year.

RESERVES

Details of the movements during the year in the reserves of the Group and of the Company are set out in note 25 to the financial statements.

In addition to accumulated profits, the contributed surplus of the Company is also available for distribution to shareholders under the Companies Act 1981 of Bermuda (as amended). However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At 31 March 2002, the sum of the accumulated profits and contributed surplus accounts of the Company amounted to approximately HK\$124 million.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, according to the register maintained under Section 16(1) of the SDI Ordinance, the following persons, in addition to those directors who are listed above under "Directors' interests in shares of the Company", are interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares
Datsun Holdings Limited	96,800,000
Furama Investments Limited	96,800,000
Realtower Holdings Limited	96,800,000

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Realtower Holdings Limited holds 55% of the issued share capital of Furama Investments Limited which holds 80% of the issued share capital of Datsun Holdings Limited. Accordingly, both Realtower Holdings Limited and Furama Investments Limited are deemed under the SDI Ordinance to be interested in the 96,800,000 shares in the Company which are held by Datsun Holdings Limited.

Messrs. Yeung Ming Bui, Siu Leung Wai, Fung Kwong Yiu, Chan Che Kwong, William and Yeung Him Kit, Dennis and Madam Au Po Kee (wife of Mr. Yeung Ming Bui) and Madam Yeung Man Yee, Shirley are deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Datsun Holdings Limited in the manner described under "Directors' interests in shares of the Company".

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31 March 2002.

CONNECTED TRANSACTION

As announced by the Company on 21 March 2002, the Group entered into an agreement on that date to acquire the remaining 40% equity interest in Garwood Holdings Limited which was then held by a minority shareholder, together with the benefit of aggregate advances of HK\$8,480,000 made to the Group, for a cash consideration of approximately HK\$1,882,000. This transaction with the minority shareholder, Carterland Holdings Limited, constituted a connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

After the acquisition, Garwood Holdings Limited became a wholly-owned subsidiary of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or similar rights as at 31 March 2002. There was no exercise of options, warrants or similar rights during the year.

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PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$35,400.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board

YEUNG MING BIU

CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 18 July 2002