

The directors have pleasure in presenting to shareholders their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture, assembly and sale of electronic watches, trading of watch movements and watch parts and property development and investment.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 15.

The directors recommend the payment of a final dividend of HK0.5 cent per share to the shareholders of the Company whose names appear on the register of members on 28th August, 2001.

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 45.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 12 and 13 to the financial statements, respectively.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2001 are set out on page 43.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

Details of the Company's subsidiaries and the Group's jointly controlled entities at 31st March, 2001 are set out in notes 16 and 17 to the financial statements, respectively.

During the year, the Group disposed of the entire interest in Parklane Limited and Phoenix Limited to a jointly controlled entity newly setup with an independent third party for consideration of approximately HK\$14,663,000.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Group and the Company are set out in note 26 to the financial statements.

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.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased certain of its own shares on the Stock Exchange of Hong Kong Limited, details of which are set out in note 25 to the financial statements. The Directors considered that as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS

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

Mr. Jimmy Lee Yuen Ching
 Mr. James Lee Yuen Kui
 Mr. Peter Lee Yuen Wong
 Mr. Tommy Tam Hok Lam
 Dr. Alex Wu Shu Chih, C.B.E., L.L.D., J.P.*
 Dr. Samson Sun, M.B.E., J.P.*
 Mr. Edward Lee Yuen Cheor (appointed on 1st June, 2000)
 Mr. Lee Chi Hoo (resigned on 29th June, 2000)

* *Independent non-executive directors*

In accordance with the Bye-Laws of the Company, Messrs. James Lee Yuen Kui and Peter Lee Yuen Wong shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Bye-Laws of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

At 31st March, 2001, the interests of the directors, chief executives and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director or chief executive	Capacity	Personal interests	Shares of HK\$0.10 each Corporate interests	Other interests
Mr. Jimmy Lee Yuen Ching	Chairman and Managing Director	–	–	253,106,873 <i>(note a)</i>
Mr. James Lee Yuen Kui	Director	5,940	–	252,102,979 <i>(note b)</i>
Mr. Peter Lee Yuen Wong	Director	–	–	252,102,979 <i>(note b)</i>
Mr. Tommy Tam Hok Lam	Director	2,999,700	–	–
Dr. Alex Wu Shu Chih, C.B.E.,L.L.D., J.P.	Director	1,000,065	–	–
Dr. Samson Sun, M.B.E., J.P.	Director	–	4,988,968 <i>(note c)</i>	–
Mr. Edward Lee Yuen Cheor	Director	–	–	252,102,979 <i>(note b)</i>

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES (CONTINUED)

Notes:

- (a) The 253,106,873 shares are part of the property of a discretionary trust of which Mr. Jimmy Lee Yuen Ching and his family members are named beneficiaries.
- (b) The 252,102,979 shares are part of the property of a discretionary trust of which each of Messrs. James Lee Yuen Kui, Peter Lee Yuen Wong and Edward Lee Yuen Cheor are named beneficiaries.
- (c) The 4,988,968 shares are held by a company controlled by Dr. Samson Sun, M.B.E., J.P.

Saved as disclosed herein, no director or chief executive or any of their associates had any interest in the issued share capital of the Company or its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st March, 2001.

SERVICE CONTRACTS

No directors, including those who offer themselves for re-election at the forthcoming Annual General Meeting, has a service contract with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31st March, 2001, the Group's five largest suppliers accounted for approximately 75.31% of the Group's purchases of which 68.92% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 53.17% of the Group's turnover of which 13.12% was attributable to the largest customer.

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest suppliers and customers.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 36 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

LEE YUEN CHING JIMMY
CHAIRMAN

18th July, 2001