

The Directors have pleasure in presenting the annual report and the audited financial statements of the Group and the Company for the year ended 31st March, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's subsidiaries are set out in note 34 to the financial statements.

SEGMENTAL INFORMATION

The Group's turnover and contribution to operating profit for the year ended 31st March, 2001 by principal activities and geographical markets are as follows:

	Turnover HK\$'000	Contribution to operating profit HK\$'000
By principal activities		
Manufacturing and trading of timepieces	852,379	52,603
Corporate expenses		(5,773)
Interest income		3,435
Interest expenses		(12,660)
Finance lease charges		(401)
		37,204

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SEGMENTAL INFORMATION (Continued)

	Turnover HK\$'000	Contribution to operating profit HK\$'000
By geographical markets		
North America	504,608	32,331
Europe	207,980	11,564
Asia (including the PRC)	139,791	8,708
	852,379	52,603
Corporate expenses		(5,773)
Interest income		3,435
Interest expenses		(12,660)
Finance lease charges		(401)
		37,204

RESULTS

Details of the results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 23 and the accompanying notes to the financial statements.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

With a view to reserving adequate funds for the Group's business growth, the Directors have resolved not to recommend payment of dividend for the year ended 31st March, 2001.

The Register of Members of the Company will be closed from 28th August, 2001 to 31st August, 2001 (both days inclusive) for the purpose of establishing entitlement of shareholders to vote at the forthcoming Annual General Meeting to be held on 31st August, 2001.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

At 31st March, 2001, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$32,120,000. In addition, the Company's share premium, in the amount of HK\$43,255,000, may be distributed in the form of fully paid bonus shares.

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years and the assets and liabilities of the Group at the end of the last five financial years is set out on pages 59 and 60 of the Annual Report.

FIXED ASSETS

During the year, the Group spent approximately HK\$120.3 million on the acquisition of fixed assets.

Details of the movements in the Group's fixed assets during the year are set out in note 13 to the financial statements.

SUBSIDIARIES

Details of the principal subsidiaries of the Company are set out in note 34 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the changes in the issued share capital and share options of the Company during the year are set out in notes 20 and 21 to the financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BORROWINGS

Bank borrowings which are repayable within one year or on demand are classified as current liabilities. Particulars of the Group's bank borrowings and obligations under finance leases are set out in notes 23 and 24 to the financial statements respectively.

PENSION SCHEMES AND COSTS

Details of pension schemes and costs are set out in notes 26 and 6 to the accompanying financial statements respectively.

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DIRECTORS

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

Executive Directors

Mr. Chau Cham Wong, Patrick (*Chairman*)

Mr. Leung Yung (*Managing Director*)

Mr. Lee Ka Yue, Peter

Mr. Law Shik Chuen

Mr. Tsang Kwong Chiu, Kevin

Mr. Man Kwok Keung

Mr. Cheng Kwan Ling

Independent Non-Executive Directors

Sir Oswald Cheung, C.B.E., LL.D., D.Soc.Sc., J.P.

The Honorary Lau Wong Fat, G.B.S., J.P.

Mr. Wong Wing Hong, Benny

In accordance with article 87(1) and (2) of the Company's Bye-laws, Mr. Cheng Kwan Ling and The Honorary Lau Wong Fat retire and, being eligible, offer themselves for re-election.

The terms of office of Independent Non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

None of the Directors proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Group which is not terminable by the Group within one year without payment of compensation, other than normal statutory compensations.

DIRECTORS' INTERESTS IN SECURITIES

At 31st March, 2001, the interests of the Directors and their associates in the securities 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:

Directors	Number of Ordinary Shares		Number of Share Options
	Personal interests	Family interests	(Note)
Mr. Chau Cham Wong, Patrick	374,240,000	368,307	30,000,000
Mr. Leung Yung	–	–	30,000,000
Mr. Lee Ka Yue, Peter	–	–	10,000,000
Mr. Law Shik Chuen	–	–	10,000,000
Mr. Tsang Kwong Chiu, Kevin	–	–	30,000,000

Note: All these share options were granted on 8th October, 1999 and are exercisable at any time during the period from 8th April, 2000 to 7th April, 2003 at a price of HK\$0.10 per Share (subject to adjustment under the terms of the Scheme).

Save as disclosed above and other than certain nominee shares in subsidiaries of the Company held by the Directors in trust for the Company, at 31st March, 2001, none of the Directors, chief executives or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors and chief executives, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had interests of 10% or more in the share capital of the Company:

Name	Number of Shares	%
Glorious Concept Limited*	606,413,551	16.5
Mr. Chau Cham Wong, Patrick	374,608,307**	10.2

* Glorious Concept Limited is a company ultimately and wholly owned by EganaGoldpfeil.

** Identical to those disclosed above as Directors' Interests in Securities.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme (the "Scheme") which was adopted on 15th January, 1993, the details of which are described in note 21 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

On 8th October, 1999, share options under the Scheme to subscribe for 149,300,000 shares in the Company were granted to certain directors and eligible employees, which are exercisable from 8th April, 2000 to 7th April, 2003 at an exercisable price of HK\$0.10 per share (subject to adjustment under the terms of the Scheme).

During the year, none of the Directors nor the employees have exercised the options under the Scheme to subscribe for shares of the Company.

Share options for the subscription of a total of 149,300,000 shares remained outstanding as of 31st March, 2001 (2000: 162,800,000 shares).

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company nor 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.

CONNECTED TRANSACTIONS

EganaGoldpfeil is a substantial shareholder of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Trading transactions between the Group and EganaGoldpfeil and its subsidiaries constitute connected transactions under the Listing Rules.

In February 2000, a conditional waiver from strict compliance with the Listing Rules in respect of the trading transactions was granted by the Stock Exchange for the three financial years of the Company commencing from 1st April, 2000.

The details of the transactions made during the year were set out in note 4 to the financial statements according to the Listing Rules. The Independent Non-executive Directors and the Auditors have reviewed the connected transactions set out in note 4(a), and confirmed that those transactions were:

(1) (a) entered into in the ordinary and usual course of business of the Group;

(b) entered into on normal commercial terms; and

CONNECTED TRANSACTIONS (Continued)

(c) fair and reasonable so far as the shareholders of the Company are concerned.

(2) the annual aggregate value of sales to EganaGoldpfeil did not exceed 50% of the total sales of the Group for the financial year.

In the opinion of the Directors, the connected transactions set out in note 4(a) and (b) were conducted on normal commercial terms and in the ordinary and usual course of business of the Group.

Save as discussed above, there were no other transactions which needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2001, the five largest customers of the Group together accounted for not more than 70% of the Group's turnover for which the largest customer accounting for approximately 25%, and the five largest suppliers of the Group accounted for not more than 69% of the Group's purchases for which the largest supplier accounting for approximately 34% .

EganaGoldpfeil and its subsidiaries accounted for HK\$20,056,000 of the Group's turnover. EganaGoldpfeil is the single largest shareholder of the Company and in which Mr. Lee Ka Yue, Peter has an interest.

Save as disclosed above, none of the Directors, their associates nor any Shareholders who, to the knowledge of the Directors own more than 5% of the Company's share capital, had an interest in any of the five largest suppliers or customers.

PROPERTIES

Details of the properties of the Group at 31st March, 2001 are set out on pages 53 to 54 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st March, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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AUDIT COMMITTEE

Under the Listing Rules and with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants, the Company established an audit committee.

The existing members of the Audit Committee include the three Independent Non-Executive Directors of the Company. The principal missions of the Audit Committee are the review of the Group's internal control system and regular meetings with the Executive Directors and auditors to consider the nature and scope of the audit.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for the year ended 31st March, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that Independent Non-Executive Directors are not appointed for a specific term as they are subject to retirement by rotation at the Annual General Meeting of the Company in accordance with the Company's Bye-laws.

AUDITORS

The financial statements for the year ended 31st March, 2001 were audited by Messrs. Chu and Chu, Certified Public Accountants. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint them as auditors.

On behalf of the Board



Chau Cham Wong, Patrick
Chairman

Hong Kong
27th July, 2001