

The directors have pleasure in presenting to shareholders their annual report and the audited financial statements for the year ended 31st March, 2003.

**PRINCIPAL ACTIVITIES**

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

**RESULTS**

The results of the Group for the year ended 31st March, 2003 are set out in the consolidated income statement on page 16.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

**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 13 and 14 to the financial statements, respectively.

**MAJOR PROPERTIES**

Details of the major properties of the Group at 31st March, 2003 are set out on page 47.

**SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES**

Details of the Company's subsidiaries and the Group's jointly controlled entities at 31st March, 2003 are set out in notes 17 and 18 to the financial statements, respectively.

**SHARE CAPITAL**

Details of movements during the year in the share capital of the Company are set out in note 27 to the financial statements.

**RESERVES**

Details of movements during the year in the reserves of the Company are set out in note 28 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 27 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. Edward Lee Yuen Cheor  
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.\*

\* *Independent non-executive directors*

In accordance with the Bye-laws of the Company, Dr. Samson Sun, M.B.E., J.P. and Mr. Tommy Tam Hok Lam 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, 2003, 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	Shares of HK\$0.10 each		
		Personal interests	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. Edward Lee Yuen Cheor	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>	–

*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, 2003.

#### **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, 2003, the Group's five largest suppliers accounted for approximately 82.57% of the Group's purchases of which 76.45% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 56.89% of the Group's turnover of which 17.27% 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 or customers.

#### **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31st March, 2003 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.

#### **DONATIONS**

During the year, the Group made charitable donations amounting to HK\$11,000.

#### **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, 2003