FINANCIAL RESULTS

For the year ended 31 December 2003, the Group's turnover was approximately HK$90 million, representing a decrease of 20.2% as compared to HK$112.8 million in last year. Such decrease was mainly due to the cessation of computer business and the detrimental effect of the SARS to the watch business whereas the gradual recovery after SARS was not fully reflected on the year end date. The Group's loss attributable to shareholders was approximately HK$144,000 for the year, representing a decrease of 99% as compared with HK$25.5 million of last year and the loss per share for the year was HK$0.003 cents (2002: HK$0.740 cents). The decrease in loss attributable to shareholders for the year was mainly due to the stringent cost control on the production costs as well as the administrative and other operating expenses.

DIVIDENDS

The Board of Directors have resolved not to recommend any dividend for the financial year ended 31 December 2003 (2002: Nil).

BUSINESS REVIEW

The past financial year was a challenging year for the Group, given the turbulent situation in Middle East and the outbreak of SARS. The Group has been struggling to minimise the adverse impact on the business of the Group while focusing on the internal control and management, and streamlining the manufacturing process and operations to increase effectiveness and efficiency and lower the costs of production.

The global economy has indeed shown sign of recovery; Hong Kong's economic also rebound after the SARS, and the PRC economic is forecasted to continue to grow. To prepare for the revival of the economy and the upcoming new investments opportunities, a capital reorganisation ("Capital Reorganisation") was proposed and was subsequently completed on 7 April 2004.

The Capital Reorganisation changed the capital structure of the Company which allows flexibility to facilitate any future capital raising when circumstances arise. Moreover, in order to strengthen the Group's financial position for the upcoming opportunities, a subscription agreement was entered between Perfect View Development Limited ("Perfect View") and the Company on 24 December 2003 to subscribe 5,000,000,000 new shares of the Company ("Subscription") which was also completed on 13 April 2004.

BUSINESS REVIEW *(continued)*

Manufacturing and selling of watches and watches components

For the year ended 31 December 2003, the Group's income derived from the manufacturing and sale of watches and watch components was approximately HK$85.3 million, which was equivalent to 94.7% of the Group's total turnover, representing a decrease of 17.5% compared with the turnover of manufacturing and sale of watches and watch components of approximately HK$103.4 million for the last year. The profit made was approximately HK$3.3 million and a loss of HK$16 million was incurred in last year. The turnaround profit was mainly due to the stringent costs control in streamlining the production processes which lower the production costs and improve the margin, whilst sales and marketing related direct expenditures were also reduced.

Hong Kong, Middle East and South America are still the Group's primary markets, of which turnover of South America continue to grow, as a result of the extensive marketing effort, accounting for 44.6% of the Group's total turnover, and recorded a turnover of HK$40.1 million, representing an increase of 26.9% over the last year (2002: HK$31.6 million).

While Middle East sales was suffered from the turbulent situation, the sales of Hong Kong and the PRC region were also affected by the detrimental effect of the SARS. Turnover reduced by 55% from HK$35.6 million last year to HK$15.9 million this year. While the gradual recovery from SARS was yet to be reflected in the current financial year, the Board anticipate that the signing of the CEPA and the China accession to WTO will provide edge to the watch business in the PRC, and the Board believe business in the PRC will become more significant to the development of the Group. In view of that, further resources will be put into the development of the PRC market as well as exploration of new overseas markets.

Employees

As at 31 December 2003, the Group employed a total workforce of approximately 2,000 people (2002: 2,100) among which 30 people (2002: 30) were working in Hong Kong. The staff costs for the year amounted to approximately HK$25.6 million (2002: HK$29.2 million). The employees' remuneration, promotion and salary increment are assessed based on their work performance, working and professional experiences and the prevailing market practice.

Pledge of Assets

The Group's leasehold land and buildings in the PRC with a market value of approximately HK$21.5 million (2002: HK$20.1 million) were pledged to a bank for banking facilities granted to the Group amounted to approximately HK$12 million (2002: HK$12.2 million).

Contingent Liability

As at 31 December 2003, the Group had no material contingent liability.

BUSINESS REVIEW *(continued)*

Foreign exchange and interest rate exposure

As the Group's sales are mostly based on United States dollar ("USD"), having considered the exchange rate of USD is fairly stable, no foreign exchange and interest rate risk management or related hedges were made at present. Proper policy will be in place when the Board considers appropriate.

Litigations

On 22 May 2002, Synnex Canada Limited ("Synnex"), a supplier of 1024120 Ontario Limited ("Ontario"), a disposed subsidiary of the Company, has issued a writ against the Company for trade debt of CAD$466,472 (equivalent approximately to HK$2,320,000) due by Ontario. As stated in the statement of claim, the Company has given a cross-corporate guarantee on 16 August 2001 in favour of Synnex for facilities granted to Ontario and since Ontario had defaulted in repayment of its debt, the Company, being the guarantor of the said facilities, were demanded to pay and settle the said debt. However, the Company has never given such guarantee. The Company has taken legal action to clarify the case, and the Company was advised by its legal adviser and the Canada legal representative that evidentially the guarantee is fake and the guarantee documents are incomplete, therefore a motion of dismiss is proposed and yet to be submitted to the court to strike off the case. As such, except the legal costs for the defence, no provision on the alleged guarantee was made in the accounts.

LIQUIDITY AND CAPITAL RESOURCES

Borrowings

As at 31 December 2003, the Group had total borrowings amounted to approximately HK$12.3 million, as compared to approximately HK$15.1 million as at last financial year end, of which HK$0.2 million (2002: HK$0.4 million) represents obligations under finance leases and hire purchase contracts and the remaining balance of HK$12 million (2002: HK$12.2 million) represents a bank loan which is due on 16 May 2004 and secured by the Group's leasehold land and buildings. In last year, total borrowings also included other loan of HK$2.5 million which was fully repaid during the year. As at 31 December 2003, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' fund, was 89.8%, as compared with 818% in last financial year end. Following the completion of the Subscription on 13 April 2004, the gearing ratio of the Group was significantly improved which will be 19.6%, assume other things being status quo and adjusted by the subscription proceeds.

As at 31 December 2003, the Group recorded net current liabilities of approximately HK$9.4 million (2002: HK$8 million) and shareholders' funds of HK$13.7 million (2002: HK$1.8 million). The financial position of the Group has been strengthened and resumed to a healthier status by the Subscription, assume other things being status quo and adjusted by the subscription proceeds, the Group has a total assets of HK$ 112.3 million and a net current assets of HK$39.6 million.

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

Capital Investments and Commitments

The Group did not incur or commit any material investment or capital expenditure during the year and with the financial position strengthened by the Subscription, the Group could further develop its existing business and explore other markets, and capture investment opportunities with earnings potential when circumstances arise.

Capital Structure

As at 31 December 2003, the Group had total assets of approximately HK$63.3 million (2002: HK$54.5 million). Current assets were approximately HK$39.5 million (2002: HK$32 million), while current liabilities were approximately HK$48.9 million (2002: HK$40 million). Following the completion of the Subscription, assume other things being status quo and adjusted by the subscription proceeds, the total assets of the Group will be HK$112.3 million and current assets will be HK$88.5 million.

During the year under review, the Group placed 400,000,000 new shares of HK$0.01 each to 6 independent investors at the price of HK$0.01 per placing share on 8 April 2003, and placed 807,854,000 new shares of HK$0.01 each to more than 6 independent investors at the price of HK$0.01 per placing share on 23 June 2003. The net proceeds of approximately HK$11.8 million from the above 2 placements have been used for general working capital (approximately HK$5.2 million), repayment of loan (approximately HK$2.6 million) and investments in marketable securities (approximately HK$4 million).

Pursuant to the Capital Reorganisation completed on 7 April 2004, every three issued shares of the Company of HK$0.01 each be consolidated into one consolidated share with nominal value of HK$0.03 each, and the nominal value of all the issued consolidated shares be reduced from HK$0.03 each to HK$0.01 each by way of a reduction of capital ("Capital Reduction"), as such the issued share capital of the Company will be reduced from an amount of HK$48,471,329.42 to HK$16,157,109.8 upon completion of the Capital Reorganisation, and the credit balance of the contributed surplus account of HK$32,314,219.62 arising from the Capital Reduction will be applied to against the accumulated losses.

Immediately following the Capital Reorganisation, the Company has 1,615,710,980 new shares of HK$0.01 each in issue and upon the Completion of the Subscription, the Company has issued 5,000,000,000 new shares of HK$0.01 each to Perfect View, and Perfect View subsequently placed 543,700,000 shares to independent investors on 16 April 2004. As at the date of this report, the Company has total 6,615,710,980 shares of HK$0.01 in issue.

PROSPECTS

After the cessation of the computer business, the manufacturing and selling of watches and watches components becomes the major business and major revenue source to the Group. With the Capital Reorganisation and the Subscription, the Group's financial position is enhanced and the Group is well prepared to further develop its existing business and make investments with earning potentials and complementary to the business of the Group.

The watch business will remain as the Group's main business, and various feasibility studies will be conducted to find out the best ways to further improve or develop the watch business. A full review on the Group's organisation structure and operations will be conducted as well with a view to analyse the strengths and weaknesses of the Group to improve the competitiveness for future development.

The Board is confident that with the introduction of CEPA and the relaxed policy towards individual travelers from the PRC, the economy of Hong Kong has rebound after the SARS, and the growth momentum of China's economy has remained strong in 2003 for its accession to the WTO which may extend in the future. The Board will capitalise their management expertise and business connection to exploit potential investment opportunities, in particular, in the areas of manufacturing and distribution of consumer products, information technology, multi-media and property investments should such diversification of business help improve the earnings of the Group in the long run.

ACKNOWLEDGEMENTS

Last but not least, I would like to thank my fellow directors, dedicated employees, our supportive shareholders and our loyal customers and suppliers for their confidence and continued support in the Group.

CHEUNG Yu Shum, Jenkin
Chairman & Executive Director

Hong Kong, 28 April 2004