For the year ended 31 December 2003

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda on 10 April 1996 under the Companies Act 1981 of Bermuda. The Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 23 July 1996. The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 14 to the accounts.

2. IMPACT OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current year, the Group has adopted, for the first time, the revised Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the Hong Kong Society of Accountants ("HKSA") which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the profit and loss account liability method, i.e. a liability was recognised in respect of timing differences between the taxable profit and accounting profit to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profits with limited exceptions. In the absence of any specific transitional provisions in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Opening accumulated losses at 1 January 2003 have been reduced by HK$58,000, which is the cumulative effect of the change in policy on the results for periods prior to 2003. The effect of the change is an increased charge to income taxes in the current year of HK$5,000 (2002: HK$21,000).

3. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the HKSA. The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties and other investments. The principal accounting policies adopted are as follows:

Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power or holds more than half of the issued share capital, or controls the composition of the board of directors, or by way of having power to govern its financial and operating policies so that the Group obtains benefits from their activities.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Consolidation *(continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Sale proceeds of other investments are recognised on a trade date basis.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Fixed assets

Leasehold land, including land use rights in the People's Republic of China (the "PRC"), and buildings are stated at valuation. It is the Group's policy to review regularly the carrying value of leasehold land and buildings on an individual basis and adjustment is made where there has been a material change. If it is considered appropriate, independent professional valuations are obtained. Increases in valuation are credited to the revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited. Upon the disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to retained earnings.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Fixed assets *(continued)*

Amortisation of leasehold land, including land use rights in the PRC, is calculated to write off its valuation over the unexpired period of the lease on a straight-line basis. The principal annual rates used for this purpose are 2% to 2.5%.

Depreciation of leasehold buildings is calculated to write off their valuation on a straight-line basis over the unexpired period of the lease or their expected useful lives to the Group, whichever is shorter. The principal annual rates used for this purpose are 2.5% to 4%.

Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment. Depreciation of fixed assets is calculated to write off their cost on a straight-line basis over their estimated useful lives to the Group. The principal annual rates used for this purpose are as follows:–

Leasehold improvements	20%
Plant and machinery	20%
Furniture, fixtures and equipment	20% – 30%
Motor vehicles	30%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

Construction in progress

Construction in progress is stated at cost which mainly comprises direct costs of construction and is transferred to fixed assets when it is capable of producing saleable output on a commercial basis. The amount of any reduction to recoverable amount is charged to the profit and loss account.

Assets under leases

(i) *Finance leases*

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals. Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the profit and loss account in proportion to the capital balance outstanding.

Assets held under finance leases are depreciated over their estimated useful lives.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Assets under leases *(continued)*

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

Other investments

Other investments are measured at fair value with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Trade receivables

Provision is made against trade receivables to the extent that they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks less bank overdrafts.

Taxation

Income tax represents the sum of the current tax and deferred tax.

Current tax is the expected tax payable on the taxable profit for the year. Individual companies within the Group provide for profit tax on the basis of the company's profit for financial reporting purposes, adjusted for income and expenses items which are not assessable or deductible for profits tax purposes. The Group's liability for current tax is calculated using tax rate enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the accounts and the corresponding tax basis used in computation of taxable profit, and is accounted using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor the tax profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Translation of foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences arising from these cases are dealt with in the consolidated profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Translation of foreign currencies *(continued)*

On consolidation, the accounts of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the average rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserves.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the average exchange rates for the year.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Segment reporting

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the profit and loss account as incurred.

(iii) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the register of outstanding options and have no impact on the profit and loss account or balance sheet.

4. REVENUE AND TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the manufacturing and selling of watches and watch components, and investment in listed securities. Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sale of watches and watch components	**85,270**	103,380
Distribution of computer components	**–**	9,445
Proceeds from sale of listed equity securities	**4,752**	–
	90,022	112,825
Other revenues		
Interest income	**–**	172
Other income	**250**	111
	250	283
Total revenues	**90,272**	113,108

5. SEGMENTAL INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

(a) By business segment

For management purposes, the Group is currently organised into two divisions, namely manufacturing and selling of watches and watch components, and investment in listed securities.

For the year ended 31 December 2003

5. SEGMENTAL INFORMATION *(continued)*

(a) By business segment *(continued)*

The following tables represent revenue and profit/(loss) information on each of the above business segments for the years ended 31 December 2002 and 2003, and certain assets and liabilities information regarding business segments at 31 December 2002 and 2003.

	Manufacturing and selling of watches and watch components (continuing operation)		Investments in listed securities (continuing operation)		Distribution of computer components (discontinued operation)		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover								
External sales	**85,270**	103,380	**4,752**	–	**–**	9,445	**90,022**	112,825
Results								
Segment result	**3,312**	(16,041)	**1,583**	–	**–**	(447)	**4,895**	(16,488)
Interest income							**–**	172
Unallocated corporate expenses							**(3,717)**	(4,613)
Profit/(loss) from operations							**1,178**	(20,929)
Finance costs							**(1,038)**	(926)
Loss on disposal of subsidiaries	**–**	–	**–**	–	**–**	(3,596)	**–**	(3,596)
Profit/(loss) before taxation							**140**	(25,451)
Taxation							**(284)**	(47)
Loss for the year							**(144)**	(25,498)
Assets								
Segment assets	**51,956**	53,904	**7,909**	–	**–**	–	**59,865**	53,904
Unallocated corporate assets							**3,473**	617
							63,338	54,521
Liabilities								
Segment liabilities	**46,198**	45,643	**279**	–	**–**	–	**46,477**	45,643
Unallocated corporate liabilities							**3,138**	7,030
							49,615	52,673
Other information								
Capital expenditure	**701**	790	**–**	–	**–**	–		
Depreciation	**1,543**	3,225	**–**	–	**–**	–		
Non-cash (income)/ expenses other than depreciation	**(2,148)**	991	**(3)**	–	**–**	–		

5. SEGMENTAL INFORMATION *(continued)*

(b) Geographical segment information about these businesses is presented below:

The following in the analysis of the Group's sales by geographical market:

	Manufacturing and selling of watches and watch components (continuing operation)		Investment in listed securities (continuing operation)		Distribution of computer components (discontinued operation)		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Mainland China	**15,899**	35,650	**4,752**	–	**–**	3,282	**20,651**	38,932
Middle East	**16,292**	22,026	**–**	–	**–**	–	**16,292**	22,026
Canada	**–**	900	**–**	–	**–**	6,163	**–**	7,063
South America	**40,126**	31,667	**–**	–	**–**	–	**40,126**	31,667
North America	**6,228**	1,416	**–**	–	**–**	–	**6,228**	1,416
Europe	**5,534**	7,982	**–**	–	**–**	–	**5,534**	7,982
Other locations	**1,191**	3,739	**–**	–	**–**	–	**1,191**	3,739
	85,270	103,380	**4,752**	–	**–**	9,445	**90,022**	112,825

The following is an analysis of the carrying amount of segment assets by location of assets:

	Manufacturing and selling of watches and watch components (continuing operation)		Investment in listed securities (continuing operation)		Distribution of computer components (discontinued operation)		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Mainland China	**42,525**	43,539	**7,909**	–	**–**	–	**50,434**	43,539
Middle East	**6,148**	8,084	**–**	–	**–**	–	**6,148**	8,084
South America	**–**	542	**–**	–	**–**	–	**–**	542
North America	**1,332**	–	**–**	–	**–**	–	**1,332**	–
Europe	**1,379**	1,342	**–**	–	**–**	–	**1,379**	1,342
Other locations	**572**	397	**–**	–	**–**	–	**572**	397
Unallocated corporate							**3,473**	617
							63,338	54,521

5. SEGMENTAL INFORMATION *(continued)*

(b) Geographical segment information about these businesses is presented below: *(continued)*

The following is an analysis of the capital expenditures by location of assets:

	Manufacturing and selling of watches and watch components (continuing operation)		Investment in listed securities (continuing operation)		Distribution of computer components (discontinued operation)		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Mainland China	**701**	790	**–**	–	**–**	–	**701**	790

6. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging/(crediting) the following:

	2003	2002
	HK$'000	*HK$'000*
Cost of inventories sold	**81,600**	110,260
(Reversal)/provision for obsolete and slow moving inventories	**(7,930)**	9,097
Auditors' remuneration	**330**	330
Depreciation	**1,646**	3,363
Amortisation of goodwill	**–**	2,490
Staff costs (excluding directors' remuneration) – *note*		
– salaries, bonus, allowances and benefits in kind	**6,436**	8,560
– provision for long service payment	**1,837**	–
– retirement benefits scheme contributions	**219**	332
Operating lease rentals:		
Hire of office equipment	**19**	19
Land and buildings	**1,410**	1,619
Other operating gains/(expenses)		
Loss on disposal of fixed assets	**81**	97
Other loss	**–**	4,050
(Recovery of bad debt)/provision for bad debt	**(462)**	2,821
Other gains		
Reversal of provision for advances to a supplier	**–**	(12,387)
Revaluation (surplus)/deficits in respect of leasehold land and buildings	**(2,148)**	991
Unrealised gain on other investments	**(3)**	–
Waiver of accrued salaries due to directors *(note 12)*	**(105)**	(2,206)
Waiver of accrued salaries due to ex-directors *(note 12)*	**(206)**	(241)
Waiver of other payables	**(1,020)**	(1,377)

6. OPERATING PROFIT/(LOSS) *(continued)*

Note: Staff costs here are excluding directors' emoluments which are disclosed in note 12 below and direct labour costs of HK$16,451,000 (2002: HK$17,522,000) which are included in cost of inventories sold.

7. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest expense on bank loans and overdrafts	**930**	786
Other loan interest	**76**	119
Hire charges	**32**	21
	1,038	926

8. TAXATION

	2003	2002
	HK$'000	*HK$'000*
Current tax – Hong Kong profits tax		
– Under provision in previous years	**–**	26
– Provided for the year	**279**	–
	279	26
Deferred tax *(note 24)*		
– Current year	**10**	21
– Attributable to a change in tax rate in Hong Kong	**(5)**	–
	5	21
Tax charge for the year	**284**	47

(a) Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year.

No provision for overseas taxation has been made for the year as the subsidiaries operating in the PRC had no assessable income for PRC taxation purpose.

8. TAXATION *(continued)*

(b) The charge for the year can be reconciled to the profit/(loss) per the consolidated profit and loss account as follow:

	2003	2002
	HK$'000	*HK$'000*
Profit/(loss) before tax	**140**	(25,451)
Tax at the domestic income tax rate of 17.5% (2002: 16%)	**25**	(4,072)
Tax effect of expenses that are not deductible in determining taxable profit	**984**	5,301
Tax effect of income that are not taxable in determining taxable profit	**(317)**	(5,168)
Tax effect of offshore income/expenses not taxable/ (deductible) in determining taxable profit	**(126)**	1,607
Utilisation of tax losses previously not recognised	**(844)**	(8)
Increase in opening deferred tax liability resulting from an increase in Hong Kong profits tax rate	**(5)**	–
Deferred tax assets not recognised	**567**	2,361
Underprovision in previous years	**–**	26
	284	47

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK$2,407,000 (2002: HK$1,590,000).

10. DIVIDENDS

No dividends had been paid or declared by the Company during the year (2002: Nil).

11. LOSS PER SHARE

(a) The calculation of basic loss per share is based on the loss attributable to shareholders of HK$144,000 (2002: HK$25,498,000, restated for the effect of adopting SSAP 12 (Revised)) and the weighted average of 4,357,930,909 (2002: 3,445,046,453) ordinary shares in issue.

(b) Diluted loss per share for both year has not been presented as the effect of any dilution is anti-dilutive.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:–

	2003	2002
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**–**	77
	–	77
Other emoluments of executive directors:		
Salaries and allowances	**646**	2,663
Retirement scheme contributions	**7**	63
	653	2,726
	653	2,803

During the year, four executive directors waived their salaries for the period from 1 January 2003 to 15 March 2003 to the total amount of approximately HK$311,000. The amounts have been included in the above disclosure. During the year ended 31 December 2002, four executive directors waived the accrued salaries in an aggregate amount of HK$2,206,000 for the two years ended 31 December 2002. Apart from this, no directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2002 and 2003.

The emoluments of each of the directors were less than HK$1,000,000 for both years.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) The five highest paid individuals during the year included nil (2002: four) directors, details of whose emoluments are set out in note 12 (a) above. The remaining individuals whose emolument fell within the band of nil to HK$1,000,000, is as follows:–

	2003	2002
	HK$'000	*HK$'000*
Salaries and allowances	**1,650**	488
Retirement scheme contributions	**52**	12
	1,702	500

No emoluments were paid or payable to the directors or senior management as an inducement to join the Group or as compensation for loss of office during the years ended 31 December 2002 and 2003.

13. FIXED ASSETS
Group

	Leasehold land and buildings outside Hong Kong held under medium term leases *HK$'000*	Construction in progress *HK$'000* *(note d)*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation							
Brought forward	20,148	–	6,473	39,430	9,079	2,066	77,196
Additions, at cost	–	–	–	199	502	–	701
Adjustment on revaluation	1,387	–	–	–	–	–	1,387
Disposal/write off	–	–	–	–	(568)	–	(568)
Carried forward	21,535	–	6,473	39,629	9,013	2,066	78,716
Aggregate depreciation							
Brought forward	–	–	6,393	38,384	8,430	2,066	55,273
Charge for the year	761	–	20	519	346	–	1,646
Adjustment on revaluation	(761)	–	–	–	–	–	(761)
Eliminated on disposal	–	–	–	–	(487)	–	(487)
Carried forward	–	–	6,413	38,903	8,289	2,066	55,671
Net book value							
At 31 December 2003	**21,535**	**–**	**60**	**726**	**724**	**–**	**23,045**
At 31 December 2002	20,148	–	80	1,046	649	–	21,923

The analysis of the cost or valuation of the above assets at 31 December 2003 is as follows:

At cost	–	–	6,473	39,629	9,013	2,066	57,181
At 2003 valuation	21,535	–	–	–	–	–	21,535
	21,535	–	6,473	39,629	9,013	2,066	78,716

The analysis of the cost or valuation of the above assets at 31 December 2002 is as follows:

At cost	–	–	6,473	39,430	9,079	2,066	57,048
At 2002 valuation	20,148	–	–	–	–	–	20,148
	20,148	–	6,473	39,430	9,079	2,066	77,196

13. FIXED ASSETS *(continued)*

(a) The Group's leasehold land and buildings including land use rights and buildings in the PRC, were revalued by AA Property Services Limited, an independent professional valuer, on an open market value basis as at 31 December 2003.

(b) The carrying amount of leasehold land and buildings as at 31 December 2003 would have been HK$22,096,000 (2002: HK$22,857,000) had they been stated at cost less accumulated depreciation.

(c) As at 31 December 2003, the net book value of plant and machinery held by the Group under finance leases amounted to nil (2002: nil).

(d) Construction in progress ("CIP") represents the cost of construction in respect of the Group's new production facility in the PRC where construction has yet to be completed to its original intended use. Up to 31 December 2003, the Group has incurred an aggregate construction cost of HK$9,043,000. The directors are of the view that, as a result of the Group's current limited cash flows, the Group may not have the necessary cash resources available to complete the construction of this new production facility to its original intended use. In view of these circumstances, the directors have made full provision in respect of the aggregate construction costs of HK$9,043,000 during the four years ended 31 December 2000.

The CIP is currently temporarily used by the Group as warehouse. As at 31 December 2003, the open market value of the CIP, as revalued by AA Property Services Limited, an independent professional valuer, amounted to HK$7,965,000 (2002: HK$7,452,000). In the opinion of the directors, as the relevant Real Estate Title Certificate has not been obtained, no reversal of provision has been made in the accounts.

(e) The leasehold land and building were pledged to the bank for banking facilities granted to the Group (note 23).

13. FIXED ASSETS *(continued)*

Company

	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
Cost			
Brought forward	319	241	560
Disposal/write off	(319)	(241)	(560)
Carried forward	–	–	–
Aggregate depreciation			
Brought forward	177	202	379
Charge for the year	64	39	103
Eliminated on disposal	(241)	(241)	(482)
Carried forward	–	–	–
Net book value			
At 31 December 2003	**–**	**–**	**–**
At 31 December 2002	142	39	181

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003 *HK$'000*	2002 *HK$'000*
Investments at cost – unlisted shares *(note a)*	**69,532**	69,532
Amounts due from subsidiaries *(note b)*	**262,366**	260,768
Less: provision	**(325,573)**	(325,444)
	6,325	4,856

14. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) The table below listed the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year and formed a substantial portion of net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At 31 December 2003, the Company held shares in the following principal subsidiaries: –

Name of company	Place of incorporation/ establishment	Paid up registered/ issued share capital	Percentage of equity held by the Company	Principal activities
Shares held directly:–				
Million-Well Enterprises Corp.#	British Virgin Islands	US$130,000	100%	Investment holding
Lifecycle Investments Limited#	British Virgin Islands	US$1	100%	Investment holding
Ever Dynasty Limited#	British Virgin Islands	US$1	100%	Investments in listed securities
Whole Win Limited#	British Virgin Islands	US$1	100%	Inactive
Shares held indirectly:–				
Medtech (H.K.) Company Limited	Hong Kong	HK$2	100%	Investment holding
City Check Limited *	British Virgin Islands	US$10,000	100%	Manufacturing of watches and watch components
Dongguan Queshi Watch Co. Ltd.	The People's Republic of China	HK$15,400,000	100%	Manufacturing of watch components and property holding
Easy Rich Watch Dial Factory Limited	Hong Kong	HK$10,000	100%	Trading of watch dials
Funwell Industrial Company Limited	Hong Kong	HK$10,000	100%	Trading of leather watch straps

14. INVESTMENTS IN SUBSIDIARIES *(continued)*

(a) *(continued)*

Name of company	Place of incorporation/ establishment	Paid up registered/ issued share capital	Percentage of equity held by the Company	Principal activities
Shares held indirectly:– (continued)				
Hangfer Company Limited	Hong Kong	HK$10,000	100%	Trading of watch cases
Silver Crystal Manufacturing Company Limited	Hong Kong	HK$10,000	100%	Trading of watch glasses
Stime Watch Manufacturing Limited #	British Virgin Islands	US$50,000	100%	Trading of watches and watch components and property holding
Stime Watch Manufacturing Company Limited	Hong Kong	HK$10,000	100%	Trading of watches
Vanfer Electroplating Factory Limited	Hong Kong	HK$10,000	100%	Electroplating of watch components
Wing Fat Watch Band Factory Limited	Hong Kong	HK$10,000	100%	Trading of metal watch bands

\# *Companies operate principally in Hong Kong instead of in their respective places of incorporation/ establishment.*

* *Companies operate principally in the People's Republic of China instead of in their respective places of incorporation/establishment.*

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. INVENTORIES

	2003	2002
	HK$'000	*HK$'000*
Raw material	**3,489**	5,454
Work in progress	**6,344**	4,672
Finished goods	**2,504**	366
	12,337	10,492

At 31 December 2003, the inventories that were carried at net realisable value amounted to HK$12,337,000 (2002: HK$10,492,000).

16. TRADE RECEIVABLES

The Group generally grants a credit period of 30 to 180 days to its trade customers. The following is an aging analysis of trade receivables at the balance sheet date:

	2003	2002
	HK$'000	*HK$'000*
0 – 3 months	**9,490**	12,950
4 – 6 months	**2,839**	1,339
7 – 12 months	**–**	28
Over 1 year	**264**	5
	12,593	14,322

17. OTHER INVESTMENTS

	2003	2002
	HK$'000	*HK$'000*
Listed equity investment, at fair value	**7,909**	–
At market value	**7,909**	–

18. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are Reminbi cash and bank deposits in the People's Republic of China of approximately HK$11,000 (2002: HK$122,000).

19. TRADE PAYABLES

The following is an aging analysis of trade payables at the balance sheet date:

	2003	2002
	HK$'000	*HK$'000*
0 – 3 months	**8,068**	9,770
4 – 6 months	**2,221**	1,909
7 – 12 months	**1,476**	2,833
Over 12 months	**3,258**	2,903
	15,023	17,415

20. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

21. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The amount is unsecured, interest-free and has no fixed term of repayment.

22. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		**Present value of minimum lease payment**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount payable:				
Amount due within one year, included under current liabilities	**207**	207	**448**	448

23. BANK LOAN – SECURED

The bank loan is due on 16 May 2004 and is secured by leasehold land and buildings of the Group.

24. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movement thereon during the current and prior reporting periods.

	Accelerated tax depreciation	**Other assets**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002				
– as previously reported	–	–	–	–
– adjustment on adoption of SSAP 12 (revised)	(505)	56	528	79
– as restated	(505)	56	528	79
Charge to consolidated profit and loss account	(16)	–	(5)	(21)
At 31 December 2002 and 1 January 2003	(521)	56	523	58
Effect of change in tax rate	(49)	5	49	5
(Charge)/credit to consolidated profit and loss account	(187)	(23)	200	(10)
At 31 December 2003	**(757)**	**38**	**772**	**53**

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	2003	2002
	HK$'000	*HK$'000*
Deferred tax liabilities	**(757)**	(521)
Deferred tax assets	**810**	579
	53	58

At 31 December 2003, the Group has unused tax losses of HK$8,167,000 (2002: HK$3,724,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$772,000 (2002: HK$523,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$7,395,000 (2002: HK$3,201,000) due to the unpredictability of future profit streams.

24. DEFERRED TAXATION *(continued)*

As at 31 December 2003 and 2002, the Company had no material unprovided deferred tax assets/liabilities.

25. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2002 and 2003	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2002	3,345,930,726	33,459
Issue of shares	293,348,216	2,934
At 31 December 2002 and 1 January 2003	3,639,278,942	36,393
Issue of shares	1,207,854,000	12,078
At 31 December 2003	**4,847,132,942**	**48,471**

Notes:

(i) On 25 March 2003, the Company entered into a placing agreement with Kingston Securities Limited ("KSL"), a placing agent, for placing up to a total of 400,000,000 new ordinary shares at a price of HK$0.01 per share to independent investors. The placing price represented (i) the closing price of HK$0.01 per share as quoted on the Stock Exchange on 25 March 2003; and (ii) the average of the closing price per share of HK$0.01 as quoted on the Stock Exchange for the ten trading days ended 25 March 2003. The placing was completed on 8 April 2003. The net proceeds of the placing of approximately HK$3.9 million were used as the Group's general working capital for operating activities.

(ii) On 9 June 2003, the Company entered into another placing agreement with KSL, for placing up to a total of 807,854,000 new ordinary shares at a price of HK$0.01 per share to independent investors. The placing price represented (i) the closing price of HK$0.01 per share as quoted on the Stock Exchange on 9 June 2003; and (ii) the average of the closing price per share of HK$0.01 as quoted on the Stock Exchange for the ten trading days ended 9 June 2003. The placing was completed on 23 June 2003. The net proceeds from the placing of approximately HK$7.9 million were used as the Group's general working capital for operating activities.

26. EMPLOYEE BENEFIT

The Group operates a Mandatory Provident Fund scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administrated by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

Under a share option scheme approved by the shareholders of the Company on 4 July 1996 (the "Scheme"), the directors of the Company may, at their discretion, invite any employee and any executive director of the Company or its subsidiaries, to take up options at HK$1 per option to subscribe for shares in the Company. The primary purpose of the Scheme was designed to provide incentives to directors and eligible employees.

The total number of the shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option as may be determined by the directors of the Company which shall not exceed three years commencing on the expiry of six months after the date of the option is accepted and expiring on the last day of such three year period or 3 July 2006 whichever is the earlier. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Details of options outstanding as at 31 December 2003 are as follows:

	Number of share options
As at 1 January 2003	150,000,000
Lapsed during the year	(150,000,000)
As at 31 December 2003	**–**

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 22 of the accounts.

Company	Share premium account	Contributed surplus *(note a)*	Accumu-lated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	179,543	69,332	(285,201)	(36,326)
Issue of shares	233	–	–	233
Share issuing expenses	(59)	–	–	(59)
Loss for the year	–	–	(1,590)	(1,590)
At 31 December 2002 and 1 January 2003	179,717	69,332	(286,791)	(37,742)
Share issuing expenses	(154)	–	–	(154)
Loss for the year	–	–	(2,407)	(2,407)
At 31 December 2003	**179,563**	**69,332**	**(289,198)**	**(40,303)**

(a) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued and the value of net assets of the underlying subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), a Company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) 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 account. At Group level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

(b) The Company had no reserve available for distribution as at 31 December 2003 and 2002.

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit/(loss) before taxation to cash flow from/(used in) operating activities is set out below:

	2003	2002
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**140**	(25,451)
Adjustments for:		
(Reversal of)/provision for obsolete and slow-moving inventories	**(7,930)**	9,097
Revaluation (surplus)/deficits in respect of leasehold land and buildings	**(2,148)**	991
Unrealised gain on other investments	**(3)**	–
Waiver of accrued salaries due to directors	**(105)**	(2,206)
Waiver of accrued salaries due to ex-directors	**(206)**	(241)
Waiver of other payables	**(1,020)**	(1,377)
Depreciation of fixed assets	**1,646**	3,363
Amortisation of goodwill	**–**	2,490
Loss on disposal of subsidiaries	**–**	3,596
Loss on disposal of fixed assets	**81**	97
Operating loss before working capital changes	**(9,545)**	(9,641)
Decrease in inventories	**6,085**	8,682
Decrease/(increase) in trade receivable, prepayments, deposits and other receivables	**4,604**	(5,979)
Decrease in trade payables, other payables and accruals, including amounts due to directors and a substantial shareholder	**1,604**	(4,045)
Cash from/(used in) operations	**2,748**	(10,983)
Hong Kong profits tax paid	**(986)**	(790)
Overseas tax paid	**–**	(26)
Hong Kong profits tax refund	**–**	28
Overseas tax refund	**–**	84
Net cash from/(used in) operating activities	**1,762**	(11,687)

29. POST BALANCE SHEET EVENT

On 9 January 2004, the Company proposed to effect a capital reorganisation (the "Capital Reorganisation"). On 6 April 2003, the Capital Reorganisation was approved in a special general meeting by the Company's shareholders. The Capital Reorganisation involves the following:

(i) the share consolidation (the "Share Consolidation) pursuant to which every three issued shares will be consolidated into one consolidated share ("Consolidated Share"); and

(ii) the capital reduction (the "Capital Reduction") under which 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 pursuant to Section 46 of the Companies Act 1981 of Bermuda so that the issued share capital of the Company will be reduced from an amount of HK$48,471,329.42 to HK$16,157,109.80 upon completion of the Share Consolidation and the Capital Reduction. The credit of approximately HK$32 million that arise as a result of the Capital Reorganisation will be credited to contributed surplus account of the Company and set off part of the consolidated accumulated loss of the Company as at 31 December 2003.

On 24 December 2003, the Company entered into a conditional subscription agreement with Perfect View Development Limited (the "Subscriber") for the subscription of shares of the Company. Pursuant to the subscription agreement, the subscriber will subscribe for the 5,000,000,000 New Shares (being ordinary shares of HK$0.01 each in the capital of the Company after the Capital Reorganisation) at an issue price of HK$0.01 per New Share upon the completion of the Capital Reorganisation (the "Subscription Shares"). The issue price of each Subscription Share of HK$0.01 (equivalent to approximately HK$0.0033 per old share) represents a discount of approximately 72.5% to the closing price of HK$0.012 per share as quoted on the Stock Exchange on 23 December 2003, being the last trading day in the shares on the Stock Exchange prior to the publication of the capital reorganisation announcement. The net proceeds of approximately HK$49 million will be used as general working capital of the Group or for making future investments should there be appropriate investment opportunity identified by the Group. The subscription of shares was completed on 13 April 2004.

30. COMMITMENTS UNDER OPERATING LEASES

At the balance sheet date, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office equipment, falling due as follows:

	2003	2002
	HK$'000	*HK$'000*
Within one year	**2**	19
In the second to fifth years inclusive	**–**	2
	2	21

31. LITIGATION

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, according to the directors, the Company has never given any 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 which is estimated to be approximately HK$700,000, no provision on the alleged guarantee was made in the accounts.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 28 April 2004.