

The directors have pleasure in presenting to shareholders their annual report and the audited financial statements for the year ended 31st March, 2004.

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 and trading of securities.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st March, 2004 are set out in the consolidated income statement on page 13.

The directors now recommend the payment of a dividend of HK0.5 cent per share to the shareholders of the Company whose names appear on the register of members on 20th August, 2004, amounting to approximately HK\$5,524,000.

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 11 and 12 to the financial statements, respectively.

MAJOR PROPERTIES

Details of the major properties of the Group at 31st March, 2004 are set out on page 44.

SUBSIDIARIES, ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

Details of the Company's subsidiaries, associate, and jointly controlled entities at 31st March, 2004 are set out in notes 15, 16 and 17 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 26 to the financial statements.

RESERVES

Details of movements during the year in the reserves of the Company are set out in note 27 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 26 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*

DIRECTORS (CONTINUED)

In accordance with the Bye-laws of the Company, Mr. James Lee Yuen Kui and Mr. 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 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.

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' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31st March, 2004, the interests of the directors, chief executives and their associates in the shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies, were as follows:

Name of director or chief executive	Capacity	Shares of HK\$0.10 each				Percentage of the issued share capital of the Company
		Personal interests	Corporate interests	Other interests	Total interests	
Mr. Jimmy Lee Yuen Ching	Chairman and Managing Director	–	–	253,106,873 <i>(note a)</i>	253,106,873	22.475%
Mr. James Lee Yuen Kui	Director	5,940	–	252,102,979 <i>(note b)</i>	252,108,919	22.386%
Mr. Peter Lee Yuen Wong	Director	–	–	252,102,979 <i>(note b)</i>	252,102,979	22.386%
Mr. Edward Lee Yuen Cheor	Director	–	–	252,102,979 <i>(note b)</i>	252,102,979	22.386%
Mr. Tommy Tam Hok Lam	Director	2,999,700	–	–	2,999,700	0.266%
Dr. Alex Wu Shu Chih, C.B.E.,L.L.D., J.P.	Director	1,000,065	–	–	1,000,065	0.089%
Dr. Samson Sun, M.B.E., J.P.	Director	–	4,988,968 <i>(note c)</i>	–	4,988,968	0.443%

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 above, at 31st March, 2004, none of the director or chief executive or any of their associates had any interests, or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

SUBSTANTIAL SHAREHOLDERS

Other than the interests of certain directors disclosed under the heading "Directors' Interests in Shares, Underlying Shares and Debentures" above, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no other person as having a notifiable interest or short position in the issued share capital of the Company as at 31st March, 2004.

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, 2004, the Group's five largest suppliers accounted for approximately 80.47% of the Group's purchases of which 75.87% was attributable to the largest supplier. The Group's five largest customers accounted for approximately 66.20% of the Group's turnover of which 16.23% 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, 2004 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\$23,000.

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

9th July, 2004