

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st March, 2001.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is the holding company for a group which is principally engaged in the design, manufacture, assembly and sale of watches and watch components.

A review of the business during the year and likely future developments is included in the Chairman's Statement.

RESULTS

The results of the Group for the year ended 31st March, 2001 are set out in the consolidated income statement on page 18. Turnover for the year amounted to HK\$240,358,000 (2000: HK\$238,112,000) and the loss for the year was HK\$31,491,000 (2000: HK\$6,925,000).

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for 48% of the Group's turnover and the largest customer accounted for 11% of the Group's turnover.

During the year, the five largest suppliers of the Group accounted for 33% of the Group's purchases and the largest supplier accounted for 10% of the Group's purchases.

At 31st March, 2001, TMX Ltd., a shareholder holding more than 5% of the Company's share capital, is one of the Group's five largest customers and is an affiliated company of one of the Group's five largest suppliers. All transactions between the Group and the supplier and customer concerned were carried out on normal commercial terms.

Save as disclosed above, at no time during the year did the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) have any interest in the five largest customers or suppliers of the Group.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 52.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired at a cost of approximately HK\$6,770,000 mainly to provide for the expansion and development of TimeZone shops in the People's Republic of China. Details of these and other changes in property, plant and equipment during the year are set out in note 13 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations totalling HK\$78,000, none of which were political donations.

SHARE CAPITAL AND SHARE OPTIONS

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

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

DIRECTORS

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

Executive directors:

Leung Wai Ho
Tsang Pui Sing, Aloysius
Leong Weng Kin
Jor Suet Ming (resigned on 25th November, 2000)

Non-executive director:

Garnet Harrison

Independent non-executive directors:

Wai Chi Kin, Franklin
Peter Francis

In accordance with Bye-laws 87 and 88 of the Company's Bye-Laws, Mr. Wai Chi Kin, Franklin shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

All the executive directors entered into service contracts with the Company for an initial term of two years starting from 1st October, 1998 and continuing thereafter until terminated by either party.

Each non-executive director serves as such until his retirement by rotation or otherwise in accordance with the Company's Bye-Laws and subject to eligibility may then be re-elected.

Directors' Report (Cont'd)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

(i) Shares

As at 31st March, 2001 and 2000, the interests of the directors, chief executive and their associates in the share capital of the Company and its associated corporations, within the meaning of Section 346 of the United Kingdom Companies Act 1985 (as amended) and the Hong Kong Securities (Disclosure of Interests) Ordinance ("Hong Kong SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of director	Number of Ordinary Shares							
	Personal interests		Family interests		Corporate interests		Other interests	
	2001	2000	2001	2000	2001	2000	2001	2000
Leung Wai Ho	2,619,441	2,619,441	1,759,258 (Note 1)	1,759,258 (Note 1)	–	–	49,493,631 (Note 2)	49,493,631 (Note 2)
Tsang Pui Sing, Aloysius	–	–	–	–	–	–	5,485,272 (Note 3)	5,485,272 (Note 3)
Leong Weng Kin	902,179	902,179	–	–	–	–	–	–
Jor Suet Ming*	1,102,179	1,102,179	–	–	–	–	–	–
Garnet Harrison	–	–	–	–	5,185,429 (Note 4)	5,185,429 (Note 4)	354,166 (Note 5)	354,166 (Note 5)

* Jor Suet Ming resigned as director on 25th November, 2000.

Notes:

- (1) These shares were held by Chan Yuen Yee who is the wife of Leung Wai Ho.
- (2) These shares were held by Surplus Management Limited, a family trust, the beneficiaries of which include Leung Wai Ho, Chan Yuen Yee, and their children, Leung Wing Yan, Leung Wing Chiu and Leung Ka Wai.
- (3) These shares were held by Best Award Inc., a family trust, the beneficiaries of which include Tsang Pui Sing, Aloysius, Cheung Lai Chuen, Maria, the wife of Tsang Pui Sing, Aloysius and their child, Tsang Sze Ting, Natalie.
- (4) These shares were held by Harbour Capital Group ("Harbour") in which Garnet Harrison has a beneficial interest.
- (5) These shares were held by Strand Nominees Limited, a family trust, the beneficiaries of which include Garnet Harrison, Elizabeth Harrison, the wife of Garnet Harrison, and their children, Sarah Harrison, Victoria Harrison and Garnet Harrison Junior.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES (Cont'd)

(ii) Options

The Company has a share option scheme under which the directors may, at their discretion, grant options to employees, including executive directors, of the Company or its subsidiaries to subscribe for shares in the Company.

The directors had personal interests in share options to subscribe for shares in the Company which were granted under the Company's share option scheme as follows:

Name of director	Date of grant	Exercise price	Number of share options outstanding as at 31.3.2001
Tsang Pui Sing, Aloysius	9th December, 1999	0.285	1,200,000
	3rd March, 2000	0.820	1,000,000
Leong Weng Kin	9th December, 1999	0.285	1,100,000
	3rd March, 2000	0.820	1,000,000

No share options were granted or exercised during the year.

Details of the share option scheme are set out in note 21 to the financial statements.

(iii) Convertible loan stock

As at 31st March, 2001, Harbour held 305,643 (2000: 305,643) stock units of 9.5% convertible unsecured loan stock 2008 at £1 per stock unit. Garnet Harrison has a beneficial interest in Harbour as set out above.

Save as disclosed above, none of the directors or their associates had any interest in any securities of the Company or any of its associated corporations as defined in the Hong Kong SDI Ordinance.

There have been no changes in the directors' interests between 31st March, 2001 and 27th July, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Company's share option scheme, details of which are set out 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 enabling the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, held any rights to subscribe for securities of the Company, or had exercised any such rights.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, Mr. Leung Wai Ho provided an unlimited personal guarantee and a guarantee to the extent of HK\$3,500,000, without charge, to two banks in respect of banking facilities granted to the Group.

Other than as disclosed above, no contracts of significance to which the Company or any of its subsidiaries, its holding company or fellow 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.

SUBSTANTIAL INTERESTS

Other than the interests disclosed above in respect of certain directors, the Company was also aware of the following direct or indirect interests representing 3 per cent. or more of the Company's issued share capital as at 31st March, 2001:

	No. of shares	Percentage of issued share capital
TMX Ltd.	5,823,333	4.4%

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.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2001 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 except that the non-executive directors were not appointed for a specific term but are subject to retirement by rotation at each annual general meeting of the Company in accordance with the Company's Bye-Laws. The Audit Committee comprised of Messrs. Garnet Harrison and Wai Chi Kin, Franklin with written terms of reference prepared in accordance with the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants in December 1997. On 26th May, 2000, Wai Chi Kin, Franklin resigned as a member of the Audit Committee and Peter Francis was appointed in his place.

As the Company is not incorporated in the United Kingdom, it has availed itself of the exemption from the requirements of the UK Listing Authority to make corporate governance disclosures and for an auditors' review thereof.

AUDITORS

The financial statements have been audited by Messrs. Deloitte Touche Tohmatsu who have been the Company's auditors since its incorporation.

On behalf of the Board

Leung Wai Ho

Chairman

27th July, 2001