



Oriental Watch Holdings Limited

(Incorporated in Bermuda with limited liability)



ANNUAL REPORT

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BOARD OF DIRECTORS

Mr. Yeung Ming Biu (*Chairman*)
Mr. Yeung Him Kit, Dennis (*Managing Director*)
Mr. Chan Che Kwong, William (*Senior Director*)
Mr. Fung Kwong Yiu (*Executive Director*)
Madam. Yeung Man Yee, Shirley (*Executive Director*)
Mr. Lam Hing Lun, Alain (*Executive Director*)
Mr. Choi Kwok Yum (*Executive Director*)
Dr. Sun Ping Hsu, Samson (*Non-executive Director*)
Dr. Li Sau Hung, Eddy (*Non-executive Director*)

COMPANY SECRETARY

Mr. Lam Hing Lun, Alain

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of America (Asia) Limited
The Bank of East Asia, Limited
DBS Bank (Hong Kong), Limited
Wing Hang Bank Limited

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

**HONG KONG BRANCH
SHARE REGISTRARS**

Secretaries Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

HONG KONG LEGAL ADVISER

Jennifer Cheung & Co

BERMUDA LEGAL ADVISER

Conyers, Dill & Pearman

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Room 312-8
China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

NOTICE IS HEREBY GIVEN that the annual general meeting of the Oriental Watch Holdings Limited (the "Company") will be held at Chater Room, Basement I, The Ritz-Carlton, 3 Connaught Road Central, Hong Kong on 28 August 2003 at 3:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 March 2003.
2. To declare a final dividend of 3.5 Hong Kong cents per share for the year ended 31 March 2003.
3. To elect directors and to authorize the board of directors to fix their remuneration.
4. To appoint auditors and to authorize the board of directors to fix their remuneration.

By order of the Board

Lam Hing Lun, Alain

Company Secretary

Hong Kong, 9 July 2003

Principal Office:

Room 312-8

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company
- (2) In order to be valid, the form of proxy must be deposited at the Company's principal office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

Final Results

For the year ended 31 March 2003, the Group recorded a consolidated turnover of HK\$1,902 million (2002: HK\$1,714 million) representing an increase of approximately 11.0%, and the profit attributable to shareholders of HK\$65.5 million decreased by 17.3% (2002: HK\$79.2 million) compared to the same period of last year. Basic earnings per share for the year was 23.8 Hong Kong cents (2002: 28.8 Hong Kong cents), representing a decline of 17.4% over last year.

Final Dividend

The directors are pleased to propose a final dividend of 3.5 Hong Kong cents per share (2002: 4.5 Hong Kong cents) for the year ended 31 March 2003 to members, whose names appear on the Register of members on 28 August 2003. The dividend will be paid on or before 18 September 2003.

Business Review and Prospects

During the period, both the economic and political situation in Hong Kong has been very tough. As indicated by the Census and Statistic Department, total retail sales in Hong Kong has dropped 4.1%. The overall purchasing power and purchasing will of the Hong Kong population is still repressive. However, Mainland Chinese tourist-related business had increased for the past couple of years and is still growing. The Group had long looked into this opportunity and has been promoting our shops to the Mainland Chinese tourists through different medias. The results are quite satisfactory, thus we will further increase our exposure towards this targeted group. Other than strengthening the local market, the Group is also working on ways to expand our customer base. All these efforts have been reflected from the increase of the Group's turnover in this financial period under review. Although this year our net profit had decreased due to strong competition in the current difficult economy, the management believes that our growth in market share will put us in a strong position once the slackened economy starts to grow.

Business development in China has been encouraging, turnover and profits have recorded steady growth. As the economic, operational and political environment of China become more in favour of business development, the management strongly believes that putting more emphasis in the PRC business will further enhance its contribution to our future profits. Thus the Group is now actively looking for good locations in the major cities of Mainland China for opening retail stores. Establishing a retail network in the major cities of the PRC is the short to mid-term target of the Group. To have a definite presence in the PRC retail market will be our long-term goal. Along with the growth of China's economy, these investments will eventually bear fruitful results. Moreover, the recent signing of the Closer Economic Partnership Arrangement (the "CEPA") between the Central Government of the PRC and the HKSAR Government may offer some new opportunities for developing retail business in the PRC. The management will actively pursue this prospect.

The coming year will yet be another challenging year to the Group. Although our first quarter results will have been affected by the SARS outbreak; as long as the incident is not recurring, the management expects this to be one-quarter phenomenon. The Group has anticipation that we will be able to recover from the damages caused by the SARS outbreak and catch up the turnover in the remaining quarters.

Business Review and Prospects *(Continued)*

Notwithstanding the difficult local market environment ahead, the Group will adopt effective pricing, marketing and cost control strategies to maintain its competitiveness, market share and healthy financial position. Moreover, the Group will put full effort in providing better quality customer service while keeping the Group's overhead under tight control.

Major Customers and Suppliers

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 98% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 83% of the Group's total purchases.

None of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued capital, had any interest in the share capital of any of the five largest suppliers of the Group.

Capital and Finance

Despite the less than satisfactory results, the Group can still maintain its policy of conservative capital management with its gearing ratio at prudent level. The financial foundation of the Group is strong with ample cash flow. Based on the solid cash position and banking facilities, the Group has healthy working capital and liquidity to meet its operating and expansion needs. At the end of the financial year under review, the Group's net assets amounted to HK\$604 million (2002: HK\$556 million) with a net asset value per share of HK\$2.19 (2002: HK\$2.02). The Group's net current assets increased by approximately 12.3% to HK\$510 million. (2002: HK\$454 million). Shareholders' funds at 31 March 2003 reached HK\$604 million, up by 8.6% (2002: HK\$556 million). The Group had cash on hand of HK\$110.6 million (2002: HK\$93.3 million) as at 31 March 2003 whilst bank loans and overdrafts totalled HK\$26.3 million (2002: HK\$23.9 million). The ratio of the Group's net bank borrowings was insignificant when compared to shareholders' funds.

Appreciation

On behalf of the Board, I would like to take this opportunity to express gratitude to our shareholders, customers and colleagues for their support and contributions to the group in the last twelve months. I look forward to continuing and improving relationships with the Group for many more periods ahead.

By order of the Board

Yeung Ming Bui

Chairman

Hong Kong 9 July 2003

Executive Directors

Mr. YEUNG Ming Bui, aged 67, the Chairman of the Company, is a co-founder of the Group. He has over 51 years' experience in the watch business and is a Permanent Honorary Director of The Federation of Hong Kong Watch Trades and Industries Limited.

Mr. YEUNG Him Kit, Dennis, aged 34, joined the Group in 1993. He became Managing Director of the Company in March 2003. He holds a bachelor degree in commerce from the University of Toronto, Canada. Mr. Yeung is the son of Mr. Yeung Ming Bui.

Mr. CHAN Che Kwong, William, aged 55, joined the Group in 1993. He became Senior Director of the Company in April 2003 and has over 23 years' experience in the watch business. He is a Permanent Honorary Director of the Federation of Hong Kong Watch Trades and Industries Limited.

Mr. Fung Kwong Yiu, aged 59, joined the Group in 1974 and has over 39 years' experience in the watch business. He is a Permanent Honorary Director of The Federation of Hong Kong Watch Trades and Industries Limited.

Madam YEUNG Man Yee, Shirley, aged 41, joined the Group in 1991. She received a higher diploma in business studies and diploma in watch and jewellery management from North Herts College in the United Kingdom and CFH Institute in Switzerland respectively. Madam Yeung is the daughter of Mr. Yeung Ming Bui.

Mr. LAM Hing Lun, Alain, aged 44, joined the Group in 1992. He is the Group Financial Controller and Company Secretary of the Company and became Director of the Company in April 2003. He is responsible for the Group's accounting, financial control and secretarial matters. He has over 19 years' experience in accounting and auditing. Mr. Lam holds a master degree of business administration from the University of Hull. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. CHOI Kwok Yum, aged 48, joined the Group in 1969. He became Director of the Company in April 2003 and has over 34 years' experience in the watch business.

Non-executive directors

Dr. SUN Ping Hsu, Samson, M.B.E., J.P., aged 78, is the Chairman of Sun International Group of companies. He was deputy Chairman and a Director of Gilman & Co., Ltd. and Inchcape Hong Kong respectively from 1967 to 1985. Dr. Sun is the honorary permanent president of The Federation of Hong Kong Watch Trades and Industries Limited. He has over 50 years' experience in the manufacturing, marketing and distribution of watches, and 18 years' experience in the marketing and distribution of consumer and electronic products. He has involved in the PRC trade since 1979, and continues to be active in both trading and property development in the PRC. Dr. Sun has chaired many voluntary community services and charitable organizations. He has been the Non-executive Director of the Company since September 1993.

Dr. LI Sau Hung, Eddy, aged 48, has over 29 years' experience in the manufacturing business. He is the president of Hong Kong Economic & Trade Association and a member of the TDC Watch Trade Advisory Committee. Mr. Li holds a master degree of business administration and a PhD degree in economics. He was the 1991 awardee of The Ten Outstanding Young Persons and the 1993 awardee of Young Industrialists of Hong Kong. He has been the Non-executive Director of the Company since September 1993.

Senior Management

Mr. TANG Tai Wai, David, aged 58 is the general manager of China division. He is responsible for sales and marketing in the PRC. He joined the Group in 1993 and has over 35 years' experience in the watch business.

Mr. CHAN Kam Hung, aged 58, is the shop manager of Cathay Watch Company Limited. He joined the Group in 1969 and has over 34 years' experience in the watch business.

Mr. YEUNG Chi On, aged 43, is the shop manager of La Suisse Watch Company, Limited, Hong Kong branch. He joined the Group in 1980 and has over 23 years' experience in the watch business.

Mr. CHU Che Keung, aged 63, is the shop manager of La Suisse Watch Company, Limited, Kowloon branch. He joined the Group in 1966 and has over 47 years' experience in the watch business.

Mr. SHEK Man Chue, aged 45, is the shop manager of Oriental Watch Company Limited, Causeway Bay branch. He joined the Group in 1974 and has over 29 years' experience in the the watch business.

Mr. CHAN Cheng Yin, aged 62, is responsible for the finance and administration of La Suisse Watch Company, Limited, Kowloon branch. He joined the Group in 1976 and has over 27 years' experience in the watch business.

Mr. CHUI Cheung Wing, aged 59, is the shop manager of Oriental Watch Company Limited, Yaumati branch (333 Nathan Road). He joined the Group in 1991 and has over 40 years' experience in the watch business.

Mr. KU Hi Lung, aged 34, is the shop manager of Oriental Watch Company Limited, Yaumati branch (555 Nathan Road). He joined the Group in 1994 and has over 11 years' experience in the watch business.

Madam LOH Nget Wah, aged 50, is the shop manager of Oriental Watch Company Limited, Pioneer Centre branch (750 Nathan Road). She joined the Group in 1990 and has over 16 years' experience in the watch business.

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

Principal Activities

The Company acts as an investment holding company.

The principal activities of the Company's principal subsidiaries are set out in note 26 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 15.

An interim dividend of 2.0 Hong Kong cents per share was declared and paid to the shareholders during the year. A final dividend of 3.5 Hong Kong cents per share being proposed by the directors is subject to approval by the shareholders in the forthcoming annual general meeting. The total dividends declared in respect of the year are set out in note 9 to the financial statements.

Reserves

Movements in the reserve of the Group and the Company during the year are set out on page 18 and note 22 to the financial statements respectively.

Property, Plant and Equipment

During the year, the Group incurred approximately HK\$2.7 million on the acquisition of property, plant and equipment of which approximately HK\$2.4 million was incurred on the acquisition of furniture, fixtures and equipment. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

Directors and Directors' Service Contracts

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

Executive directors:

Yeung Ming Biu (*Chairman*)

Yeung Him Kit, Dennis (*Managing Director*)

Chan Che Kwong, William (*Senior Director*)

Fung Kwong Yiu

Yeung Man Yee, Shirley

Lam Hing Lun, Alain (appointed on 23 April 2003)

Choi Kwok Yum (appointed on 23 April 2003)

Siu Leung Wai (resigned on 31 March 2003)

Independent non-executive directors:

Sun Ping Hsu, Samson, Dr.

Li Sau Hung, Eddy, Dr.

In accordance with Clauses 86 and 87 of the Company's Bye-laws, Messrs. Fung Kwong Yiu, Chan Che Kwong, William, Choi Kwok Yum and Lam Hing Lun, Alain retire and, being eligible, offer themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Bye-laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Securities

As at 31 March 2003, the interests of the directors and their associates in the ordinary shares of the Company and their associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Yeung Ming Biu	10,787,260	6,000,000	96,800,000 <i>Note (a)</i>	—
Siu Leung Wai	—	—	6,069,244 <i>Note (b)</i>	<i>Note (c)</i>
Fung Kwong Yiu	1,803,152	—	—	<i>Note (c)</i>
Chan Che Kwong, William	9,778,515	—	—	<i>Note (d)</i>
Yeung Man Yee, Shirley	—	167,547	—	<i>Note (e)</i>
Yeung Him Kit, Dennis	—	—	—	<i>Note (f)</i>
Sun Ping Hsu, Samson, Dr.	—	—	2,000,000 <i>Note (g)</i>	—

Notes:

- (a) Mr. Yeung Ming Biu and his wife, Madam Au Po Kee, are the beneficial owners of 45% and 22.5% respectively of the issued share capital of Realtower Holdings Limited. Realtower Holdings Limited is the beneficial owner of 55% of the issued share capital of Furama Investments Limited, which is the beneficial owner of 80% of the issued share capital of Datsun Holdings Limited. Datsun Holdings Limited is the beneficial owner of 96,800,000 shares in the Company.
- (b) Mr. Siu Leung Wai and his family members are the beneficial owners of the entire issued share capital of Power Dragon Holdings Limited, which is the beneficial owner of 6,069,244 shares in the Company.
- (c) Messrs. Siu Leung Wai and Fung Kwong Yiu are the beneficial owners of 21% and 6% respectively of the issued share capital of Real Champ Limited, which is the beneficial owner of 20% of the issued share capital of Datsun Holdings Limited.

Directors' Interests in Securities *(Continued)*

- (d) Mr. Chan Che Kwong, William is the beneficial owner of 10% of the issued share capital of Furama Investments Limited and 10% of the issued share capital of Y.H. Chan Limited which is the beneficial owner of 25% of the issued share capital of Furama Investments Limited. Y.H. Chan Limited also directly holds 294,365 shares in the Company.
- (e) Madam Yeung Man Yee, Shirley is the beneficial owner of 7.5% of the issued share capital of Realtower Holdings Limited.
- (f) Mr. Yeung Him Kit, Dennis is the beneficial owner of 10% and 7% of the issued share capital of Realtower Holdings Limited and Real Champ Limited respectively.
- (g) Dr. Sun Ping Hsu, Samson and his family members are beneficial owners of the entire issued share capital of Sun International Limited, which is the beneficial owner of 2,000,000 shares in the Company.

Save as disclosed above and other than certain nominee shares in subsidiaries held by a director in trust for the Company, none of the directors or their associates had any interest as at 31 March 2003 in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' Rights to Acquire Shares or Debentures

The Company has a share option scheme adopted on 20 September 1993. Details of which are set out in note 21 to the financial statements.

Save as disclosed above, 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 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, had any rights to subscribe for securities of the Company, or had exercised any such rights.

Substantial Shareholders

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following persons, in addition to the directors stated under the paragraph headed "Directors' interests in securities", are interested in 10% or more of the nominal value of the issued ordinary shares of the Company:

Name of shareholder	Number of shares held
Datsun Holdings Limited	96,800,000
Furama Investments Limited	96,800,000
Realtower Holdings Limited	96,800,000

Substantial Shareholders *(Continued)*

Realtower Holdings Limited holds 55% of the issued share capital of Furama Investments Limited which holds 80% of the issued share capital of Datsun Holdings Limited. Accordingly, both Realtower Holdings Limited and Furama Investments Limited are deemed under the SDI Ordinance to be interested in the 96,800,000 shares in the Company which are held by Datsun Holdings Limited.

Messrs. Yeung Ming Biu, Siu Leung Wai, Fung Kwong Yiu, Chan Che Kwong, William and Yeung Him Kit, Dennis and Madam Au Po Kee (wife of Mr. Yeung Ming Biu) and Madam Yeung Man Yee, Shirley are deemed by the SDI Ordinance to be interested in the shares of the Company beneficially owned by Datsun Holdings Limited in the manner described under the above paragraph headed "Directors' interests in securities".

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2003.

Directors' Interests in Contracts

There were 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.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Donations

During the year, the Group made charitable and other donations totalling HK\$5,000.

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 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.

Auditors

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

YEUNG MING BIU

Chairman

Hong Kong, 9 July 2003

德勤 • 關黃陳方會計師行**Certified Public Accountants**26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

執業會計師

香港中環干諾道中111號
永安中心26樓**Deloitte
Touche
Tohmatsu****To the Shareholders of Oriental Watch Holdings Limited***(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 15 to 37 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Hong Kong, 9 July 2003

Consolidated Income Statement

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For the year ended 31 March 2003

		2003	2002
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover		1,901,779	1,713,574
Cost of goods sold		(1,739,504)	(1,538,597)
Gross profit		162,275	174,977
Other operating income		7,990	9,879
Distribution costs		(27,206)	(26,137)
Administrative expenses		(62,380)	(63,884)
Gain on disposal of investment properties		—	5,170
Deficit arising on revaluation of investment properties		(1,500)	(2,100)
Profit from operations	5	79,179	97,905
Finance costs	7	(1,603)	(1,009)
Profit before taxation		77,576	96,896
Taxation	8	(12,091)	(16,389)
Profit before minority interests		65,485	80,507
Minority interests		—	(1,265)
Net profit attributable to shareholders		65,485	79,242
Dividends	9	15,139	19,267
Earnings per share	10		
— Basic		23.8 cents	28.8 cents
— Diluted		N/A	28.5 cents

Consolidated Balance Sheet

At 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Investment properties	11	12,000	13,500
Property, plant and equipment	12	77,264	79,142
Negative goodwill	13	(3,626)	(3,828)
Investments in securities	15	8,798	13,848
		94,436	102,662
Current assets			
Inventories		446,718	405,812
Trade and other receivables	16	32,797	16,778
Investments in securities	15	610	1,217
Taxation recoverable		706	3,526
Pledged bank deposits		9,550	22,300
Bank balances and cash		101,069	71,013
		591,450	520,646
Current liabilities			
Trade and other payables	17	53,785	40,259
Obligations under a finance lease due within one year	18	78	141
Taxation payable		1,649	2,409
Secured short-term bank loans		24,245	19,717
Bank overdrafts		2,034	4,140
		81,791	66,666
Net current assets		509,659	453,980
Total assets less current liabilities		604,095	556,642
Non-current liabilities			
Obligations under a finance lease due after one year	18	46	124
Deferred taxation	19	290	353
		336	477
Net assets		603,759	556,165
Capital and reserves			
Share capital	20	27,525	27,525
Reserves		576,234	528,640
Shareholders' funds		603,759	556,165

The financial statements on pages 15 to 37 were approved and authorised for issue by the Board of Directors on 9 July 2003 and are signed on its behalf by:

Yeung Ming Biu
Chairman

Yeung Him Kit, Dennis
Managing Director

At 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Investments in subsidiaries	14	122,614	122,614
Current assets			
Amounts due from subsidiaries		96,357	98,093
Taxation recoverable		635	2,054
Bank balances and cash		151	113
		97,143	100,260
Current liabilities			
Accounts payables		7,491	6,452
Net current assets		89,652	93,808
Net assets		212,266	216,422
Capital and reserves			
Share capital	20	27,525	27,525
Reserves	22	184,741	188,897
Shareholders' funds		212,266	216,422

Yeung Ming Biu
Chairman

Yeung Him Kit, Dennis
Managing Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2003

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Investment properties revaluation reserve <i>HK\$'000</i>	Other properties revaluation reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	27,525	52,045	425	2,870	807	5,180	397,822	16,515	503,189
Realised on disposal of investment properties	—	—	—	(2,870)	—	—	—	—	(2,870)
Net profit attributable to shareholders	—	—	—	—	—	—	79,242	—	79,242
2002 interim dividend declared	—	—	—	—	—	—	(6,881)	6,881	—
2002 final dividend declared	—	—	—	—	—	—	(12,386)	12,386	—
Dividends paid	—	—	—	—	—	—	—	(23,396)	(23,396)
At 31 March 2002	27,525	52,045	425	—	807	5,180	457,797	12,386	556,165
Net profit attributable to shareholders	—	—	—	—	—	—	65,485	—	65,485
2003 interim dividend declared	—	—	—	—	—	—	(5,505)	5,505	—
2003 final dividend declared	—	—	—	—	—	—	(9,634)	9,634	—
Dividends paid	—	—	—	—	—	—	—	(17,891)	(17,891)
At 31 March 2003	27,525	52,045	425	—	807	5,180	508,143	9,634	603,759

The special reserve of the Group comprises the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capitals and special reserves of those companies which were acquired by the Company pursuant to a group reorganisation in 1993. The special reserves of these acquired subsidiaries represent the credit arising on reduction of their paid up share capitals under the group reorganisation.

Consolidated Cash Flow Statement

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For the year ended 31 March 2003

	2003	2002
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	77,576	96,896
Adjustments for:		
Interest income	(1,681)	(2,186)
Interest expenses	1,603	1,009
Depreciation and amortisation of property, plant and equipment	3,940	4,427
Loss on disposal of property, plant and equipment	661	540
Gain on disposal of investment properties	—	(5,170)
Deficit arising on revaluation of investment properties	1,500	2,100
Release of negative goodwill	(202)	(200)
Amortisation of premium on acquisition of held-to-maturity securities	54	54
Amortisation of discount on acquisition of held-to-maturity securities	(4)	(4)
Unrealised losses (gain) on trading securities	607	(15)
Operating cash flows before movements in working capital	84,054	97,451
Increase in inventories	(40,906)	(51,672)
Increase in trade and other receivables	(16,019)	(8,084)
Increase in trade and other payables	13,526	11,956
Net cash generated from operations	40,655	49,651
Hong Kong Profits Tax paid	(9,691)	(18,500)
Mainland China income tax paid	(403)	(194)
Net cash generated from operating activities	30,561	30,957
Investing activities		
Interest received	1,681	2,186
Proceeds from disposal of investment properties	—	33,250
Purchase of property, plant and equipment	(2,723)	(2,319)
Acquisition of additional interests in subsidiaries	—	(1,882)
Purchase of investments in securities	—	(8,907)
Proceeds from disposal/maturity of held-to-maturity securities	5,000	3,900
Decrease (increase) in pledged bank deposits	12,750	(22,300)
Net cash generated from investing activities	16,708	3,928

Consolidated Cash Flow Statement

For the year ended 31 March 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Financing activities		
Interest paid	(1,603)	(1,009)
Dividends paid	(17,891)	(23,396)
Short-term bank loans raised	28,773	19,717
Repayment of short-term bank loans	(24,245)	—
Repayment of obligations under a finance lease	(141)	(108)
Repayment of advance to a minority shareholder	—	(6,720)
Repayment of mortgage loan	—	(8,255)
Net cash used in financing activities	(15,107)	(19,771)
Increase in cash and cash equivalents	32,162	15,114
Cash and cash equivalents at 1 April	66,873	51,759
Cash and cash equivalents at 31 March	99,035	66,873
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	101,069	71,013
Bank overdrafts	(2,034)	(4,140)
	99,035	66,873

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and acts as an investment holding company. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Adoption of New or Revised Statements of Standard Accounting Practice

In the current year, the Group has adopted for the first time the following new or revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these new or revised SSAPs has resulted in the introduction of the statement of changes in equity and a change in the format of presentation of the cash flow statement as well as additional disclosures. These changes have not had any significant impact on the results for the current or prior periods. Accordingly, no prior period adjustment was required.

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and trading securities. The principal accounting policies adopted which are in accordance with accounting principles generally accepted in Hong Kong are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition is presented as deductions from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

3. Significant Accounting Policies *(Continued)*

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity securities are measured at fair value at subsequent reporting dates.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in the profit or loss for the period.

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

Dividend income from investments is recognised when the Company's rights to receive payment have been established.

Leases

Leases are classified as finance leases whenever the terms of the leases transfer substantially all the risks and rewards of ownership of the leased assets to the Group. Assets held under finance leases are capitalised at their fair value at the date of inception of the leases. Any outstanding principal portion of the leasing commitments is shown as obligations of the Group. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

3. Significant Accounting Policies *(Continued)*

Leases *(Continued)*

All other leases are classified as operating leases and the rentals payable are charged to the income statement on a straight line basis over the period of the respective leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment properties revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment properties revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequent arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of investment properties, any balance in the investment properties revaluation reserve attributable to the disposed property is transferred to the income statement.

No depreciation is provided on investment properties which are held on leases with unexpired terms of more than 20 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation and any identified impairment loss at the balance sheet date.

Certain land and buildings which have been previously classified as investment properties are stated at their valuation immediately prior to transfer. No further valuation will be carried out on these land and buildings.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The cost or valuation of leasehold land is amortised over the period of the lease using the straight line method.

The cost or valuation of buildings is depreciated over their estimated useful lives of 30 years or 50 years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the reducing balance method, at the rate of 20% per annum.

Assets held under finance leases are depreciated on the same basis as assets owned by the Group or over the period of the leases, if shorter.

3. Significant Accounting Policies *(Continued)*

Inventories

Inventories, which represent goods held for sale, are stated at the lower of cost and net realisable value. Cost which comprises all costs of purchases and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition is calculated on a specific identification basis. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Impairment

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. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where 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, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rate prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Translation differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

4. Business and Geographical Segment

The Group's operations is regarded as a single segment, being an enterprise engaged in watch trading.

Analysis of the Group's turnover and results as well as analysis of carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as they are substantially generated from and situated in Hong Kong.

5. Profit from Operations

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 6</i>)	18,726	17,957
Other staff's retirement benefits scheme contributions, net of negligible forfeited contributions (2002: HK\$16,000)	1,656	1,580
Other staff costs	32,799	35,237
	53,181	54,774
Amortisation of premium on acquisition of held-to-maturity securities included in administrative expenses		
	54	54
Auditors' remuneration	1,148	1,256
Depreciation and amortisation of property, plant and equipment		
— owned by the Group	3,903	4,341
— held under a finance lease	37	86
Loss on disposal of property, plant and equipment	661	540
Operating lease rentals in respect of land and buildings	10,845	10,426
Unrealised losses on listed trading securities	607	—
and after crediting:		
Amortisation of discount on acquisition of held-to-maturity securities included in other operating income		
	4	4
Gross property rental income before deduction of negligible outgoings	980	2,004
Interest income	1,681	2,186
Release of negative goodwill included in other operating income	202	200
Unrealised gain on listed trading securities	—	15

6. Directors' and Employees' Emoluments

	2003 HK\$'000	2002 HK\$'000
Fees for		
— executive directors	—	—
— independent non-executive directors	216	216
	216	216
Other emoluments for independent non-executive directors	—	—
Other emoluments for executive directors		
— basic salaries and allowances	8,484	8,896
— performance related incentive bonuses	8,924	7,733
— retirement benefits scheme contributions	1,102	1,112
	18,510	17,741
Total directors' remuneration	18,726	17,957

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Up to HK\$1,000,000	2	2
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,500,001 to HK\$4,000,000	2	2
HK\$4,000,001 to HK\$4,500,000	—	1
HK\$4,500,001 to HK\$5,000,000	1	—

All the five highest paid employees of the Group in both years were executive directors of the Company. Details of their emoluments were disclosed above.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

For the year ended 31 March 2003

7. Finance Costs

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
— a finance lease	(60)	(44)
— bank borrowings wholly repayable within five years	(1,543)	(965)
	(1,603)	(1,009)

8. Taxation

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the year	(13,057)	(16,317)
Overprovision in prior years	1,443	173
	(11,614)	(16,144)
Mainland China income tax	(540)	(262)
Deferred taxation	63	17
	(12,091)	(16,389)

The income tax in Mainland China (the "PRC") is calculated at the rates prevailing pursuant to the relevant laws and regulations.

9. Dividends

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend of 2.0 Hong Kong cents (2002: 2.5 Hong Kong cents) per share	5,505	6,881
Proposed final dividend of 3.5 Hong Kong cents (2002: 4.5 Hong Kong cents) per share	9,634	12,386
	15,139	19,267

The final dividend proposed for the year ended 31 March 2003 is calculated on the basis of 275,253,200 shares in issue at the date of this report.

10. Earnings Per Share

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2003	2002
	HK\$'000	HK\$'000
Earnings:		
Net profit attributable to shareholders and earnings for the purposes of basic and diluted earnings per share	<u>65,485</u>	<u>79,242</u>
Number of shares		
	2003	2002
Number of shares for the purposes of basic earnings per share	275,253,200	275,253,200
Potential dilutive shares issuable under the Company's share option scheme	<u>—</u>	<u>2,872,972</u>
Weighted average number of shares for the purposes of diluted earnings per share	<u>275,253,200</u>	<u>278,126,172</u>

11. Investment Properties

	<i>HK\$'000</i>
THE GROUP	
At 1 April 2001	46,550
Deficit arising on revaluation	(2,100)
Disposals	<u>(30,950)</u>
At 31 March 2002	13,500
Deficit arising on revaluation	<u>(1,500)</u>
At 31 March 2003	<u><u>12,000</u></u>

The Group's investment properties which are situated in Hong Kong are held under medium-term leases and are held for use under operating leases. These property interests were revalued at 31 March 2003 by Excellence Surveyors Limited, an independent firm of valuers, on an open market value basis. The deficit arising on revaluation has been charged to the income statement.

12. Property, Plant and Equipment

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST OR VALUATION				
At 1 April 2002	70,096	35,209	2,316	107,621
Additions	—	2,386	337	2,723
Disposals	—	(1,181)	—	(1,181)
At 31 March 2003	70,096	36,414	2,653	109,163
Comprising:				
At cost	67,996	36,414	2,653	107,063
At valuation — 1996	2,100	—	—	2,100
	70,096	36,414	2,653	109,163
DEPRECIATION AND AMORTISATION				
At 1 April 2002	5,629	21,687	1,163	28,479
Provided for the year	658	3,029	253	3,940
Eliminated on disposals	—	(520)	—	(520)
At 31 March 2003	6,287	24,196	1,416	31,899
NET BOOK VALUES				
At 31 March 2003	63,809	12,218	1,237	77,264
At 31 March 2002	64,467	13,522	1,153	79,142
The Group				
	2003		2002	
	<i>HK\$'000</i>		<i>HK\$'000</i>	

The net book value of property interests comprises:

Properties held under		
— long leases in Hong Kong	62,879	63,507
— medium-term lease in the PRC	930	960
	63,809	64,467

12. Property, Plant and Equipment *(Continued)*

The land and buildings stated at 1996 valuation were valued at 31 March 1996 by an independent firm of professional property valuers on an open market value basis before being transferred from investment properties. No further valuation will be carried out on these land and buildings.

At the balance sheet date, the net book value of the Group's property, plant and equipment held under a finance lease was HK\$197,000 (2002: HK\$350,000).

13. Negative Goodwill

	<i>HK\$'000</i>
THE GROUP	
GROSS AMOUNT	
Arising on acquisition of additional interests in subsidiaries and balance at 31 March 2002 and 31 March 2003	(4,028)
RELEASED TO INCOME	
Released during the year ended 31 March 2002 and balance at 31 March 2002	200
Released during the year	202
At 31 March 2003	402
CARRYING VALUES	
At 31 March 2003	(3,626)
At 31 March 2002	(3,828)

The negative goodwill is released to income on a straight line basis over 20 years representing the estimated average useful life of the depreciable assets acquired.

14. Investments in Subsidiaries

	The Company 2003 & 2002 <i>HK\$'000</i>
Unlisted shares, at cost	123,614
Less: Impairment in value	(1,000)
	122,614

Details of the Company's principal subsidiaries at 31 March 2003 are set out in note 26.

15. Investments in Securities

	The Group	
	2003 HK\$'000	2002 HK\$'000
Held-to-maturity debt securities	8,906	13,890
Add: Amortisation of discount on acquisition	—	12
Less: Amortisation of premium on acquisition	(108)	(54)
	<u>8,798</u>	<u>13,848</u>
Shown under non-current assets	<u>8,798</u>	<u>13,848</u>
Market value of quoted debt securities at 31 March	<u>9,519</u>	<u>13,957</u>
Trading securities		
— Hong Kong listed shares shown under current assets	<u>610</u>	<u>1,217</u>
Market value of listed shares at 31 March	<u>610</u>	<u>1,217</u>

16. Trade and other Receivables

	The Group	
	2003 HK\$'000	2002 HK\$'000
Trade receivables	22,967	9,420
Other receivables	9,830	7,358
	<u>32,797</u>	<u>16,778</u>

The Group maintains a general credit policy of not more than 30 days for its established and major customers. The following is an aged analysis of the trade receivables at the balance sheet date:

Age	The Group	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	21,559	9,340
31 to 60 days	1,339	80
61 to 90 days	69	—
	<u>22,967</u>	<u>9,420</u>

17. TRADE AND OTHER PAYABLE

	The Group	
	2003 HK\$'000	2002 HK\$'000
Trade payables	42,400	30,139
Other payables	11,385	10,120
	53,785	40,259

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

Age	The Group	
	2003 HK\$'000	2002 HK\$'000
0 to 60 days	40,986	27,977
61 to 90 days	260	1,973
Over 90 days	1,154	189
	42,400	30,139

18. Obligations Under a Finance Lease

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amount payable under a finance lease:				
Within one year	114	201	78	141
Between one to two years	66	114	46	78
Between two to five years	—	66	—	46
	180	381	124	265
Less: Future finance charges	56	116	—	—
Present value of lease obligations	124	265	124	265
Less: Amount due within one year shown under current liabilities			78	141
Amount due after one year			46	124

19. Deferred Taxation

	The Group	
	2003 HK\$'000	2002 HK\$'000
Balance brought forward	353	370
Credit for the year	(63)	(17)
Balance carried forward	<u>290</u>	<u>353</u>

The deferred tax liability represents the tax effect of timing differences arising as a result of the excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements.

At the balance sheet date, the Group also has unrecognised deferred tax asset of HK\$4,200,000 (2002: HK\$3,800,000) which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. This deferred tax asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

The Company has no significant unprovided deferred taxation for the year or at the balance sheet date.

20. Share Capital

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
— at 1 April 2001, 31 March 2002 and 31 March 2003	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
— at 1 April 2001, 31 March 2002 and 31 March 2003	<u>275,253,200</u>	<u>27,525</u>

21. Share Options

Pursuant to the share option scheme (the "Scheme") adopted at a special general meeting of the Company held on 20 September 1993, the directors of the Company may grant options as incentives to directors or employees of the Company or its subsidiaries to subscribe for shares in the Company within a period of ten years commencing from 20 September 1993. The subscription price of the shares is set to be the higher of the nominal value of the Company's shares or an amount which is 80% of the average closing price of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options. Exercise prices are subject to adjustment as provided in the Scheme.

21. Share Options *(Continued)*

The maximum number of shares in respect of which options may be granted cannot exceed 10% of the issued share capital of the Company from time to time within the ten-year and the maximum number of shares in respect of which options may be granted to any one person cannot exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

Options granted must be accepted by written notice from the grantees with an undertaking to hold the options on the conditions subject to which it was offered and to be bound by the terms of the Scheme accompanied by a remittance in favour of the Company of HK\$1 as consideration for the grant of the options within 21 days inclusive of, and from, the date of the making of offer for grant by the Company.

No option was granted, exercised or lapsed during the year and there was no outstanding share option as at 31 March 2002 and 31 March 2003.

22. Reserves

	Capital					Total HK\$'000
	Share premium HK\$'000	redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	
THE COMPANY						
At 1 April 2001	52,045	425	122,183	(5,270)	16,515	185,898
Net profit attributable to shareholders	—	—	—	26,395	—	26,395
2002 interim dividend declared	—	—	—	(6,881)	6,881	—
2002 final dividend declared	—	—	—	(12,386)	12,386	—
Dividends paid	—	—	—	—	(23,396)	(23,396)
At 31 March 2002	52,045	425	122,183	1,858	12,386	188,897
Net profit attributable to shareholders	—	—	—	13,735	—	13,735
2003 interim dividend declared	—	—	—	(5,505)	5,505	—
2003 final dividend declared	—	—	—	(9,634)	9,634	—
Dividends paid	—	—	—	—	(17,891)	(17,891)
At 31 March 2003	52,045	425	122,183	454	9,634	184,741

The contributed surplus of the Company arose as a result of the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company and the nominal amount of the Company's shares which were issued to acquire these subsidiaries under the group reorganisation in 1993.

22. Reserves *(Continued)*

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) 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 accounts.

In the opinion of the directors, the Company's reserves available for distribution as at 31 March 2003 was HK\$132,271,000 (2002: HK\$136,427,000), which comprises the aggregate of contributed surplus, retained profits and dividend reserve of the Company.

23. Operating Lease Arrangements

While the Company had no outstanding operating lease commitments at the balance sheet date, certain of its subsidiaries were committed to make the following future minimum leases payments in respect of land and buildings rented under non-operating leases which fall due as follows:

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	8,208	8,004
In the second to fifth year inclusive	2,489	6,469
	10,697	14,473

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties let:

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	408	774
In the second to fifth year inclusive	—	258
	408	1,032

24. Contingent Liabilities

At the balance sheet date, the Company has given corporate guarantee of HK\$139,800,000 (2002: HK\$168,800,000) to banks to secure the credit facilities granted to its subsidiaries.

25. Retirement Benefits Schemes

The Group continues to operate a defined contribution retirement benefits scheme for its employees in Hong Kong. The assets of the scheme are held separately in a fund under the control of an independent trustee. The retirement benefits scheme contributions charged to the income statement represent the contributions payable by the Group to the fund at rates specified in the scheme. When employees leave the scheme prior to becoming fully vested in the contributions, the forfeited contributions will be used to reduce future contributions payable by the Group. There was no significant amount of unutilised forfeited contributions at the balance sheet date.

With the introduction of the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong, all employees who are not members of the Group's defined contribution retirement benefits scheme are required to join the MPF Scheme.

The employees of the Company's PRC subsidiaries are members of state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

26. Principal Subsidiaries

Details of the Company's principal subsidiaries, all of which are limited liability companies and are wholly-owned by the Company, at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Nominal value of issued and fully paid share/ registered capital	Principal activities
Cathay Watch Company Limited	Hong Kong	HK\$1,000	Watch trading
Fenmount International Limited	British Virgin Islands/PRC	US\$1	Watch trading
La Suisse Watch Company, Limited	Hong Kong	HK\$1,000	Watch trading
Oriental Watch Company Limited	Hong Kong	HK\$1,000	Watch trading
Excel Dragon International Limited*	Hong Kong	HK\$2	Property holding
Oriental Watch (China) Company Limited*	Hong Kong	HK\$1,000	Watch trading and investment holding
Unex Development Limited*	Hong Kong	HK\$2	Property holding
上海東筋表行國際貿易有限公司 (Shanghai Oriental Watch International Trading Co., Ltd)*	PRC	US\$200,000	Watch trading for a term of 50 years commencing 3rd January, 2001

* Indirectly held by the Company.

Shanghai Oriental Watch International Trading Co., Ltd is a foreign investment enterprise established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

	Year ended 31 March				
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
RESULTS					
Turnover	1,250,763	1,527,847	1,598,968	1,713,574	1,901,779
Profit before taxation	36,305	120,481	115,954	96,896	77,576
Taxation	(7,530)	(21,674)	(19,347)	(16,389)	(12,091)
Profit before minority interests	28,775	98,807	96,607	80,507	65,485
Minority interests	3,070	6,008	720	(1,265)	—
Net profit attributable to shareholders	31,845	104,815	97,327	79,242	65,485
As at 31 March					
	1999 HK\$'000	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES					
Total assets	448,349	510,683	558,595	623,308	685,886
Total liabilities	(107,333)	(84,162)	(59,241)	(67,143)	(82,127)
Minority interests	(2,893)	3,115	3,835	—	—
Shareholders' funds	338,123	429,636	503,189	556,165	603,759