



CHIEF EXECUTIVE OFFICER REPORT

Turnover and results

The economy of Hong Kong and regions nearby were severely attacked by the unexpected outbreak of SARS in the first half of 2003, together with the war waged by the United States and the United Kingdom on Iraq. However, with its continuous efforts, the Group recorded an audited net loss from ordinary activities attributable to shareholders of HK\$31,994,000 for the year ended 31 December 2003 amidst such difficult operating environment, representing a decrease of HK\$37,387,000 when compared with last year. Turnover amounted to HK\$287,878,000, representing an increase of 147% over last year. The increase was mainly attributable to the consolidation of turnover from Everbright Timber. Basic loss per share was 2.06 cents.

REVIEW OF OPERATIONS

(1) Watches and Timepieces Manufacturing and Distribution

The year 2003 was a relatively tough year for the Group's wholly-owned subsidiary, Everbright EB Brand Limited, and its subsidiary, EB Watch and Clock (Shenzhen) Co., Ltd. ("EB Watch and Clock"). The eruption of SARS epidemic in the first half of the year was followed by a sluggish market sentiment, the watches and timepieces industry was particularly battered. Nearly all marketing activities were put on hold during the SARS peak. On the other hand, as a result of the price war amongst competitors to secure market share and the unreasonable shift by all means of losses attributable to SARS suffered by shopping outlets

行政總裁報告

營業額及業績

二零零三年上半年爆發突如其來的非典型肺炎疫情及美國、英國對伊拉克發動之戰爭，使香港及周邊經濟都遭受沈重的打擊，但本集團憑著本身不懈努力，在艱難的經營環境下，於截至二零零三年十二月三十一日止年度，取得經審核股東應佔一般業務虧損淨額31,994,000港元，較去年下降37,387,000港元，營業額為287,878,000港元，較去年上升147%，主要是合併計入源自光大木材之營業額。每股基本虧損為2.06港仙。

業務回顧

(1) 鐘錶製造及分銷業務

二零零三年，對於本集團之全資附屬公司光大依波系列品牌有限公司及其附屬公司光大依波鐘錶(深圳)有限公司(「依波鐘錶」)，可以說是比較艱難的一年。上半年爆發之非典型肺炎疫情使得市場一片蕭條，對鐘錶市場之打擊尤為嚴重，疫情高峰時期，差不多所有市場推廣活動完全陷於停頓；另一方面，同業為了爭奪市場掀起之價格大戰，以及商場巧立各種名目將其由於非典型肺炎的損失強行向廠家轉嫁，都大大降低了鐘錶產品之銷售毛利率。此外，從二零零三年一月起，深圳特區內有關「地產地銷」增值稅稅務優惠政策



to manufacturers, sales profit margins of watches and timepieces shrank sharply. Moreover, value added tax concession policy in relation to “local manufacture, local sale” previously implemented in the Shenzhen Economic Region was abolished in January 2003. As such, EB Watch and Clock was unable to enjoy a tax concession during the year under review. This will exert considerable pressure on its profits in the coming years.

Against such poor market environment, all staff of EB Watch and Clock cope with the fierce competition from strong competitors with great diligence and intelligence. In addition, they exerted their full strength, fine-toned sales strategies in a timely manner and aggressively promoted the EB brand and its products’ competitive edges. At the same time, they actively pursued the development of new and popular products with unique features and the expansion of bulk purchase strategy, leading to significant enhancement in the Company’s market shares and economic efficiency. Moreover, the Company had duly launched the large-scale project of “Expansion of Production Plant, Replacement of Facilities, Improvement in Quality Control System, Improvement in Working Conditions and Promotion of the Group’s Image” at the end of 2002. The project was completed on schedule at the beginning of the year under review and played a key role in the improvement of brand image, opening up of sales opportunities and conclusion of businesses.

被廢除，使依波鐘錶在回顧年內無法享有政策優惠利益，並將對以後年度之利潤創造帶來一定壓力。

在惡劣的市場環境中，依波鐘錶全體工作人員用智能和毅力與強勁的對手展開了堅苦的競爭，大家恪盡職守，及時調整銷售策略，大力宣傳依波的品牌和產品優勢，同時，積極研究開發具有獨自風格的暢銷新產品和拓展團購策略，為市場佔有率和經濟效益作出了傑出的貢獻。此外，公司於二零零二年底正式啟動之「擴建廠房、更新設備、改造質控系統、改善辦公環境、提升公司形象」的大規模工程項目，已於回顧年初如期完工，為提升品牌形象、創造銷售機遇、提高業務成功率發揮了重要作用。

**(2) Timber Business**

The Group acquired Everbright Timber by the end of March 2003. Against the substantial appreciation in the currency of timber import countries and the increase in shipment cost, cost of raw material consequently surged. Besides, following the PRC's accession into the World Trade Organisation, there was a great influx of imported timber from various regions. With the intensified competition from enormous manufacturers, together with the impact from the outbreak of SARS, selling prices and sales volumes of Everbright Timber have both dropped, so as its income from core business, and the profitability of the company was significantly affected as a result. However, the management of Everbright Timber swiftly revise its product and raw material mix in accordance with the changes in market demand, and expanded its procurement channels for raw materials on the Mainland in order to secure stable supply of raw materials with an aim to reduce external adverse impact to the greatest possible extent. At the same time, during the year under review, the company has upgraded its manufacturing skills, lowered its cost and strengthened its internal management, thus eventually enhancing its operating results.

(2) 木材業務

本集團於二零零三年三月底收購光大木材，進口之原木因當地貨幣匯率大幅上升及海運成本的增加，使原材料成本相應大幅增加；另一方面，中國加入世界貿易組織後各地進口木材的大量湧入，眾多生產廠家的激烈競爭及非典型肺炎疫情之影響，使光大木材產品售價及銷售量都下跌，使主營業務收入有所下跌，嚴重影響公司盈利能力。但光大木材管理層根據市場需求的變化，及時調整產品品種結構和原料結構，擴展國內原料採購渠道，力爭保證原料供應，最大限度地降低外部不利因素的影響。同時通過改進生產工藝，降低成本消耗，強化內部管理等方法，最終於回顧期內的經營業績有所改善。

(3) Property Development Project

The principal business of Beijing Jing Guan Property Development Co. Ltd. ("Beijing Jing Guan"), a company acquired by the Group in December 2003, is the property developer of a project in East Part of E Area, Taiyanggong New District, Taiyanggong North Street, Beijing, the PRC ("Property Development Project"). Following the completion of the relevant acquisition procedures, Beijing Jing Guan is currently focusing on the development of the Property Development Project into a high-to-middle class residential estate with gross floor area of approximately 193,000 square meters. Design, inspection and tendering activities have gradually commenced, and the Group has entered into agreements with respective professional bodies in these regards. Construction works are now underway in full swing. Since the Property Development Project is adjacent to Beijing's Central Business District and the Olympic Village, which is under construction, and enjoys the advantages of three-ring and four-ring traffic, the Directors believe that the pre-sale of the Property Development Project scheduled to be held in 2005 will generate substantial revenue to the Group.

(4) Property Investment

During the year, the Group ceased to rent a portion of its head office in Hong Kong to CEH, the Group's rental income for the year slightly decreased accordingly. Currently, the Group is negotiating with a potential tenant, aiming to reach conclusion in relation to the leasehold as soon as possible so as to secure steady rental revenue. At the same time, the Group is actively identifying other opportunities with high investment return. Furthermore, the Group has entered into a long-term lease with another

(3) 房地產開發項目

本集團於二零零三年十二月收購之北京京冠房地產開發有限公司（「北京京冠」），主要發展中國北京市太陽宮北街太陽宮新區E區東部之房產開發項目（「房產開發項目」）。相關收購手續基本完成後，北京京冠現正致力將該房產項目發展成為一個總建築面積約193,000平方米之高中檔住宅區。多項設計、勘察、招標等工作已陸續展開，並與各方面專業團體簽定有關協議，目前正積極進行施工工程。由於該房產開發項目近鄰北京CBD中央商務區及正在建造之奧運村，並享有三環、四環交通便利之優勢，董事相信，房產開發項目預計在二零零五年開始預售後，必可為本集團帶來可觀的收益。

(4) 物業投資

本集團位於香港的主要辦事處的部份樓面已於年內停止租賃予光大集團，使本集團於本年度之租金收入略有減少。目前，本集團正與另一名有意租客積極商討，力求盡快落實有關租賃事宜，爭取盡早取得穩定租金收益，同時也積極尋求能帶來更高投資回報的處理機會。此外，本集團已與另一新租客簽定一份為期二十年之長期租約，將位於中國廣東省東莞市的工廠綜合大樓之物業於二零零三年六月起以



new tenant with a term of twenty years for the leasing out of a property situated in a factory complex in Dongguan, Guangdong Province, the PRC, for a monthly rent of RMB300,000, starting from June 2003. Such lessee will develop the property into a mega furniture plaza. Such leasehold will generate long-term steady rental income to the Group.

In April 2003, CEG has transferred to the Group a property located in 2nd Lower Ground Floor, Jin Hua Building, Yan He South Road, Luohu District, Shenzhen, the PRC ("Jin Hua Building") and an office floor and three shops situated at Xianghua Lu, Zhuhai at a total value of about HK\$16 million, in consideration of the guarantee given by the Group for the advance. Jin Hua Building and the above-mentioned properties in Zhuhai are currently held by the Group for property investment purpose.

SUBSEQUENT EVENT

On 18 March 2004, CEH entered into a share sale agreement with Sincere View International Limited (the "Offeror"), which was incorporated in the British Virgin Islands with limited liability, pursuant to which CEH agreed to conditionally dispose of and the Offeror agreed to conditionally acquire an aggregate of 625,393,515 shares (representing approximately 40.48% of the existing issued share capital of the Company) of the Company at a total consideration in cash of approximately HK\$218,890,000 (being HK\$0.35 per share). The share sale agreement was completed on 25 March 2004. The Offeror and parties acting in concert with it in aggregate owned approximately 40.48% of the issued share capital of the Company upon completion. Thus, pursuant to Rule 26 of the Takeovers Code, the Offeror was obliged to make a mandatory conditional cash offer to acquire the entire issued shares which are not owned or to be acquired by the Offeror and parties acting in concert with it on 8 April 2004.

月租人民幣300,000元出租·承租方用於發展一大型傢俬廣場。該項租賃將為本集團帶來一項長期穩定的租金收入。

二零零三年四月·光大總公司向本集團轉讓一項位於中國深圳市羅湖區沿河南路錦花大廈底層中層(「錦花大廈」)之物業以及位於珠海市香華路一層辦公樓及三個商舖(價值總計約16,000,000港元)·作為承擔本集團墊款的擔保責任之彌償。本集團現持有錦花大廈及上述珠海物業作物業投資用途。

結算日後事項

二零零四年三月十八日·光大集團與信景國際有限公司(「收購人」)·一家於英屬處女群島註冊成立之有限公司·訂立售股協議。據此·光大集團同意有條件出售而收購人則同意有條件收購合共625,393,515股(佔本公司現有已發行股本約40.48%)之本公司股份·現金代價總計約218,890,000港元(即相當於每股0.35港元)。售股協議已於二零零四年三月二十五日完成·完成後·收購人及與其一致行動人士擁有本公司已發行股本約40.48%的權益·故此於二零零四年四月八日根據收購守則規則26有責任提出強制性有條件現金收購建議·藉以收購並未獲收購人及與其一致行動人士擁有或將會收購的全部已發行股份。



It is the intention of the Offeror that the Group will continue to operate the existing core businesses which include the manufacturing and distribution of watches and timepieces, the distribution of timber, property investment and property development. In addition, the Offeror will review the financial and operation position of the Group in due course in order to strengthen the business operation of the Group for future business development. The Offeror currently has no intention to inject any assets or business into the Group.

Details of the acquisition are set out in the announcements of the Company dated 19 March 2004 and 25 March 2004 respectively and the circular to the shareholders dated 8 April 2004.

Financial Position

As at 31 December 2003, the Group had net assets of approximately HK\$487,400,000. The Group currently has HK\$320,342,000 unpledged cash and bank balance. During the year, the Group recovered approximately HK\$8,200,000 from G. Yean Group Limited as the compensation for the shortfall of the operating results of Goodnice International Limited.

As at 31 December 2003, the Group's gearing ratio (calculated by dividing total bank and other loans by shareholders' equity) was 0.9 (2002: 0). As at 31 December 2003, the Group had aggregate bank loans and other loans of approximately HK\$242,361,000 and HK\$201,044,000, respectively. The Group's bank loans were repayable within one year and secured by certain leasehold land and buildings of the Group with carrying value of approximately HK\$133,446,000 as well as a guarantee executed by CEH. The loan supported by the guarantee executed by CEH of HK\$209,879,000 was fully repaid in March 2004. The Group's other loans were not repayable within one year. The Group's borrowings are denominated in RMB and US dollar. The Group has no significant exposure to fluctuations in exchange rates as all the Group's business are transacted in RMB and Hong Kong dollar.

按收購人的計劃，本集團將會繼續經營現有核心業務，包括製造及分銷鐘錶、分銷木材、物業投資和房地產開發。此外，收購人將於適當時候對本集團的財務及營運狀況進行審查，冀能強化本集團經營業務，以助今後的業務發展。同時，收購人目前無意向本集團注入任何資產或業務。

有關此次收購之詳情請見本公司日期為二零零四年三月十九日、三月二十五日之公告及日期為二零零四年四月八日之股東通函。

財政狀況

於二零零三年十二月三十一日，本集團之資產淨值約為487,400,000港元，現持有無抵押現金及銀行結餘320,342,000港元。年內，本集團成功收回資源集團有限公司，因為德麗國際有限公司經營業績不足額而賠償之金額約8,200,000港元。

於二零零三年十二月三十一日，本集團按總銀行及其他借貸除以股東權益計算之資本負債比率為0.9(二零零二年:0)。本集團於二零零三年十二月三十一日之銀行借貸及其他借貸分別合共約242,361,000港元及201,044,000港元。本集團之銀行借貸須於一年內償還，乃以本集團賬面值約133,446,000港元之若干租賃土地及樓宇，及光大集團作出之擔保作抵押。有關光大集團擔保之209,879,000港元借貸已於二零零四年三月份全數償還。本集團其他借貸毋須於一年內償還。本集團之借貸乃以人民幣及美元列值。由於本集團所有業務交易均以人民幣及港元進行，故本集團並無面對重大匯率波動風險。



Employees and Remuneration Policy

The Group employed approximately 2,400 full-time staff in aggregate in Hong Kong and the PRC, covering management, administration and manufacturing functions. The remuneration packages offered by the Group include basic salary, bonus and other fringe benefits. In order to encourage contribution from the staff, the Group paid discretion rewards to its staff as bonus with reference to their performance during the year, and subject to the Group's profit. In addition, the Group provides comprehensive medical insurance and attracting retirement scheme for its employees. Directors and employees of the Company in Hong Kong have joined the defined contribution staff retirement scheme or the Mandatory Provident Fund Scheme.

Prospect

We expect that the PRC economy will continue to grow. With the implementation of the CEPA and "Individual Visit" scheme, the overall economic sentiment of Hong Kong has improved and it is believed that the recovery will be sustained. The Group will continue to strengthen its distribution and sales activities through launching additional products and expansion of sales channels. At the same time, the Group will continue to streamline its operating procedures, strengthen its internal fundamental management, tighten cost and expenditure control, and increase its profitability effectively so as to achieve sustainable growth. We will also grasp the development opportunities from the booming property market in Beijing fueled by the city's rapid economic development pace and allocate additional resources for the development of property development business.

僱員及酬金政策

本集團於中港兩地共聘用約2,400名全職管理、行政及生產部員工。集團為僱員提供的薪酬計劃包括基本薪金、獎金及其他福利。本集團按僱員年內表現發放酌情獎金，以獎勵僱員對本集團作出之貢獻，惟須視本集團之溢利及僱員表現而定。集團亦為僱員提供全面的醫療保險、吸引人的退休福利計劃。本集團在香港之董事及僱員均已加入僱員定額退休金計劃或強制性公積金計劃。

展望

我們預期中國經濟發展將持續增長，香港經濟在CEPA之實施及自由行的推動下，整體經濟氣氛好轉，相信復蘇之態勢仍可繼續。本集團將繼續透過拓展產品及擴展銷售渠道以增強其分銷及銷售業務，同時，繼續透過抓緊精簡業務運作程序，加強公司內部基礎管理工作，加強成本及費用控制，有效提高公司的獲利能力，實現可持續發展。同時，我們將依托北京經濟快速增長的大環境，緊緊抓住北京房地產市場急促發展的良好時機，大力發展北京之房地產開發業務。



Upon the completion of the acquisition, the Group believes that its flexibility in terms of future investments and decision-making on operation strategies will be enhanced. We will review the Group's business plans from time to time in order to strengthen its core businesses. Meanwhile, we will proactively consider and explore projects and opportunities with sound prospect so as to strengthen the Group's diversified business operating model and gradually enhance shareholder's return.

Appreciation

I would like to take this opportunity to express my gratitude to all shareholders, customers, bankers, professional consultants, the management as a whole and all colleagues for their dedication and contribution to the Company during this challenging year.

Wang Shaolan

Chief Executive Officer

Hong Kong, 26 April 2004

此外，在收購完成後，本集團相信日後在投資方向、經營策略的決策上將具有更多的靈活性，我們將不時檢討本集團之業務佈局，在致力鞏固核心業務的同時，積極考慮和尋求一些前景良好的專案和機會，不斷強化集團的業務多元化經營模式，穩步提升股東回報。

致意

本人謹此向本集團之各位股東、客戶、往來銀行、項目顧問以及全體管理層及每一位員工在這嚴峻的年頭對本公司所作出的努力及貢獻致以衷心感謝。

王少蘭

行政總裁

香港，二零零四年四月二十六日