



ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)



INTERIM REPORT / *2002-2003*

FINANCIAL RESULTS

The Board of Directors of Elegance International Holdings Limited (the “Company” or “Elegance”) are pleased to present the Interim Report of the Company and its subsidiaries (collectively referred to as the “Group”) to the shareholders of the Company for the six months ended 30 September 2002. These interim results have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2002

		For the six months ended 30 September	
		2002	2001
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	210,397	197,819
Cost of sales		(121,953)	(112,575)
Gross profit		88,444	85,244
Other revenue and gain	3	2,025	3,042
Selling and distribution expenses		(6,288)	(4,234)
General and administrative expenses		(28,485)	(27,409)
Other operating expenses		(2,300)	(830)
PROFIT FROM OPERATING ACTIVITIES		53,396	55,813
Finance costs		(130)	(321)
Share of profits and losses of associates		34	19
PROFIT BEFORE TAX	4	53,300	55,511
Tax	5	(4,823)	(3,054)
PROFIT BEFORE MINORITY INTERESTS		48,477	52,457
Minority interests		(2,419)	(3,748)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		46,058	48,709
Earnings per share	6		
– Basic		HK14.2 cents	HK15.0 cents
– Diluted		N/A	N/A
Dividend per share	7	HK4.0 cents	HK4.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2002

	Notes	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		207,272	200,410
Interests in associates		2,663	2,629
Long term investments		650	650
		<u>210,585</u>	<u>203,689</u>
CURRENT ASSETS			
Inventories		64,052	58,758
Trade receivables	8	101,157	73,550
Prepayments, deposits and other receivables		5,399	5,869
Short term investments		431	731
Bills receivable		546	189
Tax recoverable		–	41
Cash and cash equivalents		176,012	173,849
		<u>347,597</u>	<u>312,987</u>
CURRENT LIABILITIES			
Trade payables	9	35,582	21,369
Bills payable		2,830	1,976
Other payables and accrued liabilities		17,902	18,449
Tax payable		1,833	–
Interest-bearing bank loans, secured	10	2,000	2,000
		<u>60,147</u>	<u>43,794</u>
NET CURRENT ASSETS		<u>287,450</u>	<u>269,193</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>498,035</u>	<u>472,882</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	10	7,000	6,050
Deferred tax		5,000	5,000
		<u>12,000</u>	<u>11,050</u>
MINORITY INTERESTS		<u>20,637</u>	<u>18,218</u>
		<u>465,398</u>	<u>443,614</u>
CAPITAL AND RESERVES			
Issued capital		32,365	32,365
Reserves		420,087	386,975
Proposed dividend		12,946	24,274
		<u>465,398</u>	<u>443,614</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Goodwill eliminated against reserves HK\$'000	Proposed dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2002 (audited)	32,365	56,831	41,800	(1,839)	24,274	290,183	443,614
Net profit for the period (unaudited)	-	-	-	-	-	46,058	46,058
Final dividend for the year ended 31 March 2002 declared and paid	-	-	-	-	(24,274)	-	(24,274)
Interim dividend for the year ending 31 March 2003	-	-	-	-	12,946	(12,946)	-
At 30 September 2002 (unaudited)	<u>32,365</u>	<u>56,831</u>	<u>41,800</u>	<u>(1,839)</u>	<u>12,946</u>	<u>323,295</u>	<u>465,398</u>
At 1 April 2001 (audited)	32,365	56,831	41,800	(1,839)	24,274	248,068	401,499
Net profit for the period (unaudited)	-	-	-	-	-	48,709	48,709
Final dividend for the year ended 31 March 2001 declared and paid	-	-	-	-	(24,274)	-	(24,274)
Interim dividend for the year ended 31 March 2002	-	-	-	-	12,946	(12,946)	-
At 30 September 2001 (unaudited)	<u>32,365</u>	<u>56,831</u>	<u>41,800</u>	<u>(1,839)</u>	<u>12,946</u>	<u>283,831</u>	<u>425,934</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2002

	For the six months ended 30 September	
	2002	2001
	(Unaudited)	(Restated)
	HK\$'000	(Unaudited)
		HK\$'000
NET CASH FROM OPERATING ACTIVITIES	41,060	78,721
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(17,319)	(7,490)
Proceeds from disposal of listed investments	–	482
Interest received	<u>1,746</u>	<u>2,262</u>
Net cash used in investing activities	<u>(15,573)</u>	<u>(4,746)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
New bank loan	1,950	5,500
Repayment of bank loans	(1,000)	(599)
Dividend paid	<u>(24,274)</u>	<u>(24,274)</u>
Net cash used in financing activities	<u>(23,324)</u>	<u>(19,373)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,163	54,602
Cash and cash equivalents at beginning of period	<u>173,849</u>	<u>98,386</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>176,012</u>	<u>152,988</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	26,850	13,423
Time deposits	<u>149,162</u>	<u>139,565</u>
	<u>176,012</u>	<u>152,988</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2002

1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"), and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2002

1. ACCOUNTING POLICIES (Continued)

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2002, except that the Group has changed certain of its accounting policies following the adoption of the SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

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 recently issued and revised SSAPs has had no material effect on the results for the current period or prior financial period. Accordingly, no prior period adjustment is required.

2. SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of optical frames, sunglasses and optical cases. No business segment analysis is presented as management considers that the Group has operated in one single business segment.

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of market for the six months ended 30 September 2002 and 2001 is as follows:

	For the six months ended 30 September			
	2002		2001	
	Turnover (Unaudited) HK\$'000	Contribution to profit from operating activities (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution to profit from operating activities (Unaudited) HK\$'000 (Restated)
By geographical area:				
The United States of America	96,837	24,114	81,539	22,626
Europe	72,561	18,069	60,210	16,707
The People's Republic of China (including Hong Kong) (Note a)	28,976	7,215	45,419	12,603
Other Asian countries	6,714	1,672	5,769	1,601
Others	5,309	1,322	4,882	1,353
	210,397	52,392	197,819	54,890
Interest income and gain		1,746		2,282
Unallocated corporate expenses		(742)		(1,359)
		53,396		55,813

Note:

- (a) Sales were primarily to agents in Hong Kong, but were also made to local retailers. The directors believe that the agents export most of the Group's products to Europe and North America.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2002

3. TURNOVER, REVENUE AND GAIN

Turnover represents the invoiced value of goods sold to third parties, net of trade discounts and returns.

An analysis of the Group's turnover, other revenue and gain is as follows:

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	<u>210,397</u>	<u>197,819</u>
Interest income	1,746	2,262
Net rental income	-	513
Gain on disposal of listed investments	-	20
Others	<u>279</u>	<u>247</u>
Other revenue and gain	<u>2,025</u>	<u>3,042</u>
	<u>212,422</u>	<u>200,861</u>

4. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	10,457	10,998
Interest on bank loans wholly repayable:		
– within five years	130	74
– after five years	-	245
Interest on bank overdrafts	-	2
Loss on disposal of fixed assets	-	83
Minimum lease payments under operating leases in respect of land and buildings	743	1,110
Staff costs	31,515	29,681
Provision for bad and doubtful debts	2,000	500
Unrealised losses on short term investments	<u>300</u>	<u>330</u>

5. TAX

	For the six months ended 30 September	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Group:		
Current period's provision	4,823	5,258
Over-provision in prior period	-	(2,204)
	<u>4,823</u>	<u>3,054</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2002

5. TAX (Continued)

The Group companies provide for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Hong Kong profits tax for the Company and subsidiaries in Hong Kong has been provided at a rate of 16% (2001: 16%) on estimated assessable profits which was earned in or derived from Hong Kong during the period. A subsidiary operating in Mainland China (the "PRC") was not subject to the PRC income tax in the current or prior periods as it did not generate any profit subject to PRC income tax.

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders for the period of HK\$46,058,000 (six months ended 30 September 2001: HK\$48,709,000) and 323,649,123 (2001: 323,649,123) shares in issue.

The diluted earning per share has not been calculated for the current and prior periods as no diluting events existed throughout the periods.

7. DIVIDENDS

At a meeting of board of directors held on 6 December 2002, the directors resolved to pay an interim dividend of HK4 cents (2001: HK4 cents) to shareholders whose name appear on the Register of Members of the Company on 9 January 2003. The interim dividend will be paid on or before 16 January 2003.

8. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment by the Group and with regard to their established payment record. The Group usually allows an average credit period of 60 days to its customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The following is an aged analysis of trade receivables (net of provision for bad and doubtful debts) as at 30 September 2002 and 31 March 2002:

Ageing	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Current to 90 days	93,176	64,191
91-180 days	5,630	3,630
181-360 days	2,351	5,729
Total	101,157	73,550

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2002

9. TRADE PAYABLES

The following is an aged analysis of trade payables as at 30 September 2002 and 31 March 2002:

Ageing	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Current to 90 days	34,057	20,085
91-180 days	740	241
181-360 days	40	739
Over 360 days	745	304
Total	<u>35,582</u>	<u>21,369</u>

10. BANK LOANS, SECURED

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Repayable within a period of:		
Within one year	2,000	2,000
After one year but within two years	2,000	2,000
After two years but within five years	5,000	4,050
After five years	–	–
	<u>9,000</u>	<u>8,050</u>
Portion classified as current liabilities	<u>(2,000)</u>	<u>(2,000)</u>
Long term portion	<u>7,000</u>	<u>6,050</u>

The Group's leasehold land and building situated in Hong Kong and elsewhere with an aggregate net book value of HK\$18,569,000 (31 March 2002: HK\$18,972,000) were pledged to secure the bank loans and general banking facilities granted to the Group. The banking facilities were also secured by corporate guarantees from the holding company of the Group.

11. RELATED PARTY TRANSACTIONS

- (a) During the period, the Group sold goods to the Safilo S.p.A group of companies with a net sales value amounting to HK\$96,251,000 (six months ended 30 September 2001: HK\$68,024,000). The aggregate trade receivable due from the Safilo S.p.A. group of companies as at 30 September 2002 in respect of these sales amounted to HK\$51,886,000 (31 March 2002: HK\$22,599,000).
- (b) The Company executed guarantees in respect of banking facilities granted to certain wholly-owned and non wholly-owned subsidiaries for no consideration. Further details are set out in note 12 below.

The transaction set out in note (a) above also constituted connected transactions as defined under the Listing Rules.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2002

12. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
(a) Contingent liabilities under currency option transactions		
Selling US\$572,100	4,462	–
Buying Euro600,000	<u>4,593</u>	<u>–</u>
(b) Guarantees given by the Company for banking facilities granted to subsidiaries	<u>78,000</u>	<u>79,000</u>

Details of the corporate guarantee given by the Company to banks to secure banking facilities granted to the non wholly-owned subsidiaries are as follows:

	Corporate guarantee given by the Company	
	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
Grand Artic Limited	2,000	2,000
Gold Strong Industrial Limited	<u>3,000</u>	<u>3,000</u>

None of these banking facilities were utilised as at 30 September 2002 and 31 March 2002.

13. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	30 September 2002 (Unaudited) HK\$'000	31 March 2002 (Audited) HK\$'000
(a) Commitments for the acquisition of land and buildings, equipment and machinery:		
Contracted for	<u>11,483</u>	<u>20,959</u>
(b) Total future minimum lease payments commitment for non-cancellable operating leases in respect of land and buildings falling due in the following periods:		
Within one year	557	618
In the second to fifth years, inclusive	1,318	1,428
After five years	<u>26,106</u>	<u>26,275</u>
	<u>27,981</u>	<u>28,321</u>
(c) Commitments under foreign exchange forward contracts		
Selling US\$178,000	–	1,388
Buying Euro200,000	–	1,362

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2002

14. COMPARATIVE AMOUNTS

Due to the adoption of the revised SSAP 15 during the current period as referred to in note 1, the presentation of the condensed consolidated cash flow statement has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the board of directors on 6 December 2002.

RESULTS

For the six months ended 30 September 2002, the unaudited consolidated turnover grew moderately by 6.4% from that of the corresponding period in 2001 to HK\$210,397,000, and the Group's net profit attributable to shareholders decreased by 5.4% to HK\$46,058,000. The decrease in net profit during the period lowered the half-yearly earnings per share to HK14.2 cents per ordinary share (2001: HK15 cents).

BUSINESS REVIEW

ODM/OEM Businesses

During the period, there was a mild growth in the demand for the Group's eyewear products in both the European and the U.S. markets despite the slow economic recovery in the consumer markets in these regions. The moderate turnover growth was the result of the active sales and marketing policy being pursued, despite the fact that there was increased competition and the business environment changed rapidly everyday.

On the other hand, direct labour cost and other operating costs in the PRC have risen steadily during the period under review. The increased operating expenses were also associated with aggressive product development policy with a view to provide more attractive design for customers to choose from. Customers now prefer to receive more designs originated from eyewear manufacturers rather than just prescribe their own requirements. Besides, additional costs have been incurred in producing products of increasingly difficult technicality and in meeting the need for speedier delivery. Due to the factors mentioned, the gross profit margin of the Group has been undermined slightly and has decreased to 42.0%, compared with 43.1% of the corresponding period in 2001.

The 5.4% decline in net profit attributable to shareholders was explained by the decrease of gross profit and also the increase in the provision of doubtful debts, which was in line with our prudent approach that was commensurate with the less certain economic outlook worldwide. However, barring unforeseen and unexpected circumstances, the management believed that the current level of the general provision of doubtful debts of the Group was sufficient to withstand foreseeable credit risk of our customers.

The U.S. and European markets remained to be the most important markets of the Group. The former accounted for approximately 46.0% of the Group in the subject period while the latter accounted for approximately 34.5% (2001: 41.2% and 30.4% respectively). It is expected that this trend of geographical distribution of our sales will remain consistent for some time before other markets can grow up.

Licensed Products

During the period under review, the Group obtained the exclusive license to distribute FX Creations eyewear products worldwide. The management believes that this new license will aid the growth of the Group's distribution business.

PROSPECT

The management views the second half of the financial year 2002/2003 with cautious optimism as it is believed the European and the U.S. economies will recover in a slow pace. In this regard, the Group will enhance its productivity as well as its product quality to offer superior products with attractive prices to retain existing customers and to explore new and potential overseas customers. The drive to enhance productivity through a better consolidation of the core manufacturing activities will also help to improve the Group's profit prospect and returns for shareholders.

The Group will also continue with its efforts to gain larger market share worldwide, especially in Europe and the U.S. It is believed that these markets still have a very good growth potential for the ongoing business development effort of the Group. It is our mission to remain to be one of the most important eyewear manufacturers in the world.

Furthermore, capitalizing on the favorable reputation of the Group as a reliable and high quality manufacturer and the sound financial position, the Group will identify more opportunity in the acquisition of licensed brands for its own distribution business. The Group hopes to widen its business threshold and to derive a greater benefit out of a higher degree of vertical integration in the business activities.

Apart from the plans mentioned above, the Group will also monitor closely the progress of economic development in the PRC and to get access to the PRC if the PRC economy after the accession to the World Trade Organization will be more ready for the optical retailing business. The Group is of the view that the opportunity to further involve in the optical retailing business in the PRC can be a substantial one when the time is ready.

The Group's new factory complex in Shenzhen, the PRC is expected to be completed by the first half of 2003 and will commence production output in the second half of 2003. With increasing production capacity and expected greater efficiency through better spatial organisation of facilities following the completion of new factory complex, the Group will be well positioned to meet the anticipated rebounding market demand for eyewear products.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity positions are healthy and stable. As at the end of September 2002, the aggregate shareholders' equity of the Group amounted to HK\$465,398,000 (31 March 2002: HK\$443,614,000), representing a growth of 4.9% over the figures as at the end of March 2002. On 30 September 2002, the Group's cash and bank deposits amounted to HK\$176,012,000 (31 March 2002: HK\$173,849,000). With the aforementioned and the currently available bank facilities, the management of the Group is confident that the Group's financial resources are sufficient to finance its day-to-day operation and other capital expenditures required for expansion.

The current ratio of 5.8:1 and the quick acid ratio of 4.7:1 were also achieved as at the end of the period under review. The Group had available aggregate banking facilities of HK\$78,000,000 of which about HK\$11,830,000 were utilised, representing a decrease of approximately HK\$5,484,000 as compared to 30 September 2001. Average bank borrowings were lower in the period under review as compared to the corresponding period in year 2001. This situation reflected the improved cash inflow and increase in turnover. The gearing ratio of the Group as at 30 September 2002, defined as the total bank borrowings over shareholder's funds, was 2.5% (30 September 2001: 4.1%)

Capital expenditures for the period under review, included additions of new machinery and construction of new factory complex, amounted to HK\$17,319,000 and it was mostly funded by internal generated working capital.

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Whilst the sales of the Group were mainly denominated in Hong Kong currency and US dollars, purchases of raw materials and production operation were in majority carried out in Hong Kong dollars and Reminbi. All of the banking deposits were maintained in Hong Kong dollars and US dollars respectively. Hence, the Group's exposure to foreign exchange risk was minimal.

THE PLEDGE OF ASSETS

The Group's leasehold land and building situated in Hong Kong and elsewhere with an aggregate net book value of HK\$18,569,000 (31 March 2002: HK\$18,972,000) were pledged to secure the bank loans and general banking facilities granted to the Group. The banking facilities were also secured by corporate guarantees from the holding company of the Group.

EMPLOYEES

As at 30 September 2002, the Group had a total of approximately 4,100 employees. Remuneration packages have been reviewed on a regular basis and determined according to the performance of employees and on the basis of the salary trends in various locations in which the Group operates. In addition to competitive remuneration packages, discretionary bonuses are awarded to eligible staff based on the Group's performance and individual merits. Various fringe benefits ranging from Mandatory Provident Fund, medical and hospitalization insurance are provided. Employee's remuneration is consistent with the industry practice in the respective countries where the Group operates. No options have been granted since the approval of the Company's share option scheme.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere thanks to all the Group's employees for their continuous support and dedicated services.

CLOSURE OF THE REGISTER

The Register of Members will be closed from 3 January 2003 to 9 January 2003 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on 2 January 2003.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, the interests of the directors of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

The Company

Name of director	Nature of Interest	Note	Number of Ordinary shares Beneficially held
Hui Leung Wah	Corporate	1	141,116,000
Hui Leung Wah	Personal		5,678,000
Poon Sui Hong	Personal		6,600,000
Leung Shu Sum	Personal		6,000,000
Fok Kwan Wing	Personal		150,000
Mario Pietribiasi	Personal		100,000

Note:

1. 141,116,000 shares are held by Best Quality Limited, the entire issued voting share capital of which is held by Wahyee Limited as trustee for a unit trust which, in turn, is beneficially owned by a discretionary trust, the beneficiaries of which include Mr. Hui Leung Wah's spouse and children.

Subsidiaries

Mr. Hui Leung Wah is beneficially interested in 200,000 non-voting deferred shares in the capital of Elegance Optical Investments Limited. The rights and restrictions of such non-voting deferred shares are disclosed in the audited financial statements for the year ended 31 March 2002.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries of the Group held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Associated Corporations

Each of Best Quality Limited, HLW Concept Company Limited, Brilliant Hill Investment Limited and Deluxe Concept Limited is a wholly-owned subsidiary of Wahyee Limited, the ultimate holding company of the Company. Wahyee Limited holds the shares of such companies as trustee for a unit trust which, in turn, is beneficially owned by a discretionary trust, the beneficiaries of which include Mr. Hui Leung Wah's spouse and children. Accordingly, Mr. Hui Leung Wah is deemed to be interested in the shares of each of Best Quality Limited, HLW Concept Company Limited, Brilliant Hill Investment Limited and Deluxe Concept Limited directly or indirectly held by Wahyee Limited, as described below:

Name of corporation	Nature of interest	Number of ordinary shares beneficially held
Best Quality Limited	Corporate	1 share of US\$1
HLW Concept Company Limited	Corporate	2 shares of HK\$0.10 each
Brilliant Hill Investment Limited	Corporate	100 shares of HK\$1 each
Deluxe Concept Limited	Corporate	2 shares of US\$1 each

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other beneficial interest in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors of the Company, their respective spouse or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register kept by the Company pursuant to section 16(1) of the SDI Ordinance:

Name of shareholder	Number of shares held	Percentage of issued shares
Hui Leung Wah	146,794,000	45.36
Safilo Far East Limited	74,599,123	23.05

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or by any of its subsidiaries during the period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principle and practices adopted by the Group and discussed internal control and financial reporting matters. An Audit Committee meeting has been held to review the interim results of the Group.

CODE OF BEST PRACTICE

The directors are not aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited ('SEHK'), for any part of the accounting period covered by the interim report. Independent non-executive directors of the Company are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's bye-laws.

By Order of the Board
Hui Leung Wah
Chairman

Hong Kong, 6 December 2002