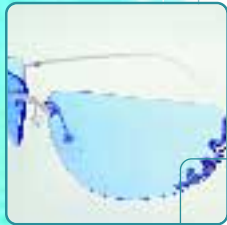


ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

2005-2006



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HUI Leung Wah
POON Sui Hong
LEUNG Shu Sum

Non-Executive Directors

Mario PIETRIBIASI
Massimiliano TABACCHI

Independent Non-Executive Directors

POON Kwok Fai, Ronald
TAM Hok Lam
(Appointed on 20 April 2005)
WONG Chung Mat, Ben

QUALIFIED ACCOUNTANT & COMPANY SECRETARY

KWAN Chi Kin, Wallace

PRINCIPAL BANKERS

Dah Sing Bank Limited
The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
Citibank, N.A.
UniCredito Italiano S.p.A.

AUDITORS

Ernst & Young

HONG KONG LEGAL ADVISERS

Richards Butler

BERMUDA LEGAL ADVISERS

Conyers, Dill & Pearman

HONG KONG SHARE REGISTRARS

Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRARS

The Bank of Bermuda
6 Front Street
Hamilton HM 11
Bermuda

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

B2 & B4 8th Floor Block B
Mai Hing Industrial Building
16-18 Hing Yip Street
Kwun Tong
Kowloon
Hong Kong

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 2005. These condensed consolidated interim financial statements 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 2005

		For the six months ended 30 September	
		2005	2004
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	2,3	199,058	211,169
Cost of sales		(149,292)	(152,245)
Gross profit		49,766	58,924
Other revenue and gains	3	2,508	2,624
Selling and distribution expenses		(5,549)	(9,460)
General and administrative expenses		(28,832)	(27,692)
PROFIT FROM OPERATING ACTIVITIES		17,893	24,396
Finance costs		(1,061)	(33)
Share of losses of associates		(1,131)	(22)
PROFIT BEFORE TAX	4	15,701	24,341
Tax	5	(2,639)	(2,721)
PROFIT FOR THE PERIOD		13,062	21,620
ATTRIBUTABLE TO:			
Equity holders of the parent		16,048	21,492
Minority interests		(2,986)	128
		13,062	21,620
EARNINGS PER SHARE	6		
Basic		HK 5.0 cents	HK 6.6 cents
Diluted		N/A	N/A
DIVIDEND PER SHARE	7	HK 2.5 cents	HK 3.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2005

	Notes	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) (Restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets:			
Property, plant and equipment		252,675	248,431
Investment properties		10,947	10,947
Prepaid land premiums/land lease payments		12,337	12,437
Interests in associates		4,434	5,023
Deposit paid for a land use right		3,671	2,838
Club debenture		650	650
Total non-current assets		284,714	280,326
CURRENT ASSETS			
Inventories		87,541	64,614
Prepaid land premiums/land lease payments		353	391
Trade and bills receivables	8	114,464	117,464
Prepayments, deposits and other receivables		4,340	8,443
Trading securities	9	482	401
Tax recoverable		–	42
Cash and cash equivalents		130,042	134,374
Total current assets		337,222	325,729
CURRENT LIABILITIES			
Trade payables	10	45,974	41,611
Bills payable		2,044	1,907
Other payables and accrued liabilities		27,491	29,435
Tax payable		7,913	5,070
Current portion of finance lease payables		218	–
Interest-bearing bank loans, secured	11	55,932	40,334
Total current liabilities		139,572	118,357
NET CURRENT ASSETS		197,650	207,372
TOTAL ASSETS LESS CURRENT LIABILITIES		482,364	487,698
NON-CURRENT LIABILITIES			
Finance lease payables		255	–
Interest-bearing bank loans, secured	11	5,997	8,666
Deferred tax		7,381	7,181
Total non-current liabilities		13,633	15,847
		468,731	471,851
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Issued capital		32,365	32,365
Reserves		411,257	403,300
Proposed dividend		8,091	16,182
		451,713	451,847
Minority interests		17,018	20,004
		468,731	471,851

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

		Attributable to equity holders of the Company									
		Issued capital	Share premium	Capital reserve	Investment property revaluation reserve	Goodwill eliminated against reserves	Retained profits	Proposed dividend	Total	Minority Interests	Total equity
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 April 2005 (audited)										
	As previously reported	32,365	56,831	41,800	1,879	(152)	302,942	16,182	451,847	20,004	471,851
	Opening adjustment for the adoption of HKAS 40	-	-	-	(1,879)	-	1,879	-	-	-	-
	As restated, after opening adjustment	32,365	56,831	41,800	-	(152)	304,821	16,182	451,847	20,004	471,851
	Profit for the period (unaudited)	-	-	-	-	-	16,048	-	16,048	(2,986)	13,062
	Final 2005 dividend declared and paid	-	-	-	-	-	-	(16,182)	(16,182)	-	(16,182)
	Interim 2006 dividend	-	-	-	-	-	(8,091)	8,091	-	-	-
	At 30 September 2005 (unaudited)	32,365	56,831*	41,800*	-	(152)*	312,778*	8,091	451,713	17,018	468,731

* represents aggregate reserves of HK\$411,257,000 (31 March 2005: HK\$403,300,000) included in the condensed consolidated balance sheet.

		Attributable to equity holders of the Company									
		Issued capital	Share premium	Capital reserve	Investment property revaluation reserve	Goodwill eliminated against reserves	Retained profits	Proposed dividend	Total	Minority Interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 April 2004 (audited)	32,365	56,831	41,800	-	(152)	292,034	22,655	445,533	21,159	466,692
	Profit for the period (unaudited)	-	-	-	-	-	21,492	-	21,492	128	21,620
	Final 2004 dividend declared and paid	-	-	-	-	-	-	(22,655)	(22,655)	-	(22,655)
	Interim 2005 dividend	-	-	-	-	-	(9,709)	9,709	-	-	-
	At 30 September 2004 (unaudited)	32,365	56,831	41,800	-	(152)	303,817	9,709	444,370	21,287	465,657

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 September 2005*

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	24,412	31,199
Net cash outflow from investing activities	(42,146)	(90,391)
Net cash inflow from financing activities	13,402	3,345
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,332)	(55,847)
Cash and cash equivalents at beginning of period	134,374	124,055
CASH AND CASH EQUIVALENTS AT END OF PERIOD	130,042	68,208
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	30,358	37,008
Non-pledged time deposits	99,684	31,200
	130,042	68,208

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 18, 19, 21, 23, 24, 27, 28, 33, 36, 37, HKFRS 2, HKFRS 3 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) *HKAS 17 – Leases*

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group’s leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group’s leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land premiums/land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums/land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained profits. The comparatives on the condensed consolidated balance sheet as at 31 March 2005 have been restated to reflect the reclassification of leasehold land. Balance amortisable within one year from the balance sheet date of HK\$353,000 (31 March 2005: HK\$391,000) was classified as current asset with the remaining portion of HK\$12,337,000 (31 March 2005: HK\$12,437,000) classified as non-current asset.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (Continued)

(b) HKAS 32 and HKAS 39 – Financial Instruments

In prior periods, the Group classified its club debenture as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, the club debenture is classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of available-for-sale investments cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the income statement.

This change in accounting policy has had no significant effect on the condensed consolidated income statement and retained profits.

(c) HKAS 40 – Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in the condensed consolidated statement of changes in equity on page 4 to the condensed consolidated financial statements.

The adoption of HKAS 40 has had the effect to increase the Group's retained profits and decrease the Group's investment property revaluation reserve as at 1 April 2005 by HK\$1,879,000.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

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 profit for the period by geographical area of market for the six months ended 30 September 2005 and 2004 is as follows:

	For the six months ended 30 September			
	2005		2004	
	Turnover (Unaudited) HK\$'000	Profit for the period (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Profit for the period (Unaudited) HK\$'000
By geographical area:				
Europe	116,137	10,144	105,110	11,552
North America	66,000	5,765	80,737	8,874
The People's Republic of China (including Hong Kong)*	10,739	938	15,396	1,692
Other Asian countries	5,566	486	6,473	711
Others	616	54	3,453	380
	199,058	17,387	211,169	23,209
Interest income		1,193		2,319
Unallocated corporate expenses		(687)		(1,132)
Finance costs		(1,061)		(33)
Share of losses of associates		(1,131)		(22)
Tax		(2,639)		(2,721)
Profit for the period		13,062		21,620

* Sales were primarily made to agents in Hong Kong, but were also made to local retailers. The directors believed that the agents exported most of the Group's products to Europe and North America.

3. TURNOVER AND OTHER REVENUE AND GAINS

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 gains is as follows:

	For the six months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover – sale of goods	199,058	211,169
Interest income	1,193	2,319
Sale of scrap materials	442	–
Realised gain on trading securities	81	23
Others	792	282
Other revenue and gains	2,508	2,624

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

4. PROFIT BEFORE TAX

Profit before tax was determined after charging/(crediting):

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000 (restated)
Cost of inventories sold	149,983	151,540
Depreciation	15,344	15,375
Amortisation of prepaid land premiums/land lease payments	214	178
Interest on bank loans wholly repayable within five years	1,061	33
Minimum lease payments under operating leases in respect of land and buildings	1,720	808
Staff costs	48,383	41,062
Loss/(gain) on disposal of fixed assets	599	(127)
Provision for bad and doubtful debts	–	34
Provision for inventory obsolescence	661	705
Other revenue and gains	2,508	2,624
	<u>2,508</u>	<u>2,624</u>

5. TAX

	For the six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong profits tax	2,439	2,401
Deferred tax	200	320
	<u>2,639</u>	<u>2,721</u>
Total tax charge for the period	2,639	2,721

The Group provides 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 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. The subsidiaries operating in Mainland China (the “PRC”) were not subject to the PRC income tax in the current or prior periods as they did not generate any taxable income in the PRC.

No recognition of the potential deferred tax assets relating to tax losses of certain subsidiaries has been made as the recoverability of the potential deferred tax assets is uncertain.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

6. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net profit attributable to equity holders of the parent for the period of HK\$16,048,000 (six months ended 30 September 2004: HK\$21,492,000) and 323,649,123 (2004: 323,649,123) shares in issue.

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

7. DIVIDEND

At a meeting of board of directors held on 14 December 2005, the directors resolved to pay an interim dividend of HK 2.5 cents (2004: HK 3.0 cents) to shareholders whose name appear on the Register of Members of the Company on 19 January 2006. The interim dividend will be paid on or before 26 January 2006.

8. TRADE AND BILLS 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 90 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 and bills receivables (net of provision for bad and doubtful debts) as at 30 September 2005 and 31 March 2005:

Ageing	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Current to 90 days	113,185	114,741
91-180 days	471	2,387
181-360 days	808	336
Total	<u>114,464</u>	<u>117,464</u>

A provision is made when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables.

9. TRADING SECURITIES

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	<u>482</u>	<u>401</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

10. TRADE PAYABLES

The following is an aged analysis of trade payables as at 30 September 2005 and 31 March 2005:

Ageing	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Current to 90 days	44,140	38,990
91-180 days	573	647
181-360 days	567	576
Over 360 days	694	1,398
Total	<u>45,974</u>	<u>41,611</u>

11. INTEREST-BEARING BANK LOANS, SECURED

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Repayable:		
Within one year	55,932	40,334
After one year but within two years	4,332	5,333
After two years but within five years	1,665	3,333
	<u>61,929</u>	49,000
Portion classified as current liabilities	<u>(55,932)</u>	(40,334)
Long term portion	<u>5,997</u>	<u>8,666</u>

The Group's leasehold land and buildings situated in Hong Kong with an aggregate net book value of HK\$12,433,000 (31 March 2005: HK\$12,374,000) and the investment properties situated in Hong Kong with an aggregate valuation of HK\$4,829,000 (31 March 2005: HK\$4,829,000) were pledged to secure the bank loans and general banking facilities to the Group. The banking facilities were also secured by corporate guarantees from the Company.

12. RELATED PARTY TRANSACTIONS

(a) *Transactions with related parties*

	For the six months Ended 30 September 2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Transactions with a substantial shareholders:		
Sale of goods to Safilo S.p.A group of companies	<u>88,980</u>	<u>104,233</u>

Guarantees granted to subsidiaries are included in note 13.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

12. RELATED PARTY TRANSACTIONS (Continued)

(b) *Outstanding balances with related parties*

	Due from related parties	
	30 September	31 March
	2005	2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Amount due from a substantial shareholder:		
Trade receivable from Safilo S.p.A group of companies	<u>73,374</u>	<u>79,599</u>

(c) *Compensation of key management personnel of the Group*

	For the six months	
	Ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	<u>2,978</u>	<u>2,898</u>

13. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	30 September	31 March
	2005	2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Guarantees given by the Company for banking facilities granted to:		
– wholly-owned subsidiaries	145,316	117,000
– non wholly-owned subsidiaries	<u>5,000</u>	<u>5,000</u>
	<u>150,316</u>	<u>122,000</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	31 March
	2005	2005
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Grand Artic Limited	2,000	2,000
Gold Strong Industrial Limited	<u>3,000</u>	<u>3,000</u>

These banking facilities were utilized by these subsidiaries to the extent of approximately HK\$849,000 as at the balance sheet date (31 March 2005: approximately HK\$326,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

14. OPERATING LEASE ARRANGEMENTS

(a) *As lessor*

The Group leases one of its investment properties under an operating lease arrangement, with its lease negotiated for a term of four years. The terms of the lease generally also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within one year	102	102
In the second to fifth years, inclusive	25	76
	<u>127</u>	<u>178</u>

(b) *As lessee*

The Group leases certain of its office premises under operating lease arrangements. Lease for office premises are negotiated for terms ranging from one to 50 years.

At 30 September 2005, the Group had total future minimum leases payments under non-cancellable operating leases falling due as follows:

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
Within one year	3,100	2,730
In the second to fifth years, inclusive	8,278	7,896
After five years	44,236	28,086
	<u>55,614</u>	<u>38,712</u>

15. COMMITMENTS

Capital expenditure contracted for but not provided in the financial statement

	30 September 2005 (Unaudited) HK\$'000	31 March 2005 (Audited) HK\$'000
– Buildings under construction	4,754	1,081
– Equipment and machinery	2,670	3,192
– Motor vehicle	527	–
– Capital contributions payable to subsidiaries	44,619	44,619
	<u>52,570</u>	<u>48,892</u>

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorized by the board of directors as on 14 December 2005.

INTERIM DIVIDEND

At a meeting of board of directors held on 14 December 2005, the directors resolved to pay an interim dividend of HK 2.5 cents (2004: HK 3.0 cents) to shareholders whose name appear on the Register of Members of the Company on 19 January 2006. The interim dividend will be paid on or before 26 January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 September 2005, the Group's turnover decreased by 5.74% from the six months period ended 30 September 2004 to HK\$199,058,000 (2004: HK\$211,169,000). The profit attributable to the shareholders for the period was HK\$16,048,000 (2004: HK\$21,492,000). Earnings per share for the period was HK 5.0 cents as compared to HK 6.6 cents for the six months ended 30 September 2004. The Board recommends the payment of interim dividend of HK 2.5 cents per share for the period as compared to interim dividend of HK 3.0 cents per share for the six months ended 30 September 2004.

The decrease in turnover of the Group in the first half of this financial year was mainly due to the sluggish demand from customers in North America. The turnover from North America declined by 18.25% to HK\$66,000,000 (2004: HK\$80,737,000), accounting for 33.16% (2004: 38.23%) of the total turnover of the Group. Contrary to the sales performance of the North American market, the Group continued to achieve a sale growth in the European market. Turnover from Europe rose by 10.49% over the same period in 2004 to HK\$116,137,000 (2004: HK\$105,110,000), representing 58.34% of the total turnover of the Group, compared to that of 49.78% in the corresponding period in 2004. The turnover from China and Hong Kong and other Asian countries accounted for 5.39% (2004: 7.29%) and 2.80% (2004: 3.07%) respectively of the Group's turnover for the period concerned.

The gross profit margin was maintained at 25.00%, which was comparable to the gross profit margin of 25.00% for the previous financial year ended 31 March 2005. Despite the management's effort on cost control and streamlining the operation, the savings achieved had been outweighed by the reduction in economy of scale caused by the slower than expected sales in the North America, high labour costs triggered by the labour shortage in China and the continual increase in utility expenses. The new factory in Dongguan that commenced operation in June 2005 had also contributed to an increased head-count and greater factory overhead.

The period under review witnessed the continuous strong demand for acetate-based products. However, the Group could not benefit much from the trend as we did not have a great capacity for this kind of products.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

PROSPECT

The first half of financial year 2005/2006 experience a slow start. It works to lower the economy of scale of our operation. Thus the profitability of the Group retreats when compared to the corresponding period last year. However, at the end of the period under review, the business momentum speeds up and it is a positive sign for the business prospect of the second half of the financial year.

The management will focus further on streamlining the production operation as well as strengthening the sales effort. We shall further align our production capacities in Shenzhen and Dongguan to achieve better efficiency internally.

The strength of the U.S. dollars in recent months and in particular the weakness of Japanese Yen will help easing the rising pressure on our material costs. We are hopeful that the upward trend in the material costs has been stabilised and that may help releasing the pressure which squeezes on our profit margin. That said, the long expected appreciation of Renminbi, if and when happens, will work against the advantages offered by the strong U.S. dollars as a good part of the operational expenses of the Group is Renminbi-based. A Renminbi appreciation against the U.S. dollar and other currencies will increase our cost of operation since our sales are predominantly U.S. dollar based.

In general and based on currently available information, the management is cautiously optimistic about achieving better results for the rest of the year. Although there are mixed views on the trend of the world economy, the management is satisfied that demand for the optical products worldwide remains healthy. With our devotion and dedication to the manufacturing excellence and the solid fundamentals already invested upon, the Group is ready to capitalise on growing the business.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain a stable liquidity position throughout the period under review. Total cash and banking balances of the Group as at 30 September 2005 amounted to HK\$130,042,000 (31 March 2005: HK\$134,374,000), denominated in HK dollars, U.S. dollars and Reminbi. The Group had available aggregate banking facilities of HK\$150,316,000 of which about HK\$63,973,000 were utilised (31 March 2005: HK\$50,907,000). The Group utilised additional banking facilities of HK\$13,066,000 during the period under review to finance the installation of new production facilities at Jin Quan, Shenzhen as well as the addition of factory premises at Dongguan in China. All of the bank loans were denominated in HK dollars and of floating rate structures. The Group's gearing ratio was 14.16% (31 March 2005: 11.27%) at 30 September 2005, defined as the total bank borrowings over shareholder's funds. A current ratio of 2.42:1 (31 March 2005: 2.75:1) and the quick acid ratio of 1.79:1 (31 March 2005: 2.21:1) were maintained as at the end of the period under review.

Capital expenditure for the period under review on additions of new machinery and addition of factory premises at Dongguan in China amounted to HK\$26,921,000 (2004: HK\$30,741,000) and it was mostly funded by internal generated working capital and banking facilities.

The Group contracts business transactions mainly in Hong Kong dollars, Renminbi and U.S. dollars and, whereas bank deposits are maintained in Hong Kong dollars and U.S. dollars. As Hong Kong dollars is pegged to U.S. dollars and there has not been any major fluctuation in the exchange rate between Reminbi and Hong Kong dollars, the Group does not foresee any material exchange risk in this respect. There is no outstanding foreign exchange contract as at 30 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

THE PLEDGE OF ASSETS

The Group's leasehold land and buildings situated in Hong Kong and elsewhere with an aggregate net book value of HK\$12,433,000 (31 March 2005: HK\$12,374,000) and the investment properties situated in Hong Kong with an aggregate valuation of HK\$4,829,000 (31 March 2005: HK\$4,829,000) were pledged to secure the general bank facilities granted to the Group. The banking facilities were also secured by corporate guarantees from the Company.

EMPLOYEES

As at 30 September 2005, the Group employed approximately 4,954 full time staff in China and in Hong Kong. Total staff costs of the Group for the period under review amounted to HK\$48,383,000 (2004: HK\$41,062,000). The Group remunerates its employees based on their performance, working experience and the prevailing labour market. Performance related bonuses are granted on a discretionary basis. The Group also provides medical insurance coverage and provident fund to employees in Hong Kong.

By Order of the Board
Hui Leung Wah
Chairman

Hong Kong, 14 December 2005

OTHER INFORMATION

CLOSURE OF THE REGISTER

The Register of Members will be closed from 13 January 2006 to 19 January 2006 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 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 12 January 2006.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests and short positions of the directors of the Company in the shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive was taken or deemed to have under such provisions of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Shares in the Company (Long Position)

Name of Director	Number of shares held		Total	Percentage of issued share capital of the Company
	Personal Interest	Other Interests		
Hui Leung Wah (<i>Note</i>)	8,036,000	141,316,000	149,352,000	46.15
Poon Sui Hong	6,900,000	–	6,900,000	2.13
Leung Shu Sum	6,000,000	–	6,000,000	1.85
Mario Pietribiasi	100,000	–	100,000	0.03
	<u>21,036,000</u>	<u>141,316,000</u>	<u>162,352,000</u>	<u>50.16</u>

Note: 141,116,000 shares held as Other Interests of Mr. Hui are held by Best Quality Limited and 200,000 shares held by Deluxe Concept Limited, the entire issue share capital of both Best Quality Limited and Deluxe Concept Limited are held by Wahyee Limited as trustee for a unit trust, which, in turn, is beneficially owned by Docater Trust, a discretionary trust with Ansbacher (BVI) Limited as trustee, the beneficiaries of which include the spouse and children of Mr. Hui Leung Wah (Mr. Hui himself is not a beneficiary of the discretionary trust).

OTHER INFORMATION (Continued)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Long Position in Ordinary Shares in the 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 2005.

In addition to the above, certain directors of the Company 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.

Saved as disclosed above, as at 30 September 2005, none of the directors had any interest or short position in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures set out below, 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.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries and fellow subsidiaries was a party during the period.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

Other than as disclosed above under the section headed "Director's Interests and Short Positions in Shares, Underlying Shares and Debentures" so far as is known to the directors of the Company, as at 30 September 2005, the following interests in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Number of Issued Ordinary Shares Held	Percentage of Issued Shares
Poon Yuk Yee (<i>Note 1</i>)	149,352,000	46.15
Ansbacher (BVI) Limited (<i>Note 2</i>)	141,316,000	43.66
Wahyee Limited (<i>Note 2</i>)	141,316,000	43.66
Safilo Far East Limited	74,599,123	23.05

OTHER INFORMATION (Continued)

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

Note:

1. Ms. Poon Yuk Yee is the wife of Mr. Hui Leung Wah and is deemed to be interested in shares held by and shares taken to be interested by Mr. Hui Leung Wah.
2. Details are stated in above section "Director's Interests and Short Positions in Shares, Underlying Shares and Debentures".

Saved as disclosed above, as at 30 September 2005, no person, other than the directors and chief executives of the Company, whose interests are set out in "Director's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short positions in the shares, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 21 March 1996 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was approved by the shareholders at a special general meeting of the Company held on 16 May 2003 to comply with Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the SEHK.

As at 30 September 2005, no options granted under the Old Share Option Scheme remained outstanding and no options was granted under the New Share Option Scheme during the period.

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 Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls for the six months ended 30 September 2005. The audit committee comprises Poon Kwok Fai, Ronald, Wong Chung Mat, Ben and Tam Hok Lam, Tommy, the independent non-executive directors of the Company, with Tam Hok Lam, Tommy having appropriate professional financial qualifications.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("SEHK") throughout the six months ended 30 September 2005, except the following deviation:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Hui Leung Wah is the founder and Chairman of the Board. The Company does not have any officer with the title "chief executive officer". Mr. Hui assumes the role of both Chairman and Managing Director of the Company and he is in charge of the overall management of the Company. The Company considers that the combination of the roles of chairman and chief executive officer can promote the efficient formulation and implementation of the strategies which will enable the Company to take advantage of market opportunities promptly. The Company will review the feasibility of separating the two roles to comply with Code Provision A.2.1.

OTHER INFORMATION (Continued)

CORPORATE GOVERNANCE (Continued)

To comply with the Code Provision A.4.1 of the Code, the relevant resolutions have been proposed and approved by the shareholders at the annual general meeting of the Company held on 19 August 2005 whereby all non-executive directors were re-elected as a non-executive director for a specific terms of not more than three years.

To comply with the Code Provision A.4.2 of the Code, the relevant amendment to By-laws of the Company was proposed and approved by the shareholders at the annual general meeting of the Company held on 19 August 2005 whereby all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director of the Company shall be subject to rotation at least once every three years respectively.

The Company has set up a remuneration committee in June 2005 responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the Directors and senior management and on the establishment of formal procedures for developing policy on such remuneration.

The Company has also set up a nomination committee in June 2005. The committee is responsible for nominating and affirming potential directors approved by the Board, reviewing the structure and composition of the Board on a regular basis and ensuring fair and transparent procedures for the appointment of Directors to the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (the "Model Code")

The Company had adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding Director's securities transactions. Upon specific enquiry of the Company, all of the Directors have confirmed that they have complied with the Model Code throughout the six months ended 30 September 2005.

DISCLOSURES PURSUANT TO RULES 13.13, 13.15 AND 13.20 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.20 of the Listing Rules, the following disclosures are included in respect of advances to entities. As at 30 September 2005, the Group had provided advances to one of its trade debtors, the Safilo S.p.A. group of companies, amounting to approximately HK\$73,374,000, which exceeded 8% of the market capitalisation of the Company as at 30 September 2005. The balances represented trade receivables from the sales of goods to the Safilo S.p.A. group of companies at the balance sheet date, which are interest-free. The Group normally allows credit terms of 120 days to these customers. Further details of such advances are disclosed in the announcement of the Company dated 22 November 2005.

As at 30 September 2005, the issued share capital of the Company comprised 323,649,123 shares in issue. Based on the average closing price of the Company's shares of HK\$1.05 per share by reference to the Stock Exchange's daily quotation sheets for the trading days from 23 September 2005 to 29 September 2005 (both days inclusive), being the five business days immediately preceding 30 September 2005, the total market capitalisation of the Company was approximately HK\$339,831,579 as at 30 September 2005.