



ELEGANCE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTERIM REPORT/2003-2004

Elegance
2003/2004

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 2003. 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 2003

		For the six months ended 30 September	
		2003	2002
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	2, 3	164,149	210,397
Cost of sales		(108,789)	(121,953)
Gross profit		55,360	88,444
Other revenue and gains	3	2,339	2,025
Selling and distribution expenses		(6,802)	(6,288)
General and administrative expenses		(30,208)	(28,485)
Other operating expenses		(348)	(2,300)
PROFIT FROM OPERATING ACTIVITIES		20,341	53,396
Finance costs		(112)	(130)
Share of profits and losses of associates		(99)	34
PROFIT BEFORE TAX	4	20,130	53,300
Tax	5	(1,685)	(4,823)
PROFIT BEFORE MINORITY INTERESTS		18,445	48,477
Minority interests		(226)	(2,419)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		18,219	46,058
Earnings per share	6		
– Basic		HK 5.6 cents	HK 14.2 cents
– Diluted		N/A	N/A
Dividend per share	7	HK 4.0 cents	HK 4.0 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2003

	Notes	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		229,973	217,734
Investment properties		740	740
Interests in associates		1,811	2,115
Long term investment		650	650
		<u>233,174</u>	<u>221,239</u>
CURRENT ASSETS			
Inventories		61,540	65,338
Trade receivables	8	74,531	78,030
Prepayments, deposits and other receivables		9,184	4,975
Short term investments		648	496
Bills receivable		434	382
Cash and cash equivalents		172,804	188,211
		<u>319,141</u>	<u>337,432</u>
CURRENT LIABILITIES			
Trade payables	9	33,608	20,013
Bills payable		4,117	11,142
Other payables and accrued liabilities		17,259	20,795
Tax payable		6,413	7,674
Interest-bearing bank loans, secured	10	2,000	2,000
		<u>63,397</u>	<u>61,624</u>
NET CURRENT ASSETS		<u>255,744</u>	<u>275,808</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>488,918</u>	<u>497,047</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank loans, secured	10	5,000	6,000
Deferred tax		6,100	7,400
		<u>11,100</u>	<u>13,400</u>
MINORITY INTERESTS		<u>20,071</u>	<u>19,845</u>
		<u>457,747</u>	<u>463,802</u>
CAPITAL AND RESERVES			
Issued capital		32,365	32,365
Reserves		425,382	407,163
Proposed dividend		–	24,274
		<u>457,747</u>	<u>463,802</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	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 2003 (audited)	32,365	56,831	41,800	(152)	24,274	308,684	463,802
Net profit for the period (unaudited)	-	-	-	-	-	18,219	18,219
Final dividend for the year ended 31 March 2003 declared and paid	-	-	-	-	(24,274)	-	(24,274)
Interim dividend for the year ending 31 March 2004	-	-	-	-	12,946	(12,946)	-
At 30 September 2003 (unaudited)	<u>32,365</u>	<u>56,831</u>	<u>41,800</u>	<u>(152)</u>	<u>12,946</u>	<u>313,957</u>	<u>457,747</u>
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 ended 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>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	For the six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	33,090	41,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(25,282)	(17,319)
Proceeds from disposal of fixed assets	24	–
Interest received	2,035	1,746
Net cash outflow from investing activities	(23,223)	(15,573)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loan	–	1,950
Repayment of bank loans	(1,000)	(1,000)
Dividend paid	(24,274)	(24,274)
Net cash outflow from financing activities	(25,274)	(23,324)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(15,407)	2,163
Cash and cash equivalents at beginning of period	188,211	173,849
CASH AND CASH EQUIVALENTS AT END OF PERIOD	172,804	176,012
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	23,938	26,850
Time deposits	148,866	149,162
	172,804	176,012

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2003

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 2003

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 2003, except for the adoption of SSAP 12 (Revised) "Income taxes" issued by the HKSA, which is effective for accounting periods commencing on or after 1 January 2003.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax). The principal impact of the revision of this SSAP in the consolidated interim financial statements is that it requires full provision for deferred taxes under the liability method on all temporary differences. The impact of adopting the revised SSAP 12 is not significant and, accordingly, no prior period adjustment has been made in the financial statements of the Group.

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 2003 and 2002 is as follows:

	For the six months ended 30 September			
	2003		2002	
	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
By geographical area:				
The United States of America	64,820	7,714	96,837	24,114
Europe	69,921	8,322	72,561	18,069
The People's Republic of China (including Hong Kong) (Note a)	16,977	2,021	28,976	7,215
Other Asian countries	5,067	602	6,714	1,672
Others	7,364	876	5,309	1,322
	164,149	19,535	210,397	52,392
Interest income and gains		2,035		1,746
Unallocated corporate expenses		(1,229)		(742)
		20,341		53,396

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 2003

3. TURNOVER, 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	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	164,149	210,397
Interest income	2,035	1,746
Others	304	279
Other revenue and gains	2,339	2,025

4. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	13,004	10,457
Interest on bank loans wholly repayable within five years	112	130
Minimum lease payments under operating leases in respect of land and buildings	601	743
Staff costs	38,469	37,521
Loss on disposal of fixed assets	15	–
Provision for bad and doubtful debts	500	2,000
Unrealised (gains)/losses on short term investments	(152)	300

5. TAX

	For the six months ended 30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Group:		
Current – Hong Kong	2,985	4,823
Deferred	(1,300)	–
Total tax charge for the period	1,685	4,823

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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2003

5. TAX (Continued)

Hong Kong profits tax for the Company and subsidiaries in Hong Kong has been provided at a rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for 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 it did not generate any profit subject to PRC income tax.

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.

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\$18,219,000 (six months ended 30 September 2002: HK\$46,058,000) and 323,649,123 (2002: 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. DIVIDENDS

At a meeting of board of directors held on 12 December 2003, the directors resolved to pay an interim dividend of HK 4 cents (2002: HK 4 cents) to shareholders whose name appear on the Register of Members of the Company on 13 January 2004. The interim dividend will be paid on or before 20 January 2004.

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 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 receivables (net of provision for bad and doubtful debts) as at 30 September 2003 and 31 March 2003:

Ageing	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Current to 90 days	69,565	72,894
91-180 days	2,784	4,781
181-360 days	2,182	355
Total	74,531	78,030

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

30 September 2003

9. TRADE PAYABLES

The following is an aged analysis of trade payables as at 30 September 2003 and 31 March 2003:

Ageing	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Current to 90 days	27,902	19,470
91-180 days	5,453	347
181-360 days	158	187
Over 360 days	95	9
Total	<u>33,608</u>	<u>20,013</u>

10. BANK LOANS, SECURED

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (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	3,000	4,000
	<u>7,000</u>	8,000
Portion classified as current liabilities	<u>(2,000)</u>	(2,000)
Long term portion	<u>5,000</u>	<u>6,000</u>

The Group's leasehold land and buildings situated in Hong Kong and elsewhere with an aggregate net book value of HK\$16,440,000 (31 March 2003: HK\$16,692,000) and the investment property situated in Hong Kong with an aggregate valuation of HK\$740,000 (31 March 2003: HK\$740,000) 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\$72,967,000 (six months ended 30 September 2002: HK\$96,251,000). The aggregate trade receivable due from the Safilo S.p.A. group of companies as at 30 September 2003 in respect of these sales amounted to HK\$39,615,000 (31 March 2003: HK\$45,555,000).
- (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 2003

12. CONTINGENT LIABILITIES

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Guarantees given by the Company for banking facilities granted to subsidiaries	65,500	65,500

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 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Grand Artic Limited	2,000	2,000
Gold Strong Industrial Limited	3,000	3,000

These banking facilities were utilised to the extent of approximately HK\$162,000 as at the balance sheet date (31 March 2003: approximately HK\$2 million).

13. COMMITMENTS

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

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
(a) Commitments for the acquisition of land and buildings, equipment and machinery: Contracted for	49,209	49,034
(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	654	599
In the second to fifth years, inclusive	1,299	1,395
After five years	25,592	25,760
	27,545	27,754

14. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the board of directors on 12 December 2003.

BUSINESS REVIEW

The slowdown of the world economy since late 2002 continued to affect the Group as a whole. The uncertainty of economic recovery in the United States (U.S.), the stagnant growth of Euro zone economy and the US-Iraq War weakened the consumer confidence of these markets which resulted in weak demand for optical products since the first quarter of 2003. As such, customers in the U.S. and Europe slowed down their order placements in the first half of 2003. The situation was further aggravated in the period under review by keen competition. The unfavourable business environment has significantly impacted the Group's financial performance for the subject period. For the six months ended 30 September 2003, the unaudited consolidated turnover decreased by 22.0% from approximately HK\$210,397,000 for the corresponding period of 2002 to HK\$164,149,000 and the Group's net profit attributable to shareholders decreased by 60.4% to HK\$18,219,000. The decrease in net profit attributable to shareholders during the period lowered earnings per share to HK 5.6 cents per ordinary share (2002: HK 14.2 cents).

The U.S. and European markets continued to be our major markets. As the economy of the U.S. was affected by the US-Iraq War and the consumer sentiment was weak since the fourth quarter of 2002, the orders from the U.S. customers experienced substantial reduction. The slow down of order placement has negative effect on our Group's turnover for the first half of our financial year ending 31 March 2004. The turnover in the U.S. market decreased by 33.1% to HK\$64,820,000 (2002: HK\$96,837,000). The sales to Europe also recorded a mild reduction by 3.6% to HK\$69,921,000 (2002: HK\$72,561,000) amid high unemployment and weak consumer confidence in Euro zone. Geographically, the sales to Europe, the U.S., The People's Republic of China ("The PRC") including Hong Kong and other Asian countries for the six months ended 30 September 2003 are 42.6%, 39.5%, 10.3% and 3.1% of the Group's total turnover respectively (2002: 34.5%, 46.0%, 13.8% and 3.2% respectively).

The SARS epidemic which plagued Hong Kong in the first half of 2003 had an impact on our unsatisfactory results as well. The uncertainty and anxiety related to the disease at the time has inhibited the normal business contacts and dealings both locally and overseas and hence order placement from our customers were delayed.

The lackluster state of economy before and after the US-Iraq war and the never happened before SARS epidemic have greatly reduced the orders received. On the other hand, our overhead costs could not be shed overnight. Therefore, economy of scale cannot be realised to a satisfactory extent. Hence the net earnings were significantly reduced.

In order to maintain competitiveness and being able to take the lead in manufacturing capability, the Group chose to keep on investing to strengthen our production technology. This strategy enabled us to receive orders from overseas customers without engaging in price war with competitors given poor market demand since early 2003. However, the Group's continual efforts and investments in enhancing product design and development ability came with a cost. Together with the economy of scale effect and the increased costs to empower ourselves technically, the gross profit margin was reduced to 33.7% (2002: 42.0%). This substantial cut in gross profit margin accounts mainly for the greater reduction of net profit attributable to shareholders to HK\$18,219,000 for the period under review compared to HK\$46,058,000 for the corresponding period of 2002. The management of the Group views this decrease in profit margin as temporary and is satisfied that situation has since improved.

PROSPECT

Looking ahead, the Management believes that the special circumstances leading to the abnormal performance as exhibited in the past six months period has gone. The improving economy and consumer sentiment in the U.S. market seem to be encouraging. As the U.S. economy is the stream engine of the world economy, the Management is hopeful that this better state of mind is contagious to the other parts of the world and in particular the European market. In this regard, the Management projects an improvement of market demand for optical products in late 2003 and early 2004 as orders from the U.S. and European customers have already picked up to a certain extent since the third quarter of 2003.

The Group believes that our success lies in the ability to do creative design, to manufacture quality products, to deliver fast enough and to properly serve the customers. It is also believed that the optical market will grow in line with the economy and we are well posed to increase our market share. Our strategy being used is a better deployment of technology, production management skill and more intensive marketing activities.

Our new factory premise adjacent to the existing main factory in Shenzhen, The P.R.C. will be ready for production in between late 2003 and the beginning of 2004. This will help us to better organize our work processes and is expected to enhance production capacity and efficiency gradually.

Despite the positive notes delivered, the continual weakening of the U.S. currency and the strengthening of the Euro and Japanese currencies did pose an uncertainty to our Group and may affect our performance for the second half of this financial year and the latter part of 2004. The general market expectation of further depreciation of U.S. dollars will cause an upward trend in prices of precious metals and raw materials, which in turn will add pressure on our continual efforts in controlling production costs. This is particularly true that a significant portion of our raw materials and components used are originated from Europe and Japan. Besides, the strengthening of the Euro dollars and Yen may choke off the recovery of the subject economics and hence affecting the purchasing desire of our customers. Having said that, the strong Euro and Yen are beneficial to the competitiveness of the Group as the European and Japanese manufacturers will face increasing difficulties to fight the Asian production.

Being one of the key optical manufacturers and is confident about the prospect of the market, the Group is fully committed to investing for the Group's future in the optical industry. We are confident that these investments will bring better return to our shareholders in the medium and long run.

LIQUIDITY AND CAPITAL RESOURCES

The Group continued to maintain its financial and liquidity resources in healthy position and the Group has strong working capital and liquidity to meet the operating needs. The Group's cash and bank deposits as at 30 September 2003 amounted to HK\$172,804,000 (31 March 2003: HK\$188,211,000) after paying final dividend for 2002/2003. The current ratio of 5.0:1(2002: 5.8:1) and the quick acid ratio of 4.1:1(2002: 4.7:1) were maintained as at the end of the period under review. The Group had available aggregate banking facilities of HK\$65,500,000 of which about HK\$11,117,000 were utilised (2002: HK\$11,830,000). The Group's gearing ratio at 30 September 2003, defined as the total bank borrowings over shareholder's funds, was 2.4% (2002: 2.5%).

Capital expenditure for the period under review on additions of new machinery and construction of new factory complex amounted to HK\$25,282,000 (2002: HK\$17,319,000) and it was mostly funded by internal generated working capital.

The Group had no material exposure to foreign exchange fluctuations. The income of the Group was mostly denominated in US dollars and Hong Kong dollars and it was matched with the currency requirements of working capitals.

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\$16,440,000 (31 March 2003: HK\$16,692,000) and the investment property situated in Hong Kong with an aggregate valuation of HK\$740,000 (31 March 2003: HK\$740,000) 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 2003, the Group had a total of approximately 3,717 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 our sincere appreciation of the support from our customers, suppliers, and shareholders. I would also like to thank our colleagues for their valuable contribution and dedicated services throughout the period.

CLOSURE OF THE REGISTER

The Register of Members will be closed from 7 January 2004 to 13 January 2004 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 G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 6 January 2004.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2003, the interests of each director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (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, were as follows:

Shares in the Company (Long Position)

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		6,700,000
Leung Shu Sum	Personal		6,000,000
Fok Kwan Wing	Personal		150,000
Mario Pietribiasi	Personal		100,000

DIRECTORS' INTERESTS IN SHARES (Continued)

Shares in the Company (Long Position) (Continued)

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.

Shares in the Subsidiaries (Long Position)

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 2003.

In addition to the above, Mr. Poon Sui Hong and Mr. Leung Shu Sum, the Directors of the Company, also 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 within the meaning of Part XV of the SFO.

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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2003, the following substantial shareholder (other than a director or chief executive of the Company under the heading “Director’s Interests in Shares”) had interests of 5% or more in the issued share capital of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of shares held	Percentage of issued shares
Safilo S.p.A. (<i>Note</i>)	74,599,123	23.05

Note: The interests are indirectly held by Safilo S.p.A. through its 100%-controlled corporation, namely Safilo Far East Limited.

Save as disclosed under the paragraph headed “Interests of Substantial Shareholders”, no other persons whose interests are recorded in the register required to be kept under section 336 of the SFO as of 30 September 2003.

SHARE OPTIONS

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 2003, 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 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 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, 12 December 2003