

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

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. There was no change in the nature of the principal activities of the Group during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 60.

An interim dividend of HK4.0 cents per share was paid on 20 January 2004. The directors recommend the payment of a final dividend of HK7.0 cents per share in respect of the year, to shareholders on the register of members on 19 August 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the balance sheet.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

Results

	Year ended 31 March				
	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>327,733</u>	<u>383,984</u>	<u>370,389</u>	<u>427,338</u>	<u>356,937</u>
Net profit from ordinary activities attributable to shareholders	<u>18,951</u>	<u>55,721</u>	<u>79,335</u>	<u>89,041</u>	<u>67,318</u>

SUMMARY FINANCIAL INFORMATION (continued)**Assets, liabilities and minority interests**

	2004	2003	31 March		
			2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	547,502	558,671	516,676	478,032	423,025
TOTAL LIABILITIES	(80,810)	(75,024)	(54,844)	(59,591)	(63,114)
MINORITY INTERESTS	(21,159)	(19,845)	(18,218)	(16,942)	(13,469)
TOTAL NET ASSETS AND SHAREHOLDERS' EQUITY	445,533	463,802	443,614	401,499	346,442

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment property of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital and share option schemes are set out in notes 26 and 27 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2004, the Company's reserves available for cash distribution and/or distribution in specie amounted to HK\$180,805,000 of which HK\$22,655,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$56,831,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$1,624,000.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Hui Leung Wah (*Chairman and managing director*)

Poon Sui Hong

Leung Shu Sum

Non-executive directors

Mario Pietribiasi

Vittorio Tabacchi

Independent non-executive directors

Fok Kwan Wing

Poon Kwok Fai, Ronald

Subsequent to the balance sheet date, on 21 June 2004, Mr. Wong Chung Mat, Ben was appointed as an independent non-executive director of the Company.

In accordance with the Company's bye-laws, Messrs. Mario Pietribiasi, Fok Kwan Wing and Wong Chung Mat, Ben will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All other directors continue in office.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Under an agreement dated 21 March 1996 (the "Consultancy Agreement") between the Company and HLW Concept Company Limited ("HLW Concept"), the Company agreed that Mr. Hui Leung Wah, as the nominee of HLW Concept, would provide management services to the Company.

Mr. Poon Sui Hong and Mr. Leung Shu Sum have each entered into a renewed service agreement with the Company. Both agreements are for a term of three years commencing on 17 February 2002.

The Consultancy Agreement and the service agreements continue after the expiry of their existing terms, subject to three months' notice served by either party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2004, the interests and short positions of the directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company. Pursuant to Section 352 of the SFO, or as 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") contained in the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of issued ordinary shares held	Nature of interest	Percentage of the issued share capital of the Company
Hui Leung Wah	6,678,000	Personal Interest	2.06
	141,316,000 (<i>note</i>)	Family Interest	43.67
Poon Sui Hong	6,800,000	Personal Interest	2.10
Leung Shu Sum	6,000,000	Personal Interest	1.85
Fok Kwan Wing	150,000	Personal Interest	0.05
Mario Pietribiasi	100,000	Personal Interest	0.03
	<hr/>		<hr/>
	161,044,000		49.76

Note: 141,116,000 shares are held by Best Quality Limited and 200,000 shares are held by Deluxe Concept Limited, the entire issued 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 a discretionary trust, 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).

Long positions in ordinary shares of 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 set out in note 16 to the financial statements.

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.

Save as disclosed above, 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 as 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 in note 27 to the financial statements, at no time during the year 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 year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

Other than as disclosed above under the section headed "Directors' interests and short positions in shares and underlying shares", so far as is known to the directors of the Company, as at 31 March 2004, 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 under Section 336 of the SFO:

Long positions:

Name	Number of issued ordinary shares held	Nature of Interest	Percentage of the issued share capital of the Company
Poon Yuk Yee	146,794,000 (note)	Family Interest	45.36
Ansbacher (BVI) Limited	141,316,000	Trustee	43.67
Wahyee Limited	141,316,000	Trustee	43.67
Safilo Far East Limited	<u>74,599,123</u>	Corporate Interest	<u>23.05</u>

Note: 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.

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 year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the Group's largest customer and the Group's five largest customers accounted for 48.29% and 59.39% of the Group's total sales, respectively. The Group's largest customer, the Safilo S.p.A. group of companies, owned 23.05% of the Company's issued share capital at the balance sheet date. Details of the sales to the Safilo S.p.A. group of companies are included in note 32 to the financial statements.

During the year under review, the Group's largest supplier and the Group's five largest suppliers accounted for 14.76% and 48.58% of the Group's total purchases, respectively.

Apart from as detailed above, none of the directors of the Company or any of their associates or any shareholders, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

CONNECTED TRANSACTIONS

- (i) The directors have reviewed the sale of optical frames and parts to the Safilo S.p.A. group of companies for which a conditional waiver (the "Waiver") from compliance with the connected transaction requirements, as set out in Chapter 14A of the Listing Rules, was obtained on 29 October 2001.

This new Waiver has replaced the expired Waiver granted by the SEHK on 15 April 1997.

The directors, including the independent non-executive directors, confirm that the sales of optical frames and parts to the Safilo S.p.A. group of companies were approved by the board of directors and were:

- (a) conducted on normal commercial terms and in the ordinary and usual course of business of the Group;
- (b) fair and reasonable so far as the shareholders of the Company were concerned;
- (c) entered into in accordance with the terms of the supply agreement governing such transactions, details of which are set out in the circulars to the Company's shareholders dated 24 March 1997 and 18 July 2001; and
- (d) within an annual limit of 55% of the audited consolidated turnover of the Group for the year.

Further details of the sales to the Safilo S.p.A. group of companies are set out in note 32 to the financial statements.

CONNECTED TRANSACTIONS (continued)

(i) (continued)

Pursuant to a special general meeting held on 31 March 2004 by the independent shareholders, an ordinary resolution was passed which approved the sale of optical frames, sunglasses and related products (the "Sales") by the Company and its subsidiaries to the Safilo S.p.A. group of companies for the three years ending 31 March 2007 subject to certain conditions. According to the resolution, the aggregate value of the Sales shall not exceed HK\$230 million, HK\$255 million and HK\$280 million for each of the three years ending 31 March 2005, 2006 and 2007, respectively. This resolution replaces the waiver granted by the SEHK to the Company on 29 October 2001, which expired on 31 March 2004. Further details are set out in the circular to the Company's shareholders dated 15 March 2004.

(ii) In addition to the transactions with the Safilo S.p.A. group of companies set out above, during the year, the Company executed guarantees in respect of banking facilities granted to certain non wholly-owned subsidiaries, Gold Strong Industrial Limited and Grand Artic Limited.

Details of such guarantees are set out below:

Name of non wholly-owned subsidiaries to which banking facilities were granted	Extent of guarantees given by the Company
Gold Strong Industrial Limited	Corporate guarantee to the extent of HK\$3 million
Grand Artic Limited	Corporate guarantee to the extent of HK\$2 million

Certain non wholly-owned subsidiaries of the Group also owed certain of the Group's wholly-owned subsidiaries amounts arising from their ordinary and usual course of business during the year. The amounts due are unsecured, interest-free and are repayable in accordance with normal trading terms. Details of the amounts outstanding at the respective balance sheet dates are set out below:

	31 March	
	2004	2003
	HK\$'000	HK\$'000
Gold Strong Industrial Limited	7,163	5,589
Grand Artic Limited	2,213	2,250
Leader Up Limited	3,072	2,769
	12,448	10,608

CODE OF BEST PRACTICE

The Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the year and up to the date of this report. The 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.

AUDIT COMMITTEE

In compliance with the Code of Best Practice, the Company established an Audit Committee in 1999 with written terms of reference, comprising Fok Kwan Wing, Poon Kwok Fai, Ronald and Wong Chung Mat, Ben, the independent non-executive directors of the Company. Two audit committee meetings have been held since the previous annual report date.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Hui Leung Wah

Chairman

Hong Kong
30 June 2004