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RESULTS AND BUSINESS REVIEW

The Group reported a net loss of HK$5.7 million, compared to a net loss of HK$7.0 million last year. The Group recorded a turnover of HK$174.9 million, representing a decrease of 9% compared with last year. Sales orders for the current year were HK$176.2 million, versus last year of HK$195.8 million. The gross profit margin decreased from 12.4% last year to 10.4% this year.

In the first half of Year 2004, the Group recruited a team of Japanese consultants to review the manufacturing facilities in order to increase the productivity. During the implementation stage of the new production flow proposed by the Japanese consultants, the change-over of the new production flow slowed down the product development stage which in turn our customers deferred placing orders for these new products. The Group experienced a squeeze in gross margin due to the increasing prices in oil, raw materials and components. Income of an exceptional nature included HK$4.7 million in relating to the reversal of impairment loss upon disposal of interests in associates and HK$6.2 million in relating to the waiver of amounts due to associates upon disposal of interests in associates. Excluding this exceptional income, the Group managed to lower the loss from operating activities from HK$22.5 million in Year 2003 to HK$8.4 million in Year 2004 despite the decline in turnover and gross margin.

Selling and administrative expenses decreased from HK$39.2 million in Year 2003 to HK$28.5 million this year due to the continuous stringent cost control. Other operating expenses have decreased by HK$9.3 million due to the lower of provisions made for obsolete stocks and retrenchment cost incurred in last year. Finance costs in Year 2004 represented the interest on promissory note and the loan due to a shareholder, Probest Holdings Inc. ("Probest").

The shared profit before tax from the Group's 50 percent-owned associate, Dongguan Yueheng Optical Company Limited, was HK$2.8 million, versus HK$1.7 million recorded last year. The increase in the profit is mainly due to the increase demand for lenses in the second half of the year.

FUTURE OUTLOOK

Optical industry continues to be a growing industry. With improved production flow as suggested by Japanese consultants, the Group will benefit from better operational efficiency and thus will be able to capture the growing market.

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Optical product has shifted from its basic functions : eye-protection and vision correction to become a more fashion product. The product life cycle is becoming shortened, as compared with a decade before. With prevailing concept of Just-in-time logistics function, the customers are more incline to place a smaller quantity on each order. To cope with the customer needs, the Group will place more resources in the sample room production so as to give more quality and fashionable choices to our customers. On the production plant, the Group will tend to restructure each single large production line into a number of smaller production lines in order to increase the production flexibility.

Design and coloration is still the strength of the Group. The Group is also preparing to invest in these areas. With enlarging our research and development department, we are going to introduce more new design concepts, new material and new technology to our customers.

Combination frames will continue to prevail over the market. In order to increase the quality of the production, we are going to build a new injection production line in our Dongguan factory. Upon the completion of the new line, we are able to produce more quality combination frames for our customers.

On the cost side, the Group's cost saving measure has proved to be effective in Year 2004. This will continue in Year 2005 and apart from controlling the cost, the Group will also focus on the increase of operational efficiency so as to achieve a lower cost as a whole.

The Group is still optimistic about the future and we will be able to turnaround in near future.

LIQUIDITY AND FINANCIAL REVIEW

The Group mainly finances its day to day operations with internally generated cash flow. As at 31 December 2004, the current ratio of the Group, measured as total current assets to total current liabilities, was 0.77 : 1. The low current ratio is due to HK$100.0 million of the promissory note owing to Probest.

During the year, the Group recorded cash used in operations of HK$5.1 million. The Group also recorded an amount of HK$5.0 million dividend received from associates and an amount of HK$4.7 million for the proceeds from disposal of the Group's 49% interest in associates. As at 31 December 2004, the Group recorded an amount of approximately HK$221.6 million due to Probest. Out of HK$221.6 million, the principal amount of the promissory note amounted HK$25.5 million and the accrued interest of approximately HK$12.0 million due to Probest have been overdue. The Group is now negotiating with Probest about the repayment plans of such overdue principal and accrued interest of the promissory note.

The Group conducts its business transactions mainly in Hong Kong dollars, US dollars, Euros and Renminbi. The Group did not arrange any forward currency contracts for hedging purposes. Whilst most of the Group's cash is denominated in currencies directly and indirectly linked to the US dollars, the exposure to exchange fluctuation in gains and losses is minimal. The Group's promissory note and Profitown Loan due to Probest bear interest at a rate equivalent to 1% over Hong Kong prime rate per annum. The Group's borrowings are mainly denominated in Hong Kong dollars.

The gearing of the Group, measured as total debts to total assets, was 127% as at 31 December 2004, comparing to 124% as at 31 December 2003.

CORPORATE TRANSACTIONS

On 20 January 2005, China Time Investment Holdings Limited (the "Offeror") entered into the sale and purchase agreement (the "S&P Agreement") amongst others, with Probest Holdings Inc. ("Probest"), a subsidiary of Tomorrow International Holdings Limited ("Tomorrow") and subsidiaries of SW Kingsway Capital Holdings Limited ("SW Kingsway Group"), pursuant to which the Offeror conditionally agreed, inter alia, to acquire, 1,437,396,440 and 437,521,205 shares of the Company's shares representing approximately 46% and 14% of the existing issued share capital of the Company from Probest and SW Kingsway Group respectively for a total consideration of approximately HK$56 million (i.e. equivalent to HK$0.03 per the Company's share).

Subject to the completion of the S&P Agreement (the "Completion"), the Offeror will be obliged under Rule 26 of the Takeovers Code to make a mandatory cash offer to acquire all the issued shares of the Company (other than those already owned by the Offeror and parties acting in concert with it).

On 20 January 2005, the Company, Probest and Profitown Investment Corporation ("Profitown") also entered into the conditional loan restructuring agreement (the "Loan Restructuring Agreement"). Pursuant to the terms of the Loan Restructuring Agreement, subject to Completion, Profitown will issue a new promissory note in favour of Probest, in consideration of Probest waiving portion of the outstanding loan due and owing by the Company to Probest under the existing promissory note and releasing the Company from all future obligations and liabilities under the existing promissory note, and the Company will also execute a guarantee to guarantee Profitown's obligations in respect of interest payment under the new promissory note.

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On Completion, the Company, Probest, Tomorrow and Profitown will enter into a shareholders agreement, the principal terms of which will include unanimous board approval on material issues regarding Profitown, a put option exercisable by the Company in respect of its shares in Profitown and an indemnity by Probest in favour of Profitown in the event of deficit in the net tangible asset value of Profitown during the 30-month period from the completion date. On Completion, Probest and Tomorrow will also execute a deed in favour of the Offeror. Under certain events, Probest will indemnify the Offeror.

An agency agreement will be entered into between a company to be established as a wholly-owned subsidiary of the Company ("Trading Company"), and an associate of the Offeror ("Nominee") upon Completion and will commence from the date of completion and expire on 31 December 2007 (the "Agency Agreement"). Pursuant to the terms of the Agency Agreement, the Trading Company will provide agency services to the Nominee in relation to the sale of chemical products including phosphorus and related products to Italy, Japan and Korea. As the Trading Company will be wholly-owned by the Company and upon Completion, the Offeror will be the controlling shareholder of the Company, the Nominee as an associate of the Offeror will become a connected person of the Company under the Listing Rules upon Completion. Transactions between the Nominee and the Group will constitute continuing connected transactions for the Company under the Listing Rules.

For details of the above transactions, please refer to the announcement dated 18 April 2005.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Group disposed of its 49% shareholding in Hanson International Optical Industrial Company Limited and Hanson International Optical Company Limited at a consideration of HK$4.7 million.

Save as disclosed above, there was no other material change on the investment held and also no other material acquisition or disposal of any subsidiary and associate of the Group during the year.

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CAPITAL COMMITMENT, CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2004, the Group had no material capital commitment, no charge on the Group's assets and no material contingent liability.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2004, the Group had 1,898 employees. The Group's remuneration policy is primarily based on the individual performance and experience of employees, prevailing industry practice and market rates. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending upon the overall performance of the Group. The Group also provides appropriate training programmes for benefits to employees' better personal development and growth.

Mr. Tam Ping Wah resigned as an executive director of the Company with effect from 19 July 2004. Mr. Wu Wang Li was appointed as an independent non-executive director of the Company with effect from 27 September 2004 for a period of one year. Mr. So Shan Do resigned as a chief executive officer of the Group with effect from 28 February 2005. Ms. Liu Yee Nee was appointed as Operations Director of the Group in September 2004. Mr. Luk Shing Che, Edmond, was appointed as General Manager – Production with effect from 16 February 2005.

Pursuant to the Company's share option scheme adopted on 28 May 2002 for a period of 10 years, the Company may offer to any employee of the Group options to subscribe for shares in the Company. No share option was outstanding as at 31 December 2004.

On behalf of the Board

Tam Wing Kin
Executive Director

Hong Kong, 22 April 2005