

The directors submit their report together with the audited accounts for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiary companies are shown on pages 51 to 54.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st March 2005 are set out in the consolidated profit and loss account on page 17.

The directors declared an interim dividend of HK\$0.01 per ordinary share, totalling HK\$9,513,000, which was paid on 15th February 2005.

The directors recommend the payment of a final dividend of HK\$0.025 (2004: HK\$0.02) per ordinary share totalling HK\$23,784,000.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the accounts.

DONATIONS

During the year, the Group made charitable donations of HK\$3,171,000.

FIXED ASSETS

Details of the movements in fixed assets are shown in note 14 to the accounts.

PRINCIPAL PROPERTIES

Details of principal properties held for own use and for investment purposes are set out in page 55 to 59.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 25 to the accounts.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

DIRECTORS AND INTERESTS IN CONTRACTS

The directors during the year and at the date of this report were:

Wong Chong Po Joseph C. C. Wong	
Chu Kai Wah, Anthony Sakorn Kanjanapas	
Lee Shu Chung, Stan	
Wong Yuk Woon	
Kwong Yiu Chung	(independent non-executive)
Chu Chun Keung, Sydney	(independent non-executive)
Wu Chun Sang	(independent non-executive – appointed on 22nd September 2004)

Dr. Sydney Chu Chun Keung has tendered his resignation as an independent non-executive director on 14th July 2005 effective from 1st August 2005.

DIRECTORS AND INTERESTS IN CONTRACTS *(Continued)*

In accordance with Bye-law 110(A), Mr Anthony Chu Kai Wah and Mr Stan Lee Shu Chung will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Mr Wu Chun Sang's appointment by the Board of Directors in accordance with Bye-law 101 will come to an end at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The independent non-executive directors do not have specific terms of appointment, but are subject to retirement by rotation at periodic intervals pursuant to the Bye-laws of the Company.

No director has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

During the year, Mr Wong Chong Po, Mr Joseph C. C. Wong, Mr Anthony Chu Kai Wah, Mr Stan Lee Shu Chung and Mr Wong Yuk Woon were eligible to an annual bonus determinable under the terms of an executive bonus scheme with respect to their management of the Group. Provision for the executive bonus in respect of the directors eligible under the Executive Bonus Scheme for the year ended 31st March 2005 amounted to HK\$13,012,000 (2004: HK\$6,442,000).

Apart from the foregoing, no other contracts of significance in relation to the Company's business to which the Company, its subsidiary companies or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE OPTIONS

On 25th June 1997, a share option scheme for the executive directors and employees of the Company and its subsidiary companies (the "Scheme") was approved and adopted by the shareholders pursuant to which the directors were authorised to grant options to executive directors and employees of the Company or its subsidiary companies to subscribe for shares of the Company for a period of ten years. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 5% of the total issued share capital of the Company as at the date of the report. No option may be granted to any eligible person which if exercised in full would result in the total number of shares already issued or to be issued to him exceeding 25% of the maximum aggregate number of shares to be issued under the Scheme. An offer of the grant of options must be accepted within 28 days from commencement date of the relevant options. The purpose of the Scheme is to provide incentives or rewards for the contribution to the Group from the senior executives. The consideration payable on acceptance of the offer for the grant of an option is HK\$1. The exercise price is determined by the directors at the time of grant of the relevant option and shall be the higher of the nominal value of the Company's share and 80% of the average of the closing prices of the shares for the five trading days immediately before the options are granted. No option was granted during the year.

The details of share options granted to the directors are as follows:

	Total outstanding	
	at	at
	31st March	1st April
	2005	2004
	<hr/>	<hr/>
Mr Joseph C. C. Wong	–	5,000,000
Mr Chu Kai Wah, Anthony	–	1,000,000
Mr Lee Shu Chung, Stan	–	1,000,000
Mr Wong Yuk Woon	–	1,000,000

SHARE OPTIONS (Continued)

Note:

These options were granted on 17th January 2000 and exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005. These options were exercised during the year with the following details:

	Number of share options	Exercise date	Closing price of The Company's shares immediately prior to the exercise date
Mr Joseph C. C. Wong	5,000,000	24th September 2004	HK\$0.560
Mr Chu Kai Wah, Anthony	1,000,000	27th September 2004	HK\$0.540
Mr Lee Shu Chung, Stan	1,000,000	27th September 2004	HK\$0.540
Mr Wong Yuk Woon	1,000,000	30th September 2004	HK\$0.550

The Board of Directors of the Company resolved on 27th September 2004 and 4th October 2004 to issue 6,000,000 shares and 2,000,000 shares respectively. All the share certificates were approved and issued. Share certificates of 6,000,000 shares were issued on 28th September 2004 and share certificates of 2,000,000 shares were issued on 5th October 2004.

On 9th March 2005, a new share option scheme, replacing the previous scheme, for the employees, officers and directors of the Company and its subsidiary companies (the "Share Option Scheme") was approved and adopted by the shareholders pursuant to which the Board was authorised to grant options to the employees, officers and directors of the Company or its subsidiary companies to subscribe for shares of the Company for a fixed period. The option period refers to a period which the Board may in its absolute discretion determine and specify, save that (a) for ease of administration, in the absence of a separate Board resolution at the time of grant specifying otherwise, such period should be seven years from the commencement date of the share option and (b) in any event such period shall not expire later than 10 years from the commencement date of the share option. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 95,134,002 shares. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the limit being exceeded. An offer of the grant of options must be accepted within 28 days from the commencement date of the relevant option period. The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of the Company's business; to provide additional incentives to the employees, officers and directors of the Company and its subsidiaries and to promote the long term financial success of the Company by aligning the interests of the Option Holder (any employee or a director of the Company or any subsidiary who accepts an offer of the grant of an Option in accordance with the terms of the Share Option Scheme or their legal personal representatives) to shareholders. The consideration payable on acceptance of the offer for the grant of an option is HK\$1. The subscription price is determined by the Board at the time of grant of the relevant option and shall not be less than whichever is the higher of the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on the commencement date of the share option, which must be a business day; the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the commencement date of the share option; and the nominal value of a share. No option was granted during the year.

As at 31st March 2005, the total number of ordinary shares available for issue in the remaining life of the Share Option Scheme was 95,134,002.

With the exception of the Share Option Scheme of the Company, at no time during the year was the Company, its subsidiary companies or its holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

As at 31st March 2005, the interests and short positions of the directors, chief executive and their associates in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (including interests which they are deemed or taken to have under such provisions of the SFO)) as recorded in the register maintained under Section 352 of the SFO or as otherwise notified to the Company were as follows:

All interests disclosed below represent long positions in shares of the Company.

(a) The Company – Ordinary shares

	Number of shares			Total	Approximate percentage of issued share capital as at 31st March 2005
	Personal interests	Family interests	Corporate interests		
Mr Wong Chong Po	3,600,000	–	–	3,600,000	0.38
Mr Joseph C. C. Wong	13,181,211	10,000	–	13,191,211	1.39
Mr Chu Kai Wah, Anthony	2,000,000	–	–	2,000,000	0.21
Mr Sakorn Kanjanapas	391,056	–	–	391,056	0.04
Mr Lee Shu Chung, Stan	2,000,000	–	–	2,000,000	0.21
Mr Wong Yuk Woon	2,000,000	–	–	2,000,000	0.21

(b) Subsidiary companies

	Number of shares			Total	Approximate percentage of preference shares as at 31st March 2005
	Personal interests	Family interests	Corporate interests		
(i) City Chain (Thailand) Company Limited – Preference shares ⁽¹⁾					
Mr Wong Chong Po	200	–	208,800	209,000	99.52
Mr Joseph C. C. Wong	200	–	208,800	209,000	99.52
Mr Sakorn Kanjanapas	200	–	208,800	209,000	99.52
(ii) Stelux Watch (Thailand) Company Limited – Preference shares ⁽²⁾					
Mr Wong Chong Po	600	–	–	600	16.67
Mr Joseph C. C. Wong	600	–	–	600	16.67
Mr Sakorn Kanjanapas	600	–	–	600	16.67
(iii) Optical 88 (Thailand) Company Limited – Preference shares ⁽³⁾					
Mr Wong Chong Po	5,000	–	225,000	230,000	90.20
Mr Joseph C. C. Wong	5,000	–	225,000	230,000	90.20
Mr Sakorn Kanjanapas	5,000	–	225,000	230,000	90.20

DIRECTORS' INTERESTS *(Continued)*

(b) Subsidiary companies *(Continued)*

Notes:

- (1) City Chain (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by City Chain (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr Wong Chong Po, Mr Joseph C.C. Wong and Mr Sakorn Kanjanapas in 208,800 preference shares duplicate with each other.
- (2) Stelux Watch (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Stelux Watch (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends.
- (3) Optical 88 (Thailand) Company Limited is a wholly-owned subsidiary of the Company. The preference shares held by certain directors represent preference shares issued by Optical 88 (Thailand) Company Limited which do not carry any voting rights and which are not entitled to any profit sharing but are only entitled to annual fixed dividends. The corporate interests of each of Mr Wong Chong Po, Mr Joseph C.C. Wong and Mr Sakorn Kanjanapas in 225,000 preference shares duplicate with each other.

Save as disclosed above, no directors, chief executive of the Company or their associates have any interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 31st March 2005, the following companies (other than directors of the Company as disclosed above) had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Number of shares	Percentage of shareholding	Note
Yee Hing Company Limited	415,031,771	43.63	<i>(a)</i>
Active Lights Company Limited	135,653,636	14.26	<i>(b)</i>
Thong Sia Company Limited	91,032,218	9.57	<i>(c)</i>

Notes:

- (a) These shares are held by Yee Hing Company Limited as beneficial owner. The estate of Mr Wong Chue Meng has a controlling interest in Yee Hing Company Limited.
- (b) These shares are held by Active Lights Company Limited as beneficial owner. Active Lights Company Limited is a company controlled by Yee Hing Company Limited.
- (c) These shares are held by Thong Sia Company Limited as beneficial owner. The estate of Mr Wong Chue Meng holds 38% of the issued shares of Thong Sia Company Limited.

All interests disclosed above represent long positions in shares of the Company.

Save as disclosed in Directors' Interests above, so far as the directors are aware, there are no other parties which were, directly or indirectly, interested in 5% or more of the nominal value of the share capital of the Company as at 31st March 2005 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange throughout the year except that the independent non-executive directors of the Company are not appointed for a specific term but subject to retirement by rotation in accordance with the Company's Bye-laws.

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

The Company has adopted Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by directors of the Company. The Company confirms that after having made specific enquiry of all its directors, its directors have confirmed that they have complied with the Model Code from 1st April 2004 up to and including 31st March 2005.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmations of independence from its independent non-executive directors, who have confirmed their independence as of 1st April 2004 up to and including 31st March 2005. The Company considers its independent non-executive directors to be independent.

CONNECTED TRANSACTIONS

- (1) During the year, the Group purchased timepieces from Thong Sia Watch Company Limited, Thong Sia Company (Singapore) Private Limited and Thong Sia Sdn Bhd, collectively referred to as Thong Sia Companies. Total purchases during the year amounted to HK\$40,998,000 (2004: HK\$28,831,000). The Company has been granted a waiver by the Stock Exchange from strict compliance with the disclosure requirements under Chapter 14 of the Listing Rules.
- (2) In prior years, the Group purchased optical products from Vision PRO Trading Company Limited (formerly known as PRO Vision Trading Company Limited) ("Vision Pro") and Thong Sia Company (Singapore) Private Limited. The Company was granted a waiver from the Stock Exchange.

The waiver expired on 31st March 2004. However, the Group continued to make purchases of optical products from Vision Pro and Thong Sia (Singapore) and began to make purchases of optical products from other members of Vision Pro Group and Thong Sia (Malaysia) in its ordinary course of business (referred to below as the "Continuing Connected Transactions"). The Company announced on 12th June 2004 to set the maximum aggregate annual consideration for the Continuing Connected Transactions at HK\$3.0 million, HK\$3.7 million and HK\$4.5 million for each of the three financial years ended 31st March 2007 (the "Caps"). The Caps were determined on the following basis:

- (a) historical transaction amounts;
- (b) the Group's expansion of its optical wear retailing operations;

CONNECTED TRANSACTIONS *(Continued)*

- (c) improved sales owing to improved economies generally; and
- (d) the Company's internal prediction that the expected growth in purchase of optical products by the Group shall not exceed HK\$1,000,000 per annum in view of the pace and size of the Group's expansion in terms of establishment of new stores, possible inclusion of a wider range of products and growth in the economy generally in the next three financial years.

Due to strong growth and better than expected sales in those countries where the Group's optical businesses operate, the Company announced on 15th February 2005 to revise the maximum aggregate annual consideration for the Continuing Connected Transactions to HK\$4 million, HK\$4.8 million and HK\$5.8 million for each of the three financial years ended 31st March 2007 (the "Revised Caps"). If the Revised Caps are exceeded during the term of the Continuing Connected Transactions for the relevant financial year, the Company will re-comply with the announcement requirement under Rule 14A.35 of the Listing Rules. The Revised Caps were determined on the following basis:

- (a) historical transaction amounts for the period from 1st April 2004 up to and including 31st December 2004;
- (b) the Group's expansion of its optical wear retailing operations in terms of establishment of new stores, inclusion of a wider range of products and growth in economies generally in the next three financial years;
- (c) improved sales owing to improved economies generally; and
- (d) the Company's internal projection that the expected growth in purchase of optical products by the Group shall be around 20% per annum in view of the pace and size of the Group's expansion in terms of establishment of new stores, inclusion of a wider range of products and growth in economies generally in the next three financial years.

The total purchases during the year amounted to HK\$3,876,000 (2004: HK\$2,499,000).

The estate of Mr Wong Chue Meng is interested in approximately 70% of the issued share capital of the Company and holds more than 30% of the equity in each of the Thong Sia Companies. Vision Pro is a 60% indirectly owned subsidiary of Yee Hing Company Limited ("Yee Hing") which is a substantial shareholder of the Company holding 43.63% of its issued share capital. Accordingly, Thong Sia Companies and Vision Pro Group are associates of a connected person to the Company and transactions as mentioned in (1) and (2) above constitute connected transactions under the Listing Rules.

The independent non-executive directors, Mr Kwong Yiu Chung, Dr Chu Chun Keung, Sydney and Mr Wu Chun Sang have reviewed the above transactions and confirmed that the transactions were:

- (a) entered into in the usual and ordinary course of business of the Company;
- (b) conducted on either (i) on normal commercial terms or (ii) where there is no available comparison on terms that are fair and reasonable so far as the shareholders are concerned;
- (c) entered into either (i) in accordance with the terms of the agreement governing such transactions or (ii) where there is no such agreement on terms no less favourable than terms available to or from independent third parties; and
- (d) within the maximum amounts as agreed with the Stock Exchange.

The auditors of the Company have also reviewed the transactions as disclosed above.

CONNECTED TRANSACTIONS *(Continued)*

- (3) The Group entered into a tenancy agreement with International Optical Manufacturing Company Limited (“IOM”) to lease certain units in Stelux House to IOM for a period of three years from 15th August 2001 at a monthly rental of HK\$95,040. The Group also entered into a tenancy agreement with Yee Hing to lease certain units in Stelux House to Yee Hing for a period of three years from 15th August 2001 at a monthly rental of HK\$55,900. The leases were renewed on 9th August 2004 for lease terms expiring on 31st March 2007 at a monthly rental of HK\$85,536 and HK\$49,450 respectively.

Yee Hing ultimately holds 58.03% of the issued share capital of the Company. Thong Sia Company Limited (“Thong Sia”) holds 9.57% of the issued share capital of the Company. Yee Hing holds 60% and Thong Sia holds 40% respectively of the issued share capital in IOM. Both tenancy agreements were entered into on normal commercial terms as stated in the connected transaction press announcement dated 9th August 2004.

The above transactions also constitute related party transactions and are disclosed in note 33 to the accounts.

CLOSURE OF HIPO.FANT BUSINESS

The directors announced on 14th July 2005 to close the HIPO.fant business. Given the chain’s past performance and prospects for future development, the directors believe that it may not be in the commercial interest of the Group to focus on infant and children’s wear in the longer term. The closure is also in line with the Group’s strategy to focus on its watch and optical business where the Group enjoys strong competitive advantages. There are currently 36 stores and counters in Mainland China, Hong Kong and Macau.

AUDIT COMMITTEE

Pursuant to the Listing Rules, the Company has set up an audit committee with written terms of reference comprising three independent non-executive directors, namely Mr Kwong Yiu Chung, Dr Chu Chun Keung, Sydney and Mr Wu Chun Sang. The principal responsibilities of the Audit Committee include the review and supervision of the Group’s financial reporting process and internal controls. A meeting of the Audit Committee was held on 7th July 2005 to review the Group’s final results for the year ended 31st March 2005 before they were presented to the board of directors for approval.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Joseph C. C. Wong

Vice Chairman and Chief Executive Officer

Hong Kong, 14th July 2005