Chairman's Statement

DIVIDENDS

The Board of Directors have resolved to recommend the payment of a final dividend of HK5.0 cents per ordinary share (2005: HK5.0 cents) for the year ended 31 March 2006 at the forthcoming Annual General Meeting to be held on 30 August 2006. The final dividend together with the interim dividend of HK2.5 cents per share, will make a total dividend for the year of HK7.5 cents (2005: HK8.0 cents) per share. The final dividend, if approved by shareholders, is expected to be payable on 30 September 2006 to those shareholders whose names appear on the Register of Members on 30 August 2006.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 24 August 2006 to 30 August 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 23 August 2006.

BUSINESS REVIEW

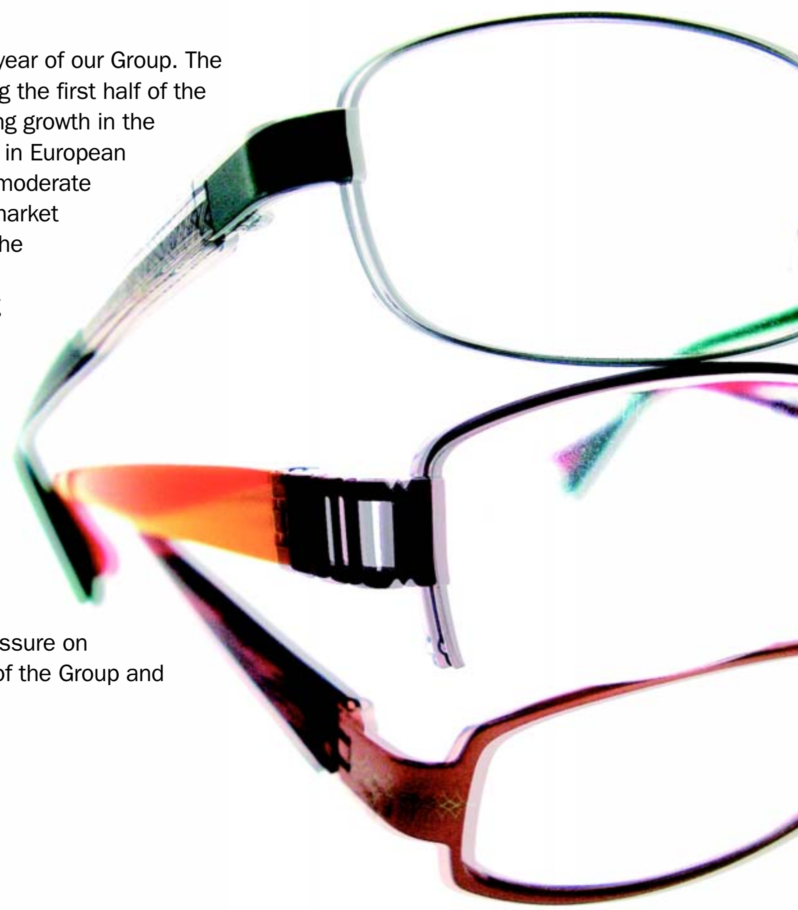
Financial Results

The revenue of the Group reached approximately HK$432,164,000, representing an increase of about 6.58% over the approximate figure of HK$405,477,000 for 2004/2005. Our profit before tax stood at about HK$33,804,000 or some 16.56% lower than the approximate figure of HK$40,513,000 for the previous year. For the year ended 31 March 2006, the profit attributable to shareholders was about HK$31,987,000 (31 March 2005: HK$36,800,000), decreasing by 13.08% when compared with previous financial year. The earning per share was HK9.88 cents compared to HK11.37 cents for the year 2004/ 2005.

Review and Analysis

Operating Environment

The financial year 2005/2006 is a challenging year of our Group. The demand for optical products remained flat during the first half of the financial year under review but it showed a strong growth in the second half of this financial year. Strong growth in European market however helped the Group to achieve a moderate growth of 6.58% in the Group's revenue. Keen market competition has put a continuous pressure on the selling prices of the optical products. The ever increasing demands from customers requesting shortened delivery time, numerous design concepts for them to choose from, and small quantity per order fostered our management to fine-tune and be more innovative in production on a non-stop basis. The continual rise of prices of various raw materials, shortage of skilled labour, fluctuation in the supply of acetate sheets and others, increased minimum wages and electricity charges in Southern China and appreciation of Renminbi also exerted great pressure on management in containing manufacturing cost of the Group and maintaining good margin.



BUSINESS REVIEW *(continued)*

Review and Analysis *(continued)*

Operating Environment (continued)

Battered by the unfavourable factors such as continuous demand-led hike in prices of raw materials like copper and acetate sheets and significant increase in direct wages in mainland China due to increased minimum wage level by more than 20% in mid 2005, our gross margin was under high pressure and it was lowered to 21.21% from 25.00% for the year 2004/2005. The decrease in gross margin also led to the decrease in net profit attributable to shareholders by 13.08% to HK$31,987,000 though we had successfully contained the selling and administrative expenses.

Facing this environment, the Group adopted various remedies to reduce the impact of the adverse costing environment. On the one hand, the Group strengthened cost control measures including better procurement and logistic management to reduce idle inventory; material management in force to economize use of materials and consumables and furthermore, negotiation with suppliers to assure stable supply of materials, more favourable credit terms and price structure to relieve pressure on our cost structure given fluctuated markets of raw materials. The Group also made an attempt to identify alternative sources of raw materials and seek for competitive suppliers.

On the other hand, the Group devoted resources to upgrade production facilities with an aim to strengthen our vertically integrated production capability by producing quality components and parts. We have strengthened the production management and adopted flexible production procedures to shorten production lead time to achieve quick delivery. Greater degree of process automation has also been implemented to upheld production efficiency and product quality. The Group made this possible by installing more self-developed computer numeric control ("CNC") machining centers in house.

The management has put in a lot of efforts to streamline the workflow of the production lines for plastic frames and parts and invested in expanding its production facilities to increase our production capacity to cater the increasing demands for plastic frames and sunglasses and to benefit the economies of scale. Nevertheless, since market competition is expected to remain stiff while high materials costs cannot be transferred to our customers immediately, the gross margin of the Group in the manufacturing business will still come under considerable pressure in the forthcoming year.

Market Development

The further consolidation of wholesale and retail markets in North America slackened demands for optical products of the Group in the first half of this financial year. Having taken note of the increasing demand of optical products from Europe, continual shift of production activities and subsequent outsourcing by European customers and focusing our marketing efforts on seeking orders from both existing and new customers, we achieved a substantial growth in revenue of European markets, compensating for the downturn in the North American market in the year under review.

BUSINESS REVIEW *(continued)*

Market Development *(continued)*

The European market remained our major market in the year 2005/2006 and was boosted by the prosperous consumer markets for optical products. The sales to Europe recorded an increase of 31.20% to HK$262,649,000 (2005: HK$200,194,000) and it constituted over 60.78% of the Group's total revenue. It is followed by North America, traditionally our strongest market, in terms of sales to the Group. The US market for optical product has undergone further consolidation due to keen competition in retail markets in the year 2005 and the sales to North America decreased by approximately 11.81% to HK$134,515,000 compared to HK$152,528,000 for the year ended 31 March 2005. The Group has stepped up its efforts in the exploration of new customers in the United States and other areas with a view to diversify our market bases so as to manage business risks.

PROSPECT

Looking to the financial year 2006/2007, the Group will stay abreast of the changes in market and operating environment. The Group's core business of manufacturing and sale of optical frames has been performing steadily in accordance with our expectation in the first half of the year 2006. Nevertheless, unfavourbale factors such as persistently high prices of raw materials, strong Renminbi, further increase of minimum wages and overtime pay for the workers in mainland China and rising factory overheads are expected to affect the operating environment. Under the circumstances, the Group will continue our focus on developing the core production business so that we could remain competitive in the market to secure a larger market share for the business in the future.

As envisaged in the prior year, the global economy has been improving in 2005 and the demand for our products has continued to grow satisfactorily in the first half of the year 2006. Based on the current stable demand for optical products, our newly established customer bases and progressive marketing strategies, we believe that the momentum for the growth of our turnover will continue in the financial year ended 31 March 2007. Regarding our market development, the Group will continue to develop European markets by strengthening customer relationship with our key customers and pursue a balanced development in North American and Japanese markets by investing in new design and new production know-how to secure new customers. In addition, the Group will seek further opportunities to diversify our customer bases. The Group will concentrate on securing potential customers and developing fashionable products with higher margin.

To maintain our profitability, we will optimise our materials management and production management to reduce the scrap rate materials loss and wastage. The process automation will be further intensified by deploying more CNC machining centers to increase production capacity and development of machines with higher degree of standardization to cater for the production of quality parts and components with sophisticated design.

The Group strongly believes that with the mentioned measures and the devotion of our staff, our business will continue to progress steadily so that reasonable return can be achieved for our shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Group's current ratio, being the ratio of total current assets divided by the total current liabilities, was 1.79:1 (2005: 2.76:1). The decrease in current ratio was due to the reclassification of the fixed bank deposits of HK$83,635,000 as the available-for-sale financial assets under non-current assets in the consolidated balance sheets as at 31 March 2006. The gearing ratio of the Group, calculated on the basis of interest-bearing bank and other borrowings over shareholders' funds maintained at 18.86% (2005: 10.84%) as at the year-end date. The increase in gearing was due to the utilisation of new banking facilities to finance the capital expenditures on the acquisition of machinery, addition of new production lines, leasehold improvements and other plant facilities at Shenzhen and Dongguan, PRC respectively.

The Group had banking facilities amounted to HK$147,600,000 (31 March 2005: HK$122,000,000), of which approximately HK$85,059,000 (31 March 2005: HK$49,000,000) were utilised. All outstanding bank borrowings were for purposes of trade-finance and working capital and short to medium term in nature.

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

The Group has undertaken various measures to tighten control on purchase and use of raw materials to maintain a healthy inventory level despite an increase of turnover of over 6.58%. Therefore, stock turnover days increased slightly from 79 days for the previous financial year to 82 days in 2005/2006. The increase in stock turnover days was due to an increase in inventory level to cater for the increased production output and sale activities since the fourth quarter of the financial year 2005/2006.

As at 31 March 2006, the Group's capital commitment was of HK$3,256,000 (31 March 2005: HK$4,273,000).

FOREIGN CURRENCY RISK

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars, Renminbi and US dollars. The management believes that the Group's working capital is not exposed to any significant risk from exchange rate. All of the bank borrowings are denominated in Hong Kong dollars and US dollars. The revenue of the Group, being mostly denominated in US dollars, was fairly matched with the currency requirements of operating expenses.

CONTINGENT LIABILITIES

At 31 March 2006, the Company had contingent liabilities of HK$147,600,000 (31 March 2005: HK$122,000,000), comprised of guarantees given to banks in connection with facilities granted to its fellow subsidiaries.

THE PLEDGE OF ASSETS

At 31 March 2006, the Group has pledged its leasehold land, leasehold buildings and investment properties with an aggregate carrying value of approximately HK$16,363,000 (31 March 2005: HK$17,203,000) as security for bank loan and general banking facilities granted to the Group. Except the above, there are no other charges on the Group's assets.

EMPLOYEES

As at 31 March 2006, the Group has over 6,131 (2005: 4,846) employees in Hong Kong and China. Most of them were stationed in the Mainland China while the rest were in Hong Kong and overseas. Employee costs (excluding director's emoluments) amounting to approximately HK$95,567,000 (31 March 2005: HK$78,732,000). In addition to competitive remuneration packages, discretionary bonuses are awarded to eligible staff based on the Group's performance, individual experience and performance. Various fringe benefits ranging from Mandatory Provident Fund and medical insurance are provided. Employee's remuneration is consistent with the prevailing industry practice in the respective countries where the Group operates.

APPRECIATION

I would like to take this opportunity to express my deepest gratitude and sincere thanks to all of our staff and fellow directors for their contributions and efforts to the Group in the past. I would also like to thank our customers, shareholders, bankers, suppliers and other business partners for their continuous support to the success of the Group. As the optical markets remains strong in the first half of the year 2006, I am looking forward to placing the Group on the path to further growth and bring fruitful returns to shareholders in the coming financial year.

ON BEHALF OF THE BOARD
Hui Leung Wah
Chairman

Hong Kong
14 July 2006