

**INTERIM REPORT AND ACCOUNTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003**

The Directors are pleased to present the Group's interim report and accounts for the six months ended 30th September 2003. The Group reported a profit attributable to shareholders of HK\$3 million for the period under review. The consolidated results of the Group for the six months ended 30th September 2003, the consolidated balance sheet as at 30th September 2003, the consolidated cash flow statement and the consolidated statement of changes in equity of the Group for the six months ended 30th September 2003, all of which are unaudited, along with the relevant explanatory notes, are set out below.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003**

		Unaudited Six months ended 30th September	
		2003	2002
	<i>Note</i>	<i>HK\$ '000</i>	<i>(Restated) HK\$ '000</i>
Turnover	2	559,907	572,210
Cost of sales		<u>(205,467)</u>	<u>(219,444)</u>
Gross profit		354,440	352,766
Other income		8,337	10,681
Selling expenses		(247,595)	(260,068)
General and administrative expenses		(72,249)	(69,712)
Other operating expenses		<u>(22,602)</u>	<u>(22,294)</u>
Operating profit before financing	3	20,331	11,373
Finance costs		<u>(14,155)</u>	<u>(15,633)</u>
Profit/(loss) before taxation		6,176	(4,260)
Taxation	4	<u>(3,188)</u>	<u>(900)</u>
Profit/(loss) after taxation		2,988	(5,160)
Minority interests		<u>–</u>	<u>–</u>
Profit/(loss) attributable to shareholders		<u>2,988</u>	<u>(5,160)</u>
Earnings/(loss) per share	6	<i>HK cents</i>	<i>HK cents</i>
– basic		0.32	(0.55)
– diluted		<u>0.32</u>	<u>N/A</u>

**CONSOLIDATED BALANCE SHEET
AT 30TH SEPTEMBER 2003 AND 31ST MARCH 2003**

		Unaudited 30th September 2003	Restated 31st March 2003
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets		847,876	845,388
Investment securities		4,299	4,299
Trademarks and patents		20,228	21,284
Deferred tax assets		21,272	21,961
		<hr/>	<hr/>
Non-current assets		893,675	892,932
		<hr/>	<hr/>
Current assets			
Stocks		354,504	356,208
Debtors and prepayments	7	305,995	282,656
Short term investments		4,364	4,364
Cash and bank balances		35,805	36,775
		<hr/>	<hr/>
		700,668	680,003
		<hr/>	<hr/>
Current liabilities			
Bank overdrafts and short term loans			
Secured		208,606	202,110
Unsecured		36,012	40,797
Creditors and accruals	8	269,987	246,146
Loans from shareholders		3,892	3,892
Current portion of long term liabilities	10	61,404	26,049
Taxation payable		11,230	11,894
		<hr/>	<hr/>
		591,131	530,888
		<hr/>	<hr/>
Net current assets		109,537	149,115
		<hr/>	<hr/>
Employment of funds		<u>1,003,212</u>	<u>1,042,047</u>
		<hr/>	<hr/>
Financed by:			
Share capital	9	93,634	93,634
Reserves		632,274	621,602
		<hr/>	<hr/>
Shareholders' funds		725,908	715,236
Minority interests		1,571	1,473
Long term liabilities	10	257,626	308,407
Deferred tax liabilities		18,107	16,931
		<hr/>	<hr/>
Funds employed		<u>1,003,212</u>	<u>1,042,047</u>

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003**

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
		<i>(Restated)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from/(used in) operating activities	27,243	(4,414)
Net cash used in investing activities	(16,422)	(20,399)
Net cash used in financing	(16,816)	(6,586)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(5,995)	(31,399)
Cash and cash equivalents at 1st April	14,811	32,839
Effect of foreign exchange rate changes	2,200	5,350
	<hr/>	<hr/>
Cash and cash equivalents at 30th September	<u>11,016</u>	<u>6,790</u>
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances – unrestricted	33,782	31,849
Bank overdraft	(22,766)	(25,059)
	<hr/>	<hr/>
	<u>11,016</u>	<u>6,790</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003**

	Unaudited				Total <i>HK\$'000</i>
	Share capital <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	
At 1st April 2003					
As previously reported	93,634	2,848,462	443	(2,232,333)	710,206
Prior period adjustment <i>(note 1)</i>	–	–	–	5,030	5,030
As restated	93,634	2,848,462	443	(2,227,303)	715,236
Profit for the period	–	–	–	2,988	2,988
Exchange translation	–	–	–	7,684	7,684
At 30th September 2003	<u>93,634</u>	<u>2,848,462</u>	<u>443</u>	<u>(2,216,631)</u>	<u>725,908</u>
	Unaudited (Restated)				
	Share capital <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April 2002					
As previously reported	93,634	2,848,462	443	(2,196,640)	745,899
Prior period adjustment <i>(note 1)</i>	–	–	–	(823)	(823)
As restated	<u>93,634</u>	<u>2,848,462</u>	<u>443</u>	<u>(2,197,463)</u>	<u>745,076</u>
Loss for the period					
As previously reported	–	–	–	(4,766)	(4,766)
Prior period adjustment <i>(note 1)</i>	–	–	–	(394)	(394)
As restated	–	–	–	(5,160)	(5,160)
Exchange translation	–	–	–	2,737	2,737
	<u>–</u>	<u>–</u>	<u>–</u>	<u>(2,423)</u>	<u>(2,423)</u>
At 30th September 2002	<u>93,634</u>	<u>2,848,462</u>	<u>443</u>	<u>(2,199,886)</u>	<u>742,653</u>

NOTES TO INTERIM ACCOUNTS

1. Principal accounting policies

These unaudited consolidated interim accounts (“interim accounts”) 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 Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim accounts should be read in conjunction with the 2003 Annual Report.

The accounting policies adopted in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has changed certain of its accounting policies following the adoption of SSAP 12 (revised) “Income Taxes” and SSAP 34 (revised) “Employee Benefits” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003.

The adoption of SSAP 34 (revised) has had no material effect to the results of the Group for the current period and details of the change in accounting policy will be given in the 2004 Annual Report.

The effect of adoption of SSAP 12 (revised) is set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an assets was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Opening retained earnings at 1st April 2003 has been increased by HK\$5,030,000 and opening retained earnings at 1st April 2002 has been reduced by HK\$823,000, which represent the unprovided net deferred tax assets and liabilities. This change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$21,961,000 and HK\$16,931,000, respectively. The loss for the six months ended 30th September 2002 has been increased by HK\$394,000.

2. Segment information

Primary reporting format – business segments

	Unaudited				
	Six months ended 30th September 2003				
	Investment	Property	Retail and trading	Eliminations	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	12	24,493	540,772	(5,370)	559,907
Segment results	12	11,059	20,984		32,055
Net corporate expenses					(11,724)
Operating profit before financing					20,331
Finance costs					(14,155)
Profit before taxation					6,176
Taxation					(3,188)
Profit after taxation					2,988
Minority interests					–
Profit attributable to shareholders					2,988

2. Segment information (Continued)

Primary reporting format – business segments (Continued)

Unaudited (Restated)					
Six months ended 30th September 2002					
	Investment	Property	Retail and trading	Eliminations	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	56	25,400	552,379	(5,625)	572,210
Segment results	56	13,816	12,871		26,743
Net corporate expenses					(15,370)
Operating profit before financing					11,373
Finance costs					(15,633)
Loss before taxation					(4,260)
Taxation					(900)
Loss after taxation					(5,160)
Minority interests					–
Loss attributable to shareholders					(5,160)

Secondary reporting format – geographical segments

	Turnover		Segment results	
	Unaudited		Unaudited	
	Six months ended		Six months ended	
	30th September		30th September	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	300,000	337,113	(3,172)	(2,738)
South East and Far East Asia	143,867	128,487	14,599	10,157
Europe	101,712	94,516	20,316	19,176
North America	6,944	6,496	(57)	(299)
PRC Mainland	7,384	5,598	369	447
	<u>559,907</u>	<u>572,210</u>	<u>32,055</u>	<u>26,743</u>

3. Operating profit before financing

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before financing is stated after charging/(crediting):		
Depreciation		
Owned fixed assets	22,775	25,600
Leased fixed assets	1,291	280
Amortisation of trademarks and patents	1,056	1,225
Loss/(gain) on disposal of fixed assets	129	(62)
Net provision for stock obsolescence and stocks written off	689	1,875
Provision for doubtful debts and bad debts written off	<u>3,261</u>	<u>2,849</u>

4. Taxation

No Hong Kong profits tax has been provided as the Group has sufficient tax losses brought forward to offset the assessable profits for the period (2002: nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	Unaudited	
	Six months ended	
	30th September	
	2003	2002
		<i>(Restated)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Overseas profits tax	(1,323)	(506)
Deferred taxation relating to the origination and reversal of temporary differences	(1,865)	(394)
	<u>(3,188)</u>	<u>(900)</u>

5. Interim dividends

The Directors do not recommend the payment of an interim dividend for the period (2002: nil).

6. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to shareholders of HK\$2,988,000 (2002: loss of HK\$5,160,000 (restated)) and on the weighted average number of 936,340,023 shares (2002: 936,340,023 shares) in issue during the period.

The calculation of diluted earnings per share is based on profit attributable to shareholders of HK\$2,988,000 (2002: loss of HK\$5,160,000 (restated)) and on the weighted average number of 936,340,023 shares in issue during the period plus the weighted average number of 2,146,341 shares deemed to be issued at no consideration if all outstanding options had been exercised.

7. Debtors and prepayments

The Group allows an average credit period of 60 days to its trade debtors. Included in debtors and prepayments are trade debtors (net of provision for doubtful debts) with the following aging analysis:

	Unaudited	Audited
	30th September	31st March
	2003	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors		
Below 60 days	30,738	14,035
Over 60 days	16,909	18,984
	<u>47,647</u>	<u>33,019</u>
Deposits, prepayments and other debtors	258,348	249,637
	<u>305,995</u>	<u>282,656</u>

8. Creditors and accruals

Included in creditors and accruals are trade creditors with the following aging analysis:

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Trade creditors		
Below 60 days	74,563	61,307
Over 60 days	56,950	53,891
	<hr/>	<hr/>
	131,513	115,198
Other creditors and accruals	138,474	130,948
	<hr/>	<hr/>
	269,987	246,146
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9. Share capital

There was no change in the Company's share capital during the six months ended 30th September 2003.

During the period, 1,000,000 share options were exercised at HK\$0.15 per share. Closing price of the Company's shares immediately prior to the exercise date of 25th September 2003 was HK\$0.30. The share certificates were issued on 14th October 2003. Except the above, no share options outstanding as at 31st March 2003 were exercised by the option holders.

There were no further share options exercised, granted or lapsed during the period ended 30th September 2003.

10. Long term liabilities

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
	<i>Note</i>	
Bank loans, unsecured	(a) –	157
Bank loans, secured	(a) 278,595	285,472
Loan from a related company	(b) 26,080	34,250
Loan from a director	(c) 13,444	13,444
Obligations under finance leases	(d) 911	1,133
	<hr/>	<hr/>
	319,030	334,456
Amount payable within one year included under current liabilities	61,404	26,049
	<hr/>	<hr/>
	257,626	308,407
	<hr/> <hr/>	<hr/> <hr/>

(a) The bank loans are repayable as follows:

Not exceeding 1 year	21,493	21,248
More than 1 year, but not exceeding 2 years	243,702	16,109
More than 2 years, but not exceeding 5 years	13,400	248,272
More than 5 years	–	–
	<hr/>	<hr/>
	278,595	285,629
	<hr/> <hr/>	<hr/> <hr/>

(b) The loan payable is unsecured, carries interest at prime rate and is repayable within one year.

(c) The loan payable is unsecured, carries interest at 1.5% per annum above US Dollar best lending rate and is wholly repayable on 30th April 2004.

10. Long term liabilities (Continued)

(d) The obligations under finance leases are repayable as follows:

	Minimum lease payments		Present value	
	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Not exceeding 1 year	433	610	387	551
More than 1 year, but not exceeding 2 years	258	229	223	199
More than 2 years, but not exceeding 5 years	324	367	273	301
More than 5 years	35	104	28	82
	<u>1,050</u>	<u>1,310</u>	<u>911</u>	<u>1,133</u>
Future finance charges on finance leases	<u>(139)</u>	<u>(177)</u>		
Present value of finance lease liabilities	<u>911</u>	<u>1,133</u>		

11. Contingent liabilities

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
(a) Bills discounted	<u>7,475</u>	<u>7,262</u>
(b) The status of the Group's arbitration in respect of the claims by the contractor for the Stelux House development was fully disclosed in the Annual Report 2003. We are awaiting delivery of the award.		

12. Commitments

	Unaudited 30th September 2003 HK\$'000	Audited 31st March 2003 HK\$'000
Commitments in respect of expenditure on fixed assets		
Contracted but not provided for	<u>3,594</u>	<u>—</u>

13. Related party transactions

	Unaudited Six months ended 30th September 2003 HK\$'000	2002 HK\$'000
Purchases of goods from related companies	13,708	17,654
Rental income received from related companies	905	906
Interest income received from a related company	2,448	2,377
Interest expense paid to a related company	812	893
Interest expense paid to a director	<u>399</u>	<u>413</u>

The terms of these related party transactions have not changed from those disclosed in the Annual Report 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF GROUP OPERATIONS

The Group reported a small profit attributable to shareholders of HK\$3 million for the six months ended 30th September 2003 compared to a loss of approximately HK\$5 million during the same period last year.

Retail and Trading Division

This Division which includes the Group's 3 core retail chains and its export arm reported a marked improvement in profits of HK\$12 million compared to HK\$3 million during the corresponding period last year. Turnover was maintained at about last year's level at HK\$550 million.

City Chain

City Chain operations in Hong Kong and regionally reported improved results with a profit of HK\$10 million compared to a profit of HK\$2 million last year. This was due to several factors like favourable currency translations and successful cost cutting measures. Turnover was down 6% compared to the same period last year due to the impact of SARS.

In December 2003, an advertising campaign for "Solvil et Titus" featuring a key Hong Kong artiste, Sammi Cheng was launched in Hong Kong and other South East Asian countries to strengthen the brand's awareness.

A lot of work has been done during the last 6 months in preparation for expansion into the China market. Print and outdoor advertising for "Solvil et Titus" featuring the same local artiste to build the brand has been launched in Shanghai and Guangdong Province. In addition to over 35 watch brand counters located in key cities in China, there are 3 City Chain shops in Guangzhou.

Optical 88

Notwithstanding SARS, overall Optical 88 operations in Hong Kong and in the rest of Asia, managed to hold ground during a very uncertain past 6 months, reporting only a 4% fall in turnover compared to the corresponding period last year and further managing to stay in the black with a small profit.

Hipo.fant

Due to SARS, Hipo.fant operations in Hong Kong were hardest hit in April with a sharp fall in turnover compared to the same time last year. Turnover picked up considerably, subsequently with our Hong Kong operations managing to maintain its sales turnover for the six months under review. However, continued discounting due to poor sentiment contributed to a loss which widened by about HK\$1 million from last year. The new brand image, changed product mixes and product lines have been well received by customers. Together with the recent more upbeat mood in the territory, we are beginning to see improvements in our margins and turnover.

During the last 6 months, Hipo.fant counters have been set up in Shanghai, Shenzhen and Guangzhou. We shall continue to look for opportunities in China through either franchising or direct operations.

Retail and Trading Division *(Continued)*

Watch Assembly, Export and Trading

Turnover was up 10% from the same period last year and profits increased by 22% to HK\$5 million. The weak US dollar and the end to the uncertainty surrounding the Iraqi war boosted turnover and profits.

Our USA operations are undergoing restructuring with the closure of the subsidiary. Future sales to the USA will be handled directly by our Hong Kong export subsidiary.

Property Investment

Stelux House is achieving a letting occupancy of 92%. Leases due for renewal will be renewed at prevailing market rentals.

PROSPECTS

Over the last few months, the feel good factor seems to have returned to Hong Kong. Provided this is sustainable, we expect our Hong Kong operations to report improved performances for the current financial year (2003/2004).

In the coming 6 months, material investments will be made – Operations in China for all 3 retail chains will continue to expand either through the setting up of shops or counters in key department stores. Expansion in Thailand, Malaysia and Singapore will continue. It is expected that funds for such investments will come from internal funds or bank borrowings.

FINANCE

The Group's bank borrowings at balance sheet date were HK\$523 million (at 31st March 2003: HK\$529 million), out of which, HK\$266 million (at 31st March 2003: HK\$264 million) were repayable within 12 months. The Group's gearing ratio at balance sheet date was 0.72 (at 31st March 2003: 0.74), and was calculated based on the Group's bank borrowings and shareholders' funds of HK\$726 million (at 31st March 2003: HK\$715 million).

As at balance sheet date, 3% (at 31st March 2003: 3%) of the Group's bank borrowings were denominated in foreign currencies. The Group's bank borrowings were on a floating rate basis at either bank prime lending rates or short-term inter-bank offer rates.

The Group does not engage in speculative derivative trading.

CAPITAL STRUCTURE OF THE GROUP

There was no change in the capital structure of the Group during the period except that 1,000,000 share options were exercised by an employee on 25th September 2003. Closing price of the Company's shares immediately prior to the exercise date was HK\$0.30. The share certificates were approved and issued on 14th October 2003.

SHARE OPTION

The details are as follows:

	Number of share options Outstanding as at 1st April 2003		Outstanding as at 30th September 2003
	1st lot (note 1)	2nd lot (note 2)	(note 3)
Director			
Mr Joseph C. C. Wong	3,000,000	5,000,000	8,000,000
Mr Chu Kai Wah, Anthony	1,000,000	1,000,000	2,000,000
Mr Lee Shu Chung, Stan	1,000,000	1,000,000	2,000,000
Mr Wong Yuk Woon	1,000,000	1,000,000	2,000,000
Employees	2,000,000	–	1,000,000

Notes:

1. These options are granted on 26th October 1998 and exercisable at HK\$0.15 per share during the period from 26th October 1998 to 25th October 2003.
2. These options are granted on 17th January 2000 and exercisable at HK\$0.248 per share during the period from 17th January 2000 to 16th January 2005.
3. 1,000,000 share options were exercised by an employee on 25th September 2003 at HK\$0.15 per share. Closing price of the Company's shares immediately prior to the exercise date was HK\$0.30. The share certificates were approved and issued on 14th October 2003.

CHANGES IN THE COMPOSITION OF THE GROUP DURING THE INTERIM PERIOD

There were no material acquisitions and disposals of subsidiary companies and there were no material acquisitions of associated companies during the interim period. There was no change in the composition of the Group during the interim period.

SEGMENTAL INFORMATION

An analysis of the Group's segment turnover and segment results by business activities and markets is shown in note 2 to the interim accounts.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEMES AND TRAINING SCHEMES

The Group's remuneration policies are reviewed on a regular basis and remuneration packages are in line with market practices in the relevant countries where the Group operates. As of 30th September 2003, the Group had 1,915 (at 30th September 2002: 1,773) employees. Details of outstanding share options were disclosed in the above section, "Share Option".

DETAILS OF THE CHARGES ON GROUP ASSETS

At 30th September 2003, certain of the Group's land and buildings amounting to HK\$177,227,000 (at 31st March 2003: HK\$169,155,000), investment properties amounting to HK\$531,500,000 (at 31st March 2003: HK\$531,500,000), bank deposits amounting to HK\$2,023,000 (at 31st March 2003: HK\$2,014,000) and other debtor of HK\$50,000,000 (at 31st March 2003: HK\$50,000,000) were pledged to secure banking facilities granted to the Group.

DIRECTORS' INTERESTS

As at 30th September 2003, the interests and short positions of the directors, chief executives 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 position in shares of the Company:

(a) The Company – Ordinary shares

	Number of shares			
	Personal interests	Family interests	Corporate interests	Total
Mr Wong Chong Po	3,600,000	552,037,741 ⁽¹⁾	552,037,741 ⁽¹⁾	555,637,741*
Mr Joseph C. C. Wong	5,181,211	10,000	–	5,191,211
Mr Sakorn Kanjanapas	391,056	–	–	391,056

(b) The Company – Number of options to subscribe for ordinary shares of HK\$0.1 each

	Number of options			
	Personal interests	Family interests	Corporate interests	Total
Mr Joseph C. C. Wong	8,000,000	–	–	8,000,000
Mr Chu Kai Wah, Anthony	2,000,000	–	–	2,000,000
Mr Lee Shu Chung, Stan	2,000,000	–	–	2,000,000
Mr Wong Yuk Woon	2,000,000	–	–	2,000,000

(c) Subsidiary companies

	Number of shares			
	Personal interests	Family interests	Corporate interests	Total
<i>(i) City Chain (Thailand) Company Limited – Preference shares ⁽²⁾</i>				
Mr Wong Chong Po	200	–	208,800	209,000
Mr Joseph C. C. Wong	200	–	208,800	209,000
Mr Sakorn Kanjanapas	200	–	208,800	209,000
<i>(ii) Stelux Watch (Thailand) Company Limited – Preference shares ⁽³⁾</i>				
Mr Wong Chong Po	600	–	–	600
Mr Joseph C. C. Wong	600	–	–	600
Mr Sakorn Kanjanapas	600	–	–	600

DIRECTORS' INTERESTS (Continued)

(c) Subsidiary companies (Continued)

	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
(iii) <i>Optical 88 (Thailand) Company Limited – Preference shares</i> ⁽⁴⁾				
Mr Wong Chong Po	5,000	–	225,000	230,000
Mr Joseph C. C. Wong	5,000	–	225,000	230,000
Mr Sakorn Kanjanapas	5,000	–	225,000	230,000

* Total interests excluding duplication as explained in the respective notes.

By virtue of the SFO and his interests in the ultimate holding company, Yee Hing Company Limited, Active Lights Company Limited and Yee Hing International Limited, Mr Wong Chong Po is deemed to have family and corporate interests in the shares of the Company and its associated corporations at 30th September 2003 as follows:

- (1) This includes the duplication of corporate interests of 552,037,741 shares through Yee Hing Company Limited, Active Lights Company Limited and Yee Hing International Limited in which Mr Wong Chong Po is deemed to have both family and corporate interests. Active Lights Company Limited and Yee Hing International Limited are wholly owned subsidiary companies of Yee Hing Company Limited. Mr Wong Chong Po indirectly holds 10% of the issued shares of Yee Hing Company Limited.

By virtue of the SFO and their family and corporate interests in the Company stated above, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in City Chain (Thailand) Company Limited at 30th September 2003 as follows:

- (2) City Chain (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary company of the Company. The interests of these directors in the ordinary shares of City Chain (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in 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.

By virtue of the SFO and their family and corporate interests in the Company stated above, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Stelux Watch (Thailand) Company Limited at 30th September 2003 as follows:

- (3) Stelux Watch (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary company of the Company. The interests of these directors in the ordinary shares of Stelux Watch (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in 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.

DIRECTORS' INTERESTS *(Continued)*

By virtue of the SFO and their family and corporate interests in the Company stated above, Mr Wong Chong Po, Mr Joseph C. C. Wong and Mr Sakorn Kanjanapas are deemed to have corporate interests in Optical 88 (Thailand) Company Limited at 30th September 2003 as follows:

- (4) Optical 88 (Thailand) Company Limited is deemed to be a wholly owned subsidiary company of the Company as all its ordinary shares carrying voting rights are held by a wholly owned subsidiary company of the Company. The interests of these directors in the ordinary shares of Optical 88 (Thailand) Company Limited are therefore equivalent to their respective personal, family and corporate interests in 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.

Save as disclosed above, no directors, chief executives or their associates had any interest or short position 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 of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003, the following persons (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	<i>Note</i>
Yee Hing Company Limited	415,031,771	44.32%	<i>(a)</i>
Active Lights Company Limited	135,653,636	14.49%	<i>(b)</i>
HKSCC Nominees Limited	123,713,393	13.21%	<i>(c)</i>
Thong Sia Company Limited	91,032,218	9.72%	<i>(d)</i>

Notes:

- (a) These shares are held by Yee Hing Company Limited as beneficial owner and duplicate part of the corporate interests held by Mr Wong Chong Po in the Company.
- (b) These shares are held by Active Lights Company Limited as beneficial owner and duplicate part of the corporate interests held by Mr Wong Chong Po in the Company.
- (c) These shares are held by HKSCC Nominees Limited as investment manager.
- (d) These shares are held by Thong Sia Company Limited as beneficial owner. The estate of Mr Wong Chue Meng (deceased on 15th June 2003 and former Chairman of the Company), holds 38% of the issued shares of Thong Sia Company Limited.

All interests disclosed above represent long position 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 per cent or more of the nominal value of the share capital of the Company as at 30th September 2003 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 period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

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 period except that the independent non-executive directors of the Company are not appointed for a specific term.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee, comprising two independent non-executive directors, namely Mr Kwong Yiu Chung and Dr Chu Chun Keung, Sydney, was established on 26th February 1999 ("Audit Committee"). By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on the same date. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30th September 2003 with the directors.

On behalf of the Board
Joseph C. C. Wong
Vice Chairman and Managing Director

Hong Kong, 18th December 2003