

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under The Companies Act 1981 of Bermuda (as amended) on February 5, 1999. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from May 25, 1999. Its ultimate holding company is United Vision International Limited, a company incorporated in The British Virgin Islands.

The Group is principally engaged in the design, manufacture and sales of optical products.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

Presentation of financial statements

In the current year, the Group has adopted SSAP 1 (Revised) “Presentation of Financial Statements”, which results in the inclusion of the consolidated statement of changes in equity in the financial statements. The changes in equity were previously presented as a note to the financial statements by the Group.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements denominated in currencies other than Hong Kong dollars at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid, interest received and dividends paid, which were previously presented under a separate heading, are classified as operating/investing/financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of the overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong using the historical cost convention as modified for the revaluation of the land and buildings in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to March 31 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Turnover

Turnover represents the net amounts received and receivable for goods sold to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less depreciation, amortisation and accumulated impairment losses.

Leasehold land and buildings located in Hong Kong are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined by using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sales or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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Construction in progress is stated at cost, less any impairment loss recognised. Cost comprises construction expenditure and other direct costs attributable to such projects. Construction in progress is not depreciated or amortised until the completion of construction. The cost of completed construction work is transferred to an appropriate category of property, plant and equipment.

Depreciation and amortisation is provided to write off the cost or valuation of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the term of leases
Leasehold improvements	10% – 20%
Plant and machinery	10% – 30%
Furniture and fixtures	20%
Motor vehicles	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on transaction are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rental payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term of the relevant lease.

Retirement benefit costs

The amount of the contribution payable in respect of the Group's defined contribution retirement scheme is charged to the income statement.

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

(a) Business segments

The Group is principally engaged in the design, manufacture and sales of optical products. No business segment analysis is presented as management considers this as one single business segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

(b) Geographical segments

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC").

Segment information of the Group by location of customers is presented as below:

For the year ended March 31, 2003

	United States <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>240,913</u>	<u>179,003</u>	<u>41,303</u>	<u>9,284</u>	<u>470,503</u>
RESULT					
Segment result	<u>69,908</u>	<u>44,240</u>	<u>7,669</u>	<u>2,478</u>	124,295
Interest income					1,845
Surplus arising on revaluation of land and buildings					72
Unallocated corporate expenses					<u>(29,906)</u>
Profit from operations					96,306
Interests on bank borrowings					<u>(105)</u>
Profit before taxation					96,201
Taxation					<u>(6,125)</u>
Net profit for the year					<u>90,076</u>

BALANCE SHEET

	United States	Europe	Asia	Other regions	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS					
Segment assets	40,066	41,106	19,991	1,478	102,641
Unallocated corporate assets					<u>402,483</u>
Consolidated total assets					<u>505,124</u>
LIABILITIES					
Segment liabilities	–	–	–	–	–
Unallocated corporate liabilities					<u>89,353</u>
Consolidated total liabilities					<u>89,353</u>

For the year ended March 31, 2002

	United States	Europe	Asia	Other regions	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER					
	<u>185,634</u>	<u>115,139</u>	<u>40,612</u>	<u>9,321</u>	<u>350,706</u>
RESULT					
Segment result	<u>53,169</u>	<u>37,053</u>	<u>10,363</u>	<u>1,261</u>	101,846
Interest income					2,019
Deficit arising on revaluation of land and buildings					(26)
Unallocated corporate expenses					<u>(22,304)</u>
Profit from operations					81,535
Interests on bank borrowings					<u>(115)</u>
Profit before taxation					81,420
Taxation					<u>(5,502)</u>
Profit before minority interests					75,918
Minority interests					<u>13</u>
Net profit for the year					<u>75,931</u>

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For the year ended March 31, 2003

BALANCE SHEET

	United States <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Other regions <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	36,955	32,018	16,578	2,903	88,454
Unallocated corporate assets					<u>298,856</u>
Consolidated total assets					<u>387,310</u>
LIABILITIES					
Segment liabilities	–	–	–	–	–
Unallocated corporate liabilities					<u>76,068</u>
Consolidated total liabilities					<u>76,068</u>

In addition to the analysis by the geographical location of its customers, the following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amounts of segment assets		Additions to property, plant and equipment	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong	274,861	209,499	4,112	3,868
The PRC	<u>230,263</u>	<u>177,811</u>	<u>65,386</u>	<u>39,355</u>
	<u>505,124</u>	<u>387,310</u>	<u>69,498</u>	<u>43,223</u>

5. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	84,001	63,503
Retirement benefits scheme contributions (<i>note 25</i>)	2,640	1,514
	<hr/>	<hr/>
Total staff costs	86,641	65,017
Auditors' remuneration	623	600
Depreciation and amortisation of property, plant and equipment	25,260	18,615
Loss (gain) on disposal of property, plant and equipment	14	(113)
	<hr/>	<hr/>

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	207	207
Independent non-executive directors	240	120
	<hr/>	<hr/>
	447	327
	<hr/>	<hr/>
Other emoluments (executive directors):		
Salaries and other benefits	4,191	3,707
Retirement benefits scheme contributions	116	116
	<hr/>	<hr/>
	4,307	3,823
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Total emoluments	4,754	4,150
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The emoluments of each of the directors were less than HK\$1,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

(b) Employees' emoluments

The five highest paid individuals for the years ended March 31, 2003 and 2002 included two executive directors of the Company, whose emoluments are set out in (a) above. The emoluments of the remaining three individuals for the years ended March 31, 2003 and 2002 are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	2,131	1,815
Retirement benefits scheme contributions	78	76
	<u>2,209</u>	<u>1,891</u>

	2003 No. of employees	2002 No. of employees
Their emoluments were within the following bands		

HK\$nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>3</u>	<u>3</u>

During the years ended March 31, 2003 and 2002, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office. None of the directors has waived any emoluments during the years ended March 31, 2003 and 2002.

7. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the assessable profit for the year		
Current year	5,868	5,015
Under(over) provision in the prior years	7	(13)
	<u>5,875</u>	<u>5,002</u>
Deferred tax (<i>note 21</i>)		
Current year	250	500
	<u>6,125</u>	<u>5,502</u>

8. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Final, paid – 7.2 Hong Kong cents per share for 2002 (2002: 6.8 Hong Kong cents for 2001)	17,463	13,940
Interim, paid – 4 Hong Kong cents per share (2002: 3.6 Hong Kong cents)	9,873	7,380
Special, paid – 2 Hong Kong cents per share (2002: Nil)	4,937	–
	<u>32,273</u>	<u>21,320</u>

The final dividend in respect of 2003 of 8 Hong Kong cents (2002: 7.2 Hong Kong cents) per share has been proposed by the directors and is subject to approval by the shareholders in the general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share		
– Net profit for the year	<u>90,076</u>	<u>75,931</u>
		Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	230,398,164	205,179,386
Effect of dilutive potential ordinary shares:		
– Share options	7,664,439	4,450,082
– Warrants	<u>7,405,587</u>	<u>928,631</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>245,468,190</u>	<u>210,558,099</u>

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For the year ended March 31, 2003

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
COST OR VALUATION							
At April 1, 2002	36,398	17,402	76,494	30,368	3,834	2,194	166,690
Additions	1,186	5,997	36,496	11,834	1,541	12,444	69,498
Transfers	1,042	–	1,122	30	–	(2,194)	–
Disposals	–	–	–	–	(1,507)	–	(1,507)
At March 31, 2003	38,626	23,399	114,112	42,232	3,868	12,444	234,681
Comprising:							
At cost	35,026	23,399	114,112	42,232	3,868	12,444	231,081
At valuation – 2003	3,600	–	–	–	–	–	3,600
	38,626	23,399	114,112	42,232	3,868	12,444	234,681
DEPRECIATION AND AMORTISATION							
At April 1, 2002	1,019	8,689	34,637	14,539	1,922	–	60,806
Provided for the year	751	3,349	14,875	5,647	638	–	25,260
Eliminated on disposals	–	–	–	–	(1,000)	–	(1,000)
Eliminated on revaluation	(72)	–	–	–	–	–	(72)
At March 31, 2003	1,698	12,038	49,512	20,186	1,560	–	84,994
NET BOOK VALUES							
At March 31, 2003	36,928	11,361	64,600	22,046	2,308	12,444	149,687
At March 31, 2002	35,379	8,713	41,857	15,829	1,912	2,194	105,884

The net book value of the leasehold land and buildings of the Group comprises:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under medium-term leases:		
Hong Kong	3,600	3,600
The PRC	33,328	31,779
	<u>36,928</u>	<u>35,379</u>

The leasehold land and buildings located in Hong Kong are carried at valuation. They were valued at March 31, 2003 by BMI Appraisals Limited, an independent property valuer, on an open market existing use basis. The surplus on revaluation of HK\$72,000 (2002: deficit of HK\$26,000) has been credited to the income statement.

If leasehold land and buildings located in Hong Kong had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at approximately HK\$7,165,000 (2002: HK\$7,326,000).

The leasehold land and buildings located in the PRC were not assigned a commercial value by the valuer as they were not fully transferable and, accordingly, they are carried at cost less depreciation, amortisation and impairment loss. The directors consider that the leasehold land and buildings located in the PRC are worth at least their cost.

11. INVESTMENT IN A SUBSIDIARY

	THE COMPANY
	2003 & 2002
	<i>HK\$'000</i>
Unlisted shares, at cost	<u>111,968</u>

NOTES TO THE FINANCIAL STATEMENTS

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Particulars of the principal subsidiaries of the Company at March 31, 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid ordinary share capital	Proportion of nominal value of issued share capital held by the Company (note b)	Principal activities (note c)
101 Studio Limited	Hong Kong	HK\$9	100%	Sales of optical frames and related products
New Prosperity Optical Manufactory Limited	The British Virgin Islands	US\$1	100%	Manufacture of optical frames and related products in the PRC
Sun Hing Optical International Group Limited (note b)	The British Virgin Islands	HK\$106	100%	Investment holding
Sun Hing Optical Manufactory Limited	Hong Kong	HK\$2	100%	Sales of optical frames and related products
Yorkshire Holdings Limited	Hong Kong	HK\$10	100%	Property holding
東莞恒生眼鏡制造有限公司 (note a)	PRC	HK\$2,500,000	100%	Manufacture and sale of optical frames and related products

Notes:

- (a) The subsidiary established in the PRC is registered as a wholly foreign owned enterprise.
- (b) Sun Hing Optical International Group Limited is directly held by the Company and all other subsidiaries are indirectly held.
- (c) The principal activities are carried out in the place of incorporation except as otherwise stated under principal activities above.

The directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had any debt securities subsisting at the balance sheet date or at any time during the year.

12. AMOUNTS WITH SUBSIDIARIES

The amounts are unsecured, interest free and are repayable on demand.

13. INVENTORIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Raw materials	30,776	29,949
Work in progress	33,805	31,442
Finished goods	25,440	16,264
	<u>90,021</u>	<u>77,655</u>

Included above are raw materials of approximately HK\$3,935,000 (2002: HK\$3,216,000) which are carried at net realisable value.

14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade debtors. An aged analysis of trade debtors is as follows:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Trade debtors		
Current	82,305	72,199
Overdue up to 90 days	15,063	12,239
Overdue more than 90 days	5,273	4,016
	<u>102,641</u>	88,454
Other receivables	6,047	6,514
	<u>108,688</u>	<u>94,968</u>

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15. TRADE AND OTHER PAYABLES

An aged analysis of trade creditors is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Trade payables		
Current and overdue up to 90 days	57,490	51,688
Overdue more than 90 days	3,034	857
	<u>60,524</u>	<u>52,545</u>
Other payables	21,197	14,224
	<u>81,721</u>	<u>66,769</u>

16. BANK BORROWINGS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Mortgage loans, secured	–	1,253
Other bank loans, unsecured	–	1,029
	<u>–</u>	<u>2,282</u>

The repayment schedule for bank borrowings is as follows:

Within one year or on demand	–	1,411
Between one to two years	–	364
Between two to five years	–	507
	<u>–</u>	<u>2,282</u>
<i>Less: Amount due within one year shown under current liabilities</i>	<u>–</u>	<u>(1,411)</u>
Amount due after one year	<u>–</u>	<u>871</u>

The bank borrowings of the Group has been fully repaid during the year.

17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At March 31, 2001, 2002 and 2003	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At April 1, 2001	205,000,000	20,500
Issue of shares upon exercise of warrants	<u>2,502,000</u>	<u>250</u>
At March 31, 2002	207,502,000	20,750
Issue of shares upon exercise of share options	1,100,000	110
Issue of shares upon exercise of warrants	<u>38,237,200</u>	<u>3,824</u>
At March 31, 2003	<u>246,839,200</u>	<u>24,684</u>

18. SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 4, 1999 for the primary purpose of providing incentives to eligible employees and will expire on the business day preceding the 10th anniversary of the date of adoption. Under the Scheme, the board of directors of the Company may at their discretion grant options to eligible full-time employees of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued share capital of the Company at any point in time but excluding shares issued pursuant to the Scheme. No employee shall be granted a share option which, if exercised in full, would result in such employee becoming entitled to subscribe for more than 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

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Options granted must be taken up before the date specified in the offer and the expiry of the Scheme, whichever is the earlier, upon payment of HK\$10 per grant of options. Options may generally be exercised at any time from the date of grant to the earlier of the 5th anniversary of the date of grant and the 10th anniversary of the date of adoption of the Scheme. No option may be exercised by an individual until he shall have completed half year's full-time service with the Company or its subsidiaries. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the shares of the Company and 80% of the average closing price of the shares for the five trading days immediately preceding the date of grant.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in a year. Upon the exercise of the share options, the shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

The following tables disclose details of the Company's share options held by directors during the year:

Option type	Outstanding at 1.4.2002	Granted during the year	Exercised during the year	Outstanding at 31.3.2003
2000	10,800,000	–	(1,000,000)	9,800,000
2001	1,000,000	–	(100,000)	900,000
	<u>11,800,000</u>	<u>–</u>	<u>(1,100,000)</u>	<u>10,700,000</u>
Option type	Outstanding at 1.4.2001	Granted during the year	Exercised during the year	Outstanding at 31.3.2002
2000	10,800,000	–	–	10,800,000
2001	–	1,000,000	–	1,000,000
	<u>10,800,000</u>	<u>1,000,000</u>	<u>–</u>	<u>11,800,000</u>

Other than the share options disclosed above, no share options were held by the employees of the Group.

Details of specific categories of options are as follows:

Category	Date of grant	Exercise period	Exercise price HK\$	Exercise date
2000	March 3, 2000	March 3, 2000 – March 2, 2005	0.75	October 28, 2002
2001	June 11, 2001	June 11, 2001 – June 10, 2006	0.92	August 16, 2002

Total consideration received from directors for the options exercised during the year amounted to HK\$842,000.

The weighted average closing price of the Company's shares on the trading day immediately before the dates on which the options were exercised was HK\$2.15.

19. WARRANTS

On September 4, 2000, the board approved a bonus issue of 41,000,000 warrants on the basis of one warrant for every five issued shares held on September 1, 2000. Each warrant entitles its holder to subscribe in cash at a price of HK\$1.20 for one share of the Company at any time from October 9, 2000 to September 30, 2002, both days inclusive. During the year, 38,237,200 (2002: 2,502,000) warrants were exercised and 260,800 warrants lapsed on September 30, 2002.

20. RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY				
At April 1, 2001	15,766	111,768	16,703	144,237
Exercise of warrant	2,752	–	–	2,752
Net profit for the year	–	–	24,841	24,841
Dividends paid (<i>note 8</i>)	–	–	(21,320)	(21,320)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2002	18,518	111,768	20,224	150,510
Exercise of share options	732	–	–	732
Exercise of warrant	42,060	–	–	42,060
Net profit for the year	–	–	20,284	20,284
Dividends paid (<i>note 8</i>)	–	–	(32,273)	(32,273)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2003	61,310	111,768	8,235	181,313

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

The contributed surplus of the Company represents the difference between the value of the underlying net assets of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.

Under the laws in Bermuda, the contributed surplus account of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's reserves available for distribution to shareholders as at March 31, 2003 are represented by its accumulated profits and contributed surplus, totalling approximately HK\$120,003,000 (2002: HK\$131,992,000).

21. DEFERRED TAXATION

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
At beginning of year	800	300
Charge for the year	250	500
At end of year	<u>1,050</u>	<u>800</u>

The deferred tax liability of the Group represents the tax effect of timing differences arising as a result of the excess of depreciation allowances claimed for tax purposes over depreciation charged in the financial statements.

The Group and the Company did not have any significant unprovided deferred taxation for the year or at the balance sheet date.

22. PLEDGE OF ASSETS

At March 31, 2002, the Group has pledged its leasehold land and buildings in Hong Kong with an aggregate net book value of HK\$3,600,000 as security for its banking facilities. During the year, the above mentioned leasehold land and buildings were released as pledged assets upon the expiry of the relevant banking facilities.

23. OPERATING LEASE COMMITMENTS

The Group as lessee

	2003	2002
	HK\$'000	HK\$'000
Minimum lease payments paid in respect of rented premises under operating leases during the year	<u>5,503</u>	<u>4,483</u>

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,802	2,991
In the second to fifth year inclusive	7,171	6,970
Over five years	1,785	–
	13,758	9,961

Operating lease payments represent rental payable by the Group for certain of its office and other premises. Leases are negotiated for an average term of one year and rentals are fixed over the lease terms.

The Company has no operating lease commitments at the balance sheet date.

24. CAPITAL AND OTHER COMMITMENTS

At the balance sheet date, the Group had the following significant capital and other commitments:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements		
– Acquisition of plant and machinery	16,333	4,003
– Factory under construction	3,389	–
	19,722	4,003
Capital expenditure authorised but not contracted for		
– Factory under construction	474	3,083
	20,196	7,086
Commitments for license fee for brandnames contracted for but not provided in the financial statements	5,148	8,628
	25,344	15,714

The Company did not have any capital commitments at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2003

25. RETIREMENT BENEFITS SCHEME

Prior to December 1, 2000, the Group operated a defined contribution retirement benefit scheme (“Defined Contribution Scheme”) for its qualifying employees in Hong Kong. The assets of the scheme were held separately from those of the Group in funds under the control of an independent trustee. Where there were employees who left the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from December 1, 2000, the Group has joined a Mandatory Provident Fund Scheme (“MPF Scheme”) for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The employees employed for PRC operations are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect of the retirement benefits schemes is to make the required contributions under the schemes.

The retirement benefit scheme contribution arising from the Defined Contribution Scheme, the MPF Scheme and the PRC state-managed retirement benefit scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

As at March 31, 2003 and March 31, 2002, the Group did not have any forfeited contributions to offset future contributions.

26. CONTINGENT LIABILITIES

At March 31, 2003, the Company has guaranteed the bank facilities of its subsidiaries amounting to approximately HK\$46,000,000 (2002: HK\$37,000,000).