

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2001

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the audited financial statements for the year ended 31 March 2001, except that the Group has changed certain of its accounting policies following the adoption of the SSAPs and related interpretation issued by HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 26	Segmental reporting
SSAP 30	Business combinations
SSAP 31	Impairment of assets
Interpretation 13	Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves

The changes to the Group’s accounting policies and the effect of adopting these new policies are as follows:

Dividend distributions

SSAP 9 (revised) prescribes the accounting treatment and disclosures for events occurring after the balance sheet date. In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$24,274,000 previously recorded as a current liability as at 31 March 2001 has been restated and shown under shareholders’ funds.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. In Note 2 to these condensed consolidated interim financial statements, the Group has disclosed segment revenue and results as defined under SSAP 26 “Segment Reporting”. In accordance with the Group’s internal financial reporting, the Group has determined that geographical segments will be presented as its primary reporting format. No business segment analysis is presented as management considers that the Group has one single business segment only.

Goodwill

The Group has adopted the transitional arrangements allowed under SSAP 30, whereby no restatement of goodwill arising prior to 1 April 2001 and eliminated against reserves is required. In addition, having assessed the fair value of goodwill with regard to the profitability and prospect of the relevant subsidiaries, the Group is of the opinion that no provision for impairment of assets is required. Accordingly, the adoption of the SSAP 30 and 31 and Interpretation 13 has no impact on the interim financial statements for the six months ended 30 September 2001 or financial statements for any prior periods.

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2. SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of optical frames, sunglasses and optical cases. No business segment analysis is presented as management considers that the Group has one single business segment.

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of market for the six months ended 30 September 2001 and 2000 is as follows:

	For the six months ended 30 September			
	2001	2000	2001	2000
	Turnover (Unaudited) HK\$'000	Contribution to profit from operating activities (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000 (Restated – note 16)	Contribution to profit from operating activities (Unaudited) HK\$'000
By geographical area:				
United States of America	81,539	24,529	96,842	29,553
Europe	60,210	17,672	64,226	19,934
The People's Republic of China:				
Hong Kong (Note a)	40,207	10,176	40,016	11,005
Mainland China	5,212	932	4,399	361
Other Asian countries	5,769	1,111	9,204	2,857
Others	4,882	1,393	2,565	796
	197,819	55,813	217,252	64,506

Note:

- (a) Sales were primarily to agents in Hong Kong, but were also made to local retailers. The directors believe that the agents export most of the Group's products to Europe and North America.

3. TURNOVER AND OTHER REVENUE

Turnover represents the invoiced value of goods sold to third parties, net of trade discounts and returns.

An analysis of the Group's turnover and other revenue is as follows:

	For the six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Turnover	197,819	217,252
Interest income	2,262	2,261
Net rental income from investment properties	513	610
Exchange gain, net	–	1,187
Gain on disposal of listed investments	20	84
Gain on disposal of fixed assets	–	31
Others	247	135
	3,042	4,308
Total revenue	200,861	221,560

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4. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	10,998	9,664
Interest on bank loans wholly repayable:		
– within five years	74	21
– after five years	245	384
Interest on bank overdrafts	2	–
Interest on finance leases	–	4
Loss on disposal of fixed assets	83	–
Operating lease rental in respect of land and buildings	1,110	1,269
Staff costs	29,681	32,455
Provision for bad and doubtful debts	500	3,500
Unrealised losses on short term investments	330	450
	_____	_____

5. TAX

	For the six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current period's provision	5,258	5,932
Over-provision in prior period	(2,204)	–
	_____	_____
	3,054	5,932
	_____	_____

The Group companies provide for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Hong Kong profits tax for the Company and subsidiaries in Hong Kong has been provided at a rate of 16% (2000: 16%) on estimated assessable profits which was earned in or derived from Hong Kong during the period. A subsidiary operating in Mainland China (the "PRC") was not subject to the PRC income tax in the current or prior periods as it did not generate any profit subject to PRC income tax.

6. EARNINGS PER SHARE

The calculation of earnings per share for the period is based on the net profit of HK\$48,709,000 (six months ended 30 September 2000: HK\$56,106,000) and 323,649,123 shares (2000: 323,649,123 shares) in issue.

As the Company had no potentially dilutive share as at 30 September 2001, diluted earnings per share is not presented.

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7. DIVIDENDS

At a meeting of board of directors held on 18 December 2001, the directors resolved to pay an interim dividend of HK4 cents (2000: HK4 cents) to shareholders whose name appear on the Register of Members of the Company on 9 January 2002. The interim dividend will be paid on or before 17 January 2002.

8. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment by the Group and with regard to their established payment record. The Group allows an average credit period of 60 days to its trade customers and seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management and collections are followed up by accounting personnel. The following is an aged analysis of trade receivables (net of provision for bad and doubtful debts) as at 30 September 2001 and 31 March 2001:

Ageing	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Current to 90 days	71,235	97,116
91-180 days	18,293	1,820
181-360 days	668	717
Total	90,196	99,653

9. TRADE PAYABLES

The following is an aged analysis of trade payables as at 30 September 2001 and 31 March 2001:

Ageing	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Current to 90 days	25,232	19,171
91-180 days	256	1,130
181-360 days	212	296
Over 360 days	380	96
Total	26,080	20,693

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10. BANK LOANS, SECURED

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Repayable within a period of:		
Within one year	2,517	1,261
After one year but within two years	3,582	1,352
After two years but within five years	7,388	4,685
After five years	–	1,288
	<u>13,487</u>	<u>8,586</u>
Portion classified as current liabilities	<u>(2,517)</u>	<u>(1,261)</u>
Long term portion	<u>10,970</u>	<u>7,325</u>

The Group's leasehold land and building situated in Hong Kong and elsewhere with an aggregate net book value of HK\$52,123,000 (31 March 2001: HK\$52,123,000) and the investment properties situated in Hong Kong with an aggregate valuation of HK\$4,100,000 (31 March 2001: HK\$4,100,000) were pledged to secure the bank loans, and general banking facilities granted to the Group. The banking facilities were also secured by corporate guarantees from the holding company of the Group.

11. RESERVES

Group	Share premium HK\$'000	Capital reserve HK\$'000	Proposed dividends HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001					
– As previously stated	56,831	39,961	–	248,068	344,860
– Prior year adjustment – note 1	–	–	24,274	–	24,274
As restated	56,831	39,961	24,274	248,068	369,134
Net profit for the period	–	–	–	48,709	48,709
Final dividend for the year ended 31 March 2001 declared and paid	–	–	(24,274)	–	(24,274)
Interim dividend for the year ending 31 March 2002	–	–	12,946	(12,946)	–
At 30 September 2001	<u>56,831</u>	<u>39,961</u>	<u>12,946</u>	<u>283,831</u>	<u>393,569</u>

12. RELATED PARTY TRANSACTIONS

- During the period, the Group sold goods to the Safilo S.p.A group of companies with a net sales value amounting to HK\$68,024,000 (six months ended 30 September 2000: HK\$82,943,000). The aggregate trade receivable due from the Safilo S.p.A. group of companies as at 30 September 2001 in respect of these sales amounted to HK\$25,641,000 (31 March 2001: HK\$36,526,000).
- The Company executed guarantees in respect of banking facilities granted to certain wholly-owned and non-wholly-owned subsidiaries for no consideration. Further details are set out in note 13 below.

The transaction set out in note (a) above also constituted connected transactions as defined under the Listing Rules.

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13. CONTINGENT LIABILITIES

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	<u>75,500</u>	<u>110,500</u>

Details of corporate guarantee given by the Company to banks in securing banking facilities granted to the non-wholly owned-subsiidiaries are as follows:

	Corporate guarantee given by the Company	
	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Grand Artic Limited	2,000	2,000
Gold Strong Industrial Limited	<u>3,000</u>	<u>3,000</u>

No such facilities have been utilised as at 30 September 2001 and 31 March 2001.

14. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
(a) Commitments for the acquisition of land and buildings, equipment (including commitment to purchase and implement a new enterprise resources planning system) and machinery: Contracted for	<u>21,197</u>	<u>25,910</u>
(b) Total future minimum lease payments commitment for non-cancellable operating leases in respect of land and buildings payable in the following periods:		
Within one year	620	765
In the second to fifth years, inclusive	<u>66</u>	<u>127</u>
	<u>686</u>	<u>892</u>

15. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had minimum lease receipt under non-cancellable operating leases which fall due as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Within one year	<u>119</u>	<u>571</u>

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties.

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16. COMPARATIVE AMOUNTS

Due to the adoption of the revised SSAP 9 during the current period as referred to in note 1, the presentation of the financial statements has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

Certain special sales discounts, which were accrued for by the Group in accordance with the volume of goods delivered to certain customers within specified periods and amounted to HK\$1,620,000 in aggregate for the six months ended 30 September 2000, were previously recorded as a reduction of the Group's turnover. These discounts have now been reclassified to selling expenses as, in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's operating results.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the board of directors on 18 December 2001.