

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The Group is involved in the manufacture and trading of optical frames, sunglasses and optical cases.

The directors of the Company consider Wahyee Limited, a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued or revised SSAPs and the related interpretation are effective for the first time for the current year's financial statements:

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 14 (Revised)	Leases
SSAP 18 (Revised)	Revenue
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries
Interpretation 13	Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects of adopting these SSAPs are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this revised SSAP is detailed in note 13 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) *(continued)*

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 29 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 10, 13 and 26 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires management to determine whether the Group's predominant risks or returns for the business are based on business segments or geographical segments and to choose one of these bases as the primary segment information reporting format, with the other as the secondary segment information reporting format. The principal impact of the SSAP is the inclusion of additional segment reporting disclosures which are included in note 4 to these financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets. This SSAP has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The SSAP has had no major impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. This SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) *(continued)*

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements. The adoption of this SSAP has had no major impact on these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and equity investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2002, together with the Group’s share of the results for the year of its associates as set out below. The results of subsidiaries acquired or disposed of during the year are consolidated with reference to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company’s interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company’s operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint venture companies *(continued)*

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life or twenty years, whichever is shorter. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Impairment of assets

At each balance sheet date, an assessment is made of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2%
Leasehold improvements	Shorter of lease terms and the rate of 5%-10%
Plant and machinery	10%-20%
Furniture, fixtures and office equipment	10%-20%
Motor vehicles	20%

Construction in progress represents the cost of new factory buildings under construction and the cost of plant and machinery acquired pending installation, and is stated at cost less any impairment losses. No depreciation is provided on construction in progress until it is completed and put into use. Construction in progress is reclassified to the appropriate category of fixed assets when it is completed and ready for use.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis. Gains or losses on long term equity investments arising from changes in fair value are accounted for as movements in the investment revaluation reserve until the investment is sold or until the investment is determined to be impaired, at which time the cumulative gain or loss is included in the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated in the balance sheet at fair value. Changes in fair values are recognised in the profit and loss account as they arise. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature of cash, which are not restricted as to use.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods or disposal of fixed assets and investments, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods or assets sold;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) rental income, on an accrual basis; and
- (d) dividends, when the shareholders' right to receive payment is established.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in note 13 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its eligible employees in Hong Kong. The MPF Scheme has operated since 1 December 2000. Contributions to the MPF Scheme are made based on rates applicable to the respective employees' monthly salaries and are charged to the profit and loss account as they become payable in accordance with government regulations. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions to the MPF Scheme vest fully with the employees when contributed into the Scheme.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "Prior Scheme") for its employees in Hong Kong, the assets of which were held separately from those of the Group in an independently administered fund. This Prior Scheme operated in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. With effect from 1 December 2000, all of the members of the Prior Scheme were transferred to the MPF Scheme. Nevertheless, all of the underlying assets of the Prior Scheme remained under the administration of an independent insurance company.

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its covered payroll to the central pension scheme. The only obligation for the Group with respect to the central pension scheme is the associated required contributions under the central pension scheme, which are charged to the profit and loss account in the year to which they relate.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment. Summary details of the geographical segments are as follows:

- (a) the North America segment mainly represented sales of eyewear products to customers located in the United States;
- (b) the Europe segment mainly represented sales of eyewear products to customers located in Italy, United Kingdom and Spain;
- (c) the People's Republic of China segment mainly represented sales of eyewear products to agents located in Hong Kong, but were also made to local retailers. The directors believe that the agents in Hong Kong export most of the Group's products to Europe and North America;
- (d) other Asian countries segment mainly represented sales of eyewear products to customers located in Malaysia, Singapore, Taiwan and India; and
- (e) others mainly represented sales of eyewear products to customers located in Australia, South America and Africa regions.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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4. SEGMENT INFORMATION (continued)

Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments.

	North America		Europe		The People's Republic of China (including Hong Kong)		Other Asian countries		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue:												
External sales	147,185	172,377	121,388	150,353	79,527	82,248	13,816	16,063	8,473	6,297	370,389	427,338
Segment result	32,994	40,657	27,212	35,462	26,122	19,399	3,097	3,789	1,899	1,486	91,324	100,793
Interest and dividend income and gain											3,655	4,075
Unallocated corporate expenses											(2,646)	(2,249)
Profit from operating activities											92,333	102,619
Finance costs											(489)	(751)
Share of profits and losses of associates	-	-	-	-	1	10	23	104	-	-	24	114
Profit before tax											91,868	101,982
Tax											(8,557)	(9,468)
Profit before minority interests											83,311	92,514
Minority interests											(3,976)	(3,473)
Net profit from ordinary activities attributable to shareholders											79,335	89,041

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4. SEGMENT INFORMATION (continued)
Geographical segments (continued)

	North America		Europe		The People's Republic of China (including Hong Kong)		Other Asian countries		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	21,476	33,917	30,477	41,431	456,372	397,213	3,960	1,939	1,762	925	514,047	475,425
Interests in associates	-	-	-	-	1,438	1,437	1,191	1,170	-	-	2,629	2,607
Total assets											516,676	478,032
Segment liabilities	20	8	2,127	1,388	41,944	46,474	2,703	3,135	-	-	46,794	51,005
Bank loans											8,050	8,586
Total liabilities											54,844	59,591
Other segment information:												
Capital expenditure	-	-	-	-	25,611	40,753	-	-	-	-	25,611	40,753
Depreciation	-	-	-	-	22,505	22,003	-	-	-	-	22,505	22,003
Provision for/ (reversal of) inventory obsolescence, net	-	-	-	-	(5,294)	3,558	-	-	-	-	(5,294)	3,558
Provision for/ (reversal of) bad and doubtful debts, net	6	8,511	(1,500)	6,716	120	18	344	(2,685)	-	-	(1,030)	12,560
Deficit on revaluation of investment properties	-	-	-	-	2,100	300	-	-	-	-	2,100	300
Impairment losses recognised in the profit and loss account	-	-	-	-	2,900	-	-	-	-	-	2,900	-

Business segment

The Group is principally engaged in the manufacture and trading of eyewear products. No business segment analysis is presented as management considers that the Group has operated in one single business segment.

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5. TURNOVER, REVENUE AND GAIN

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

An analysis of turnover, other revenue and gain is as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	<u>370,389</u>	<u>427,338</u>
Other revenue		
Interest income	3,617	3,920
Net rental income	518	1,474
Dividend income from listed investments	18	–
Others	<u>945</u>	<u>852</u>
Other revenue	<u>5,098</u>	<u>6,246</u>
Gain		
Gain on disposal of listed investments	<u>20</u>	<u>155</u>
	<u>5,118</u>	<u>6,401</u>

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6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2002	2001
	HK\$'000	HK\$'000
Cost of inventories sold	215,651	259,192
Depreciation	22,505	22,003
Auditors' remuneration	940	904
Loss/(gain) on disposal of fixed assets	(854)	697
Minimum lease payments under operating leases in respect of land and buildings	2,698	2,158
Staff costs (excluding directors' remuneration, as set out in note 8):		
Wages and salaries	61,733	60,422
Pension scheme contributions	1,099	809
Less: Forfeited contributions refunded	—	—
Net pension scheme contributions *	1,099	809
Provision for/(reversal of) inventory obsolescence, net	(5,294)	3,558
Exchange losses/(gains), net	833	(2,796)
Gross rental income from investment properties	(571)	(1,691)
Less: Outgoings	53	217
Net rental income from investment properties	(518)	(1,474)
Other operating expenses:		
Provision for/(reversal of) bad and doubtful debts, net	(1,030)	12,560
Unrealised losses on short term investments	330	777
Deficit on revaluation of investment properties	2,100	300
Provision for impairment in value of leasehold land and buildings	2,900	—

* There were no forfeited pension scheme contributions available at the current or prior year ends to reduce contributions in future years.

7. FINANCE COSTS

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable:		
– within five years	489	27
– after five years	–	721
Interest on finance leases	–	3
	489	751

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' remuneration		
Executive:		
Fees	–	–
Other emoluments:		
Basic salaries and bonuses	2,425	2,395
Housing benefits	1,686	1,423
Pension scheme contributions	44	48
	4,155	3,866
Non-executive:		
Fees	100	100
Other emoluments	–	–
	100	100
Independent non-executive:		
Fees	200	200
Other emoluments	–	–
	200	200
	4,455	4,166

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

Directors' remuneration (continued)

Three directors (2001: three) occupied certain of the Group's properties rent-free during the year. The estimated value of the accommodation provided for them was HK\$1,686,000 (2001: HK\$1,423,000) for the year ended 31 March 2002, which has been included in the amounts detailed above.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

Included in other emoluments, as set out above, is a consultancy fee of HK\$1,200,000 (2001: HK\$1,200,000) paid to HLW Concept Company Limited in respect of services rendered by Mr. Hui Leung Wah, a director of the Company. HLW Concept Company Limited is incorporated in Hong Kong and is beneficially owned by a unit trust, which is in turn, beneficially owned by a discretionary trust, the beneficiaries of which included Mr. Hui Leung Wah's spouse and children.

The number of directors whose remuneration fell within the bands set out below is as follows:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
	8	8

Highest paid employees' emoluments

The five highest-paid individuals included three (2001: three) directors, details of whose remuneration are disclosed above. The remuneration of the two (2001: two) non-director, highest-paid individuals are set out below:

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Basic salaries and bonuses	1,587	1,542
Housing benefits	420	140
Pension scheme contributions	60	59
	2,067	1,741

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(continued)*

Highest paid employees' emoluments *(continued)*

The number of non-director, highest-paid individuals whose remuneration fell within the bands set out below is as follows:

	Number of non-director, highest-paid individuals	
	2002	2001
Nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	1	1
	<u>2</u>	<u>2</u>

One of the non-director, highest-paid individuals occupied one of the Group's properties rent-free during the year. The estimated value of the accommodation provided for him was HK\$420,000 (2001: HK\$140,000) for the year ended 31 March 2002, which has been included in the amounts detailed above.

9. TAX

	Group	
	2002	2001
	HK\$'000	HK\$'000
Group:		
Hong Kong:		
Current year provision	4,530	10,835
Over-provision in prior years	(3,475)	(1,367)
Deferred	5,000	–
Elsewhere	2,500	–
	<u>8,555</u>	<u>9,468</u>
Share of tax attributable to an associate	2	–
	<u>8,557</u>	<u>9,468</u>

The provision for Hong Kong profits tax has been calculated at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Tax on the profits of subsidiaries/associates operating elsewhere is calculated at the rates applicable in the respective countries in which they operate, based on existing legislation, interpretation and practices in respect thereof.

9. TAX *(continued)*

The movement in deferred tax, which consisted of accelerated depreciation allowances, is analysed below:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Balance at beginning of year	-	-
Charge for the year	5,000	-
	<hr/>	<hr/>
At 31 March	5,000	-
	<hr/>	<hr/>

The principal components of the unprovided deferred tax assets of the Group and the Company at the balance sheet date were as follows:

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	(11)	882	-	-
Tax losses	(1,812)	(2,437)	(1,255)	(1,005)
Others	-	(2,467)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,823)	(4,022)	(1,255)	(1,005)
	<hr/>	<hr/>	<hr/>	<hr/>

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company was HK\$48,436,000 (2001: HK\$33,263,000 (restated)).

The comparative amount for 2001 has been restated by a prior year adjustment resulting in a net debit of HK\$3,462,000 to the Company's net profit for that year, and a net credit of the same amount to the dividend receivable in the Company's balance sheet. The prior year adjustment reversed dividends from subsidiaries which were declared and approved by the subsidiaries after the prior year's balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 26 to the financial statements.

This change in accounting policy has had no effect on the Company's net profit for the current year because the effect of the prior year adjustment of HK\$25,000,000 is offset by the dividends declared by the subsidiaries after the current balance sheet date of HK\$25,000,000.

11. DIVIDENDS

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interim—HK4.0 cents (2001: HK4.0 cents) per ordinary share	12,946	12,946
Proposed final—HK7.5 cents (2001: HK7.5 cents) per ordinary share	24,274	24,274
	37,220	37,220

The 2002 final dividend of HK7.5 cents per ordinary share is proposed to be paid to shareholders whose names appear on the register of members on 16 August 2002 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$79,335,000 (2001: HK\$89,041,000) and 323,649,123 (2001: 323,649,123) shares in issue.

The diluted earning per share has not been calculated for the current and prior years as no diluting events existed throughout the years.

13. PRIOR YEAR ADJUSTMENTS

- (a) During the year, the Group adopted SSAP 9 (revised) "Events 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 that date. This SSAP has been applied retrospectively. To comply with the revised SSAP, a prior year adjustment has been made, reclassifying the proposed final dividend for the year ended 31 March 2001 of HK\$24,274,000, which was recognised as a liability in the prior years, to the proposed final dividend account within the capital and reserves section of the balance sheet.
- (b) During the year, the Group also adopted SSAP 18 (revised) "Revenue". This SSAP prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. This SSAP has been applied retrospectively. To comply with the revised SSAP, a prior year adjustment has been made to credit HK\$21,538,000, representing dividends declared by the subsidiaries subsequent to 31 March 2000, and to debit HK\$25,000,000, representing dividends declared by the subsidiaries subsequent to 31 March 2001, to the Company's net profit for the year ended 31 March 2001; and to credit HK\$25,000,000 to the dividend receivable in the Company's balance sheet as at 31 March 2001.

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14. FIXED ASSETS

Group	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construc- tion in progress HK\$'000	Total HK\$'000
At cost:							
At beginning of year	88,060	27,429	142,010	23,898	9,585	14,675	305,657
Additions	-	396	7,574	3,537	378	13,726	25,611
Transfer from investment properties	6,957	-	-	-	-	-	6,957
Disposals	(959)	(362)	(1,710)	(358)	(538)	-	(3,927)
At 31 March 2002	94,058	27,463	147,874	27,077	9,425	28,401	334,298
Accumulated depreciation and impairment:							
At beginning of year	7,176	11,789	71,430	13,669	7,116	-	111,180
Provided during the year	1,835	2,701	14,161	2,574	1,234	-	22,505
Impairment during the year	2,900	-	-	-	-	-	2,900
Disposals	(280)	(67)	(1,663)	(322)	(365)	-	(2,697)
At 31 March 2002	11,631	14,423	83,928	15,921	7,985	-	133,888
Net book value:							
At 31 March 2002	82,427	13,040	63,946	11,156	1,440	28,401	200,410
At 31 March 2001	80,884	15,640	70,580	10,229	2,469	14,675	194,477

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14. FIXED ASSETS (continued)

The land and buildings included above are held under medium term leases in:

	2002 HK\$'000	2001 <i>HK\$'000</i>
Hong Kong	58,183	58,901
Elsewhere	35,875	29,159
	<u>94,058</u>	<u>88,060</u>

Certain of the Group's leasehold land and buildings situated in Hong Kong and elsewhere have been pledged to banks to secure the bank loans and general banking facilities granted to the Group (see note 24).

15. INVESTMENT PROPERTIES

	Group	
	2002 HK\$'000	2001 <i>HK\$'000</i>
At valuation:		
At beginning of year	9,057	9,357
Revaluation deficit charged to the profit and loss account	(2,100)	(300)
Transfer to leasehold land and buildings	(6,957)	-
At 31 March	<u>-</u>	<u>9,057</u>
Analysed by geographical location and terms of lease:		
Hong Kong under long term leases	-	6,400
Elsewhere under medium term leases	-	2,657
	<u>-</u>	<u>9,057</u>

During the year, the Group's investment properties situated in Hong Kong were reclassified to leasehold land and buildings upon expiry of the respective operating lease agreements at their fair values of HK\$4,300,000 in aggregate based on the valuation performed by Vigers Hong Kong Limited, an independent professional valuer, on an open market and existing use basis at the date of transfer. The reclassification has resulted in a revaluation deficit of HK\$2,100,000 which has been charged to the profit and loss account (see note 6).

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15. INVESTMENT PROPERTIES (continued)

During the year, the Group's investment properties situated elsewhere were also reclassified to leasehold land and holdings upon expiry of the respective operating lease agreements at their fair values of HK\$2,657,000 in aggregate based on the valuation performed by the same valuer as stated above on an open market basis at the date of transfer. Neither a surplus nor deficit resulted upon the reclassification.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	147,173	147,173
Due from subsidiaries	99,804	88,755
	<u>246,977</u>	<u>235,928</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries at 31 March 2002 were as follows:

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable		Principal activities
				Direct %	Indirect %	
Diamond Bright Industries Limited	Hong Kong	Hong Kong	Ordinary HK\$400	-	100	Investment holding
Dongguan Yick Yue Optical Limited **	PRC	PRC	Registered capital HK\$13,915,000	-	55	Manufacture of optical frames
Elegance Group Limited	British Virgin Islands	Hong Kong	Ordinary US\$80	100	-	Investment holding

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Elegance Optical Investments Limited	Hong Kong	Hong Kong	Ordinary HK\$200 non-voting deferred HK\$20,000,000 *	-	100	Investment and property holding
Elegance Optical Manufactory Limited	Hong Kong	Hong Kong	Ordinary HK\$2	-	100	Trading of optical frames
Glory (Hui's) Trading Limited	Hong Kong	Hong Kong	Ordinary HK\$200	-	100	Trading of optical frames in Hong Kong and South East Asia
Gold Strong Industrial Limited	Hong Kong	Hong Kong	Ordinary HK\$100	-	55	Investment holding and trading of optical frames
Grand Artic Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	-	76	Manufacture of optical cases
Grand River Investments Limited **	Hong Kong	Hong Kong	Ordinary HK\$2	-	100	Property holding
Great Champ Asia Limited **	Hong Kong	Hong Kong	Ordinary HK\$2	-	100	Investment holding

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration	Place of operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Leader Up Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	-	60	Trading of spectacles
Million Wave Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	-	100	Property holding
Standard Sun International Limited	Hong Kong	Hong Kong	Ordinary HK\$10,000	-	100	Trading of eyewear products
United Wish Company Limited	Hong Kong	PRC	Ordinary HK\$100	-	100	Retailing of optical frames
Yieldly (International) Investment Limited	Hong Kong	Hong Kong	Ordinary HK\$400	-	100	Investment holding
Elegance Optical Production Limited	British Virgin Islands	PRC	Ordinary US\$1	-	100	Dormant
Elegance Global Marketing Limited	British Virgin Islands	North America/ Europe	Ordinary US\$1	-	100	Dormant

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16. INTERESTS IN SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* The first HK\$1,000,000,000,000 of the profits which the subsidiary may determine to distribute in any financial year must be distributed among the holders of ordinary shares and one half of the balance of the said profits among the holders of the non-voting deferred shares, with the other half of such balance among the holders of ordinary shares. Save as aforesaid, the holders of the non-voting deferred shares have no other rights to dividends. The holders of the non-voting deferred shares have no right to attend or vote at general meetings, except for general meetings convened for the purpose of reducing the capital of the Company or altering their class rights. The non-voting deferred shares carry the right to receive one half of the balance of any surplus in a return of capital in a winding-up after the holders of the ordinary shares have received a total return of HK\$5,000,000,000.

** Not audited by Ernst & Young or other Ernst & Young International member firms.

17. INTERESTS IN ASSOCIATES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	1,036	1,014
Loans to associates	1,593	1,593
	2,629	2,607

The loans to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the associates at 31 March 2002 were as follows:

Name	Business Structure	Place of incorporation and operations	Percentage of equity attributable to the Group %	Principal activities
Safint Optical Investments Limited ("Safint")	Corporate	Hong Kong/ PRC	24.5	Trading of eyewear products
Optics 2000 & Optics Café Pte., Ltd. ("Optics 2000")	Corporate	Singapore	35	Retailing of eyewear products

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17. INTERESTS IN ASSOCIATES *(continued)*

These associates are not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

18. INVESTMENTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Long term investments		
Golf club debenture, at fair value	<u>650</u>	<u>650</u>
Short term investments		
Listed equity investments in Hong Kong, at market value	<u>731</u>	<u>1,523</u>
Market value of listed equity investments at the date of annual report	<u>730</u>	<u>1,386</u>

19. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	29,970	37,707
Work in progress	11,276	12,768
Finished goods	17,512	16,003
	<u>58,758</u>	<u>66,478</u>

The carrying amount of inventories carried at net realisable value included in the above is HK\$30,412,000 (2001: HK\$31,132,000).

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20. TRADE RECEIVABLES

Credit is offered to customers following a financial assessment by the Group and with regard to their established payment record. The Group usually allows an average credit period of 60 days to its 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 31 March 2002 and 2001:

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Current to 90 days	64,191	97,116
91 - 180 days	3,630	1,820
181 - 360 days	5,729	717
Total	<u>73,550</u>	<u>99,653</u>

The trade balances of the Group include trade balances due from the Safilo S.p.A group of companies of HK\$22,599,000 (2001: HK\$36,526,000) in aggregate, which are unsecured, interest-free and are repayable in accordance with normal trading terms.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cash and bank balances	9,728	19,262	8	8
Time deposits	164,121	79,124	-	-
	<u>173,849</u>	<u>98,386</u>	<u>8</u>	<u>8</u>

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22. TRADE PAYABLES

The following is an aged analysis of trade payables as at 31 March 2002 and 2001.

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current to 90 days	20,085	19,171
91 – 180 days	241	1,130
181 – 360 days	739	296
Over 360 days	304	96
	<hr/>	<hr/>
Total	21,369	20,693
	<hr/>	<hr/>

23. BANK LOANS, SECURED

	Group	
	2002	2001
	HK\$'000	HK\$'000
Repayable within a period of:		
Within one year	2,000	1,261
After one year but within two years	2,000	1,352
After two years but within five years	4,050	4,685
After five years	–	1,288
	<hr/>	<hr/>
	8,050	8,586
Portion classified as current liabilities	(2,000)	(1,261)
	<hr/>	<hr/>
Long term portion	6,050	7,325
	<hr/>	<hr/>

24. PLEDGE OF ASSETS

The Group's leasehold land and buildings situated in Hong Kong and elsewhere (see note 14) with an aggregate net book value of HK\$18,972,000 (2001: leasehold land and buildings of HK\$52,123,000 and investment properties of 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 Company and certain subsidiaries.

25. SHARE CAPITAL

Shares

	Company	
	2002	2001
	HK\$'000	HK\$'000
<i>Authorised:</i>		
1,000,000,000 shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
323,649,123 shares of HK\$0.10 each	<u>32,365</u>	<u>32,365</u>

Share options

On 21 March 1996, the Company conditionally approved a share option scheme (the "Option Scheme") under which the directors may, at their discretion, grant options to employees and executive directors of the Group, to subscribe for shares of the Company during the 10 years from the date of approval of the Option Scheme. The subscription price is subject to a minimum which is the higher of (i) the nominal value of a share; and (ii) 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the five trading days immediately preceding the date of grant of the option. The maximum number of shares over which options may be outstanding may not exceed 10% of the share capital of the Company in issue from time to time excluding, for this purpose, shares issued on the exercise of options granted pursuant to the Option Scheme. The Option Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 11 April 1996. No options have been granted since the approval of the Option Scheme.

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26. RESERVES

Group	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Goodwill eliminated against reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2000	56,831	41,800	(1,839)	196,247	293,039
Net profit for the year	-	-	-	89,041	89,041
2001 interim dividend paid	-	-	-	(12,946)	(12,946)
2001 proposed final dividend	-	-	-	(24,274)	(24,274)
At 31 March and 1 April 2001	56,831	41,800	(1,839)	248,068	344,860
Net profit for the year	-	-	-	79,335	79,335
2002 interim dividend paid	-	-	-	(12,946)	(12,946)
2002 proposed final dividend	-	-	-	(24,274)	(24,274)
At 31 March 2002	56,831	41,800	(1,839)	290,183	386,975
Reserves retained by:					
Company and subsidiaries	56,831	41,800	(1,839)	290,276	387,068
Associates	-	-	-	(93)	(93)
As at 31 March 2002	56,831	41,800	(1,839)	290,183	386,975
Reserves retained by:					
Company and subsidiaries	56,831	41,800	(1,839)	248,183	344,975
Associates	-	-	-	(115)	(115)
As at 31 March 2001	56,831	41,800	(1,839)	248,068	344,860

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26. RESERVES (continued)

Company	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2000:				
As previously reported	56,831	146,973	898	204,702
Prior year adjustment-note 13 (b)	-	-	(21,538)	(21,538)
As restated	56,831	146,973	(20,640)	183,164
Net profit for the year (as restated)	-	-	33,263	33,263
2001 interim dividend paid	-	-	(12,946)	(12,946)
2001 final dividend proposed	-	-	(24,274)	(24,274)
	<u>56,831</u>	<u>146,973</u>	<u>(24,597)</u>	<u>179,207</u>
At 31 March and 1 April 2001:				
As previously reported	56,831	146,973	403	204,207
Prior year adjustment-note 13 (b)	-	-	(25,000)	(25,000)
As restated	56,831	146,973	(24,597)	179,207
Net profit for the year	-	-	48,436	48,436
2002 interim dividend paid	-	-	(12,946)	(12,946)
2002 final dividend proposed	-	-	(24,274)	(24,274)
At 31 March 2002	<u>56,831</u>	<u>146,973</u>	<u>(13,381)</u>	<u>190,423</u>

The capital reserve of the Group represents (i) the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 8 February 1996, over the nominal value of the Company's shares issued in exchange therefor; and (ii) the premium arising on the subscription of shares of Elegance Group Limited by DSE Holdings Limited and MeesPierson N.V. Pursuant to a subscription agreement dated 27 October 1995 entered into between (1) Elegance Group Limited, (2) DSE Holdings Limited and (3) MeesPierson N.V., each of DSE Holdings Limited and MeesPierson N.V. subscribed for four shares of US\$1.00 each in the capital of Elegance Group Limited at a premium of HK\$2,750,000 per share. As a result, a sum of HK\$11,000,000 was paid by each of DSE Holdings Limited and MeesPierson N.V. to Elegance Group Limited. The entire amount of HK\$22,000,000 was credited to the capital reserve upon the aforesaid Group reorganisation, pursuant to which Elegance Group Limited became a wholly-owned subsidiary of the Company.

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26. RESERVES *(continued)*

The contributed surplus of the Company represents the difference between the consolidated net asset value of Elegance Group Limited on 8 February 1996, when its entire issued share capital was acquired by the Company pursuant to the Group reorganisation, and the nominal amount of the Company's shares issued in consideration for such acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders under certain circumstances.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Profit from operating activities	92,333	102,619
Provision for/(reversal of) bad and doubtful debts, net	(1,030)	12,560
Provision for/(reversal of) inventory obsolescence, net	(5,294)	3,558
Unrealised losses on short term investments	330	777
Deficit on revaluation of investment properties	2,100	300
Provision for impairment in value of leasehold land and buildings	2,900	-
Interest income	(3,617)	(3,920)
Dividend income	(18)	-
Depreciation	22,505	22,003
Loss/(gain) on disposal of fixed assets	(854)	697
Gain on disposal of listed investments	(20)	(155)
Decrease/(increase) in inventories	13,014	(5,300)
Decrease/(increase) in trade receivables	27,133	(25,158)
Decrease/(increase) in prepayments, deposits and other receivables	(1,462)	2,559
Decrease/(increase) in bills receivable	605	(651)
Increase/(decrease) in trade payables	676	(8,594)
Decrease in bills payable	(2,299)	(1,325)
Increase/(decrease) in other payables and accrued liabilities	(3,596)	10,905
	<hr/>	<hr/>
Net cash inflow from operating activities	143,406	110,875

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the years

	Minority interests	Finance lease obligations	Bank loans	Other loans
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2000	13,469	227	9,724	1,731
Share of profit for the year	3,473	-	-	-
Net cash outflow from financing	-	(227)	(1,138)	(1,731)
Balance at 31 March 2001 and 1 April 2001	16,942	-	8,586	-
Share of profit for the year	3,976	-	-	-
Dividend paid	(2,700)	-	-	-
Net cash outflow from financing	-	-	(536)	-
Balance at 31 March 2002	18,218	-	8,050	-

28. CONTINGENT LIABILITIES

	Company	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Guarantees given for banking facilities granted to subsidiaries	79,000	110,500

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28. CONTINGENT LIABILITIES (continued)

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

	Corporate guarantee given by the Company	
	2002	2001
	HK\$'000	HK\$'000
Grand Artic Limited	2,000	2,000
Gold Strong Industrial Limited	3,000	3,000

None of these banking facilities were utilised at the balance sheet date (2001: Nil).

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leased its investment properties (see note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also required the tenants to pay security deposits and provided for periodic rent adjustments according to the then prevailing market conditions. All of these operating lease agreements expired during the current year without renewal thereafter.

At 31 March 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within one year	-	571

29. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office premises and office equipment under operating lease arrangements. Leases for office premises are negotiated for terms ranging from three to fifty years, and those for office equipment for terms ranging between two and five years.

At 31 March 2002 and 2001, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
		<i>(Restated)</i>
Within one year	618	656
In the second to fifth years, inclusive	1,428	1,375
After five years	26,275	26,567
	28,321	28,598

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above, have been restated to accord with the current year's presentation.

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30. COMMITMENTS

(a) Capital commitments

	Group	
	2002	2001
	HK\$'000	HK\$'000
Commitments for the acquisition of land and buildings, equipment and machinery:		
Contracted for	<u>20,959</u>	<u>25,910</u>

(b) Commitments under foreign exchange forward contracts

At the balance sheet date, the Group had the following foreign exchange forward contract commitments:

		Group	
		2002	2001
		HK\$'000	HK\$'000
Selling	<u>US\$178,000</u>	<u>1,388</u>	<u>-</u>
Buying	<u>Euro 200,000</u>	<u>1,362</u>	<u>-</u>

31. RELATED PARTY TRANSACTIONS

In addition to the transactions set out elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with the Safilo S.p.A. group of companies

On 28 February 1997, Safilo S.p.A., a company incorporated in Italy, entered into a number of agreements with the Company. Pursuant to these agreements, Safilo S.p.A. and the Group entered into certain commercial arrangements, further details of which are set out in a circular to the Company's shareholders dated 24 March 1997. Safilo Far East Limited, one of Safilo's wholly-owned subsidiaries, owns 23.05% equity interest in the Company.

(i) Supply Agreement

Pursuant to the terms of the Supply Agreement dated 18 April 1997, the Group committed to supplying and the Safilo S.p.A. group of companies committed to purchasing, for an initial period of three years, minimum quantities (subject to adjustment) of optical frames, sunglasses and related products. Subsequent to the initial three-year period, the Supply Agreement would continue subject to termination by either party by a notice period of six months.

The prices offered to the Safilo S.p.A. group of companies are determined in a similar manner to prices that the Group offers to other major customers. The payments in respect of these sales should be made by the Safilo S.p.A. group of companies within 60 days from the end of the month in which these products are delivered to the Safilo S.p.A. group of companies. The terms of the Supply Agreement are set out in greater detail in the circulars to the shareholders of the Company dated 24 March 1997 and 18 July 2001.

During the year, the Group sold goods to the Safilo S.p.A. group of companies with a sales value amounting to HK\$135,070,000 (2001: HK\$164,011,000). In accordance with the terms of the Supply Agreement, the corresponding sales volume discount amounting to HK\$3,905,000 (2001: HK\$4,920,000) has been accrued in the financial statements in respect of the sales to Safilo S.p.A. group of companies during the year.

The aggregate accounts receivable balance due from the Safilo S.p.A. group of companies as at 31 March 2002 in respect of these sales amounted to HK\$22,599,000 (2001: HK\$36,526,000).

31. RELATED PARTY TRANSACTIONS *(continued)***(a) Transactions with the Safilo S.p.A. group of companies *(continued)****(ii) Shareholders' Agreement, Sub-licence Agreement and Sales Management Agreement*

Pursuant to the terms of a Shareholders' Agreement dated 15 December 1998 entered into between one of the Group's subsidiaries, Elegance Optical Investments Limited ("EOIL"), Safilo Far East Limited ("Safilo") which is a wholly-owned subsidiary of Safilo S.p.A and an independent third party, a joint venture company, Safint Optical Investment Limited ("Safint"), was established during the year ended 31 March 1999 to manage and operate the manufacture and distribution of optical frames and sunglasses in the PRC. The shareholding interests of EOIL, Safilo and the independent third party in Safint are 24.5%, 51% and 24.5%, respectively. As the Group is able to exercise significant influence over Safint, Safint is accounted for as an associate of the Group.

A Sub-licence Agreement was entered into between Safint, EOIL and the Group's PRC subsidiary on 15 December 1998, whereby Safilo's branded products have been manufactured and distributed by the Group's PRC subsidiary. Pursuant to the terms of the Sub-licence Agreement, the Group was granted a non-exclusive licence by Safint to manufacture and distribute Safilo S.p.A. group's branded products in the PRC in consideration of HK\$1.00, and the Group is not required to pay any licence fee to the Safilo S.p.A. group of companies in respect of any sale of the Safilo S.p.A. group's branded products in the PRC. Sales of the Safilo S.p.A. group's branded products in the PRC amounted to HK\$7,920,000 for the year (2001: HK\$5,019,000).

Pursuant to the Sales Management Agreement entered into between Safint, EOIL and the Group's PRC subsidiary on the same day, any profits or losses derived from sales of Safilo S.p.A. group's branded products in the PRC are then payable to or recoverable from Safint. The losses derived from sales under this arrangement in the prior and current years were insignificant.

(b) Transactions among Group companies

The Company granted corporate guarantees to banks in favour of certain of its subsidiaries, wholly-owned and non wholly-owned, in securing banking facilities available to these companies for no consideration. Further details are set out in note 28 to the financial statements.

Except for the corporate guarantees granted by the Company to its wholly-owned subsidiaries, as set out in (b) above, all of the above transactions also constituted connected transactions, as defined under the Listing Rules.

32. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

In addition, a deficit on revaluation of investment properties for the year ended 31 March 2001 amounting to HK\$300,000 has been reclassified from other revenue and gain to other operating expenses to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2002.