

Notes To The Financial Statements

For the year ended March 31, 2002

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 ("SSAP(s)") issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements.

The adoption of the new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts and disclosures reported for the current or prior periods.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended March 31, 2001 have been amended so that they are presented on a consistent basis.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds of the Group and the Company at April 1, 2000 and March 31, 2001 by HK\$6,560,000 and HK\$13,940,000, respectively.

Leases

In the current year, the Company has adopted SSAP 14 (Revised) "Leases". Disclosures about the Group's operating lease commitments as set out in note 25 have been modified so as to meet the requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of land and buildings in Hong Kong, and in accordance with accounting principles generally accepted 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.

Notes To The Financial Statements

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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 the income statement.

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.

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%

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. Impairment losses are recognised as an expense immediately.

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.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

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 exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollar are translated at the rates ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

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.

Notes To The Financial Statements

For the year ended March 31, 2002

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.

(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, 2002

	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>
REVENUE					
External sales	<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>

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	36,955	32,018	16,578	2,903	88,454
Unallocated corporate assets					298,856
Consolidated total assets					<u>387,310</u>
LIABILITIES					
Segment liabilities	–	–	–	–	–
Unallocated corporate liabilities					76,068
Consolidated total liabilities					<u>76,068</u>

OTHER INFORMATION

	United States	Europe	Asia	Other regions	Unallocated	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure	–	–	–	–	43,223	43,223
Depreciation and amortisation	–	–	–	–	18,615	18,615
Other non-cash expenses	–	–	–	–	26	26

For the year ended March 31, 2001

	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>
REVENUE					
External sales	<u>210,562</u>	<u>86,472</u>	<u>19,815</u>	<u>11,020</u>	<u>327,869</u>
RESULT					
Segment result	<u>65,008</u>	<u>18,747</u>	<u>4,677</u>	<u>2,389</u>	90,821
Interest income					3,076
Deficit arising on revaluation of land and buildings					(1,102)
Unallocated corporate expenses					<u>(17,662)</u>
Profit from operations					75,133
Interests on bank borrowings					<u>(305)</u>
Profit before taxation					74,828
Taxation					<u>(4,485)</u>
Profit before minority interests					70,343
Minority interests					<u>15</u>
Net profit for the year					<u>70,358</u>

Notes To The Financial Statements

For the year ended March 31, 2002

BALANCE SHEET

	United States HK\$'000	Europe HK\$'000	Asia HK\$'000	Other regions HK\$'000	Consolidated HK\$'000
ASSETS					
Segment assets	53,068	20,458	9,637	2,012	85,175
Unallocated corporate assets					<u>222,178</u>
Consolidated total assets					<u>307,353</u>
LIABILITIES					
Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities					<u>53,505</u>
Consolidated total liabilities					<u>53,505</u>

OTHER INFORMATION

	United States HK\$'000	Europe HK\$'000	Asia HK\$'000	Other regions HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditure	-	-	-	-	46,099	46,099
Depreciation and amortisation	-	-	-	-	13,805	13,805
Other non-cash expenses	-	-	-	-	1,102	1,102

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 capital expenditure, analysed by the geographical area in which the assets are located:

	Carrying amounts of segment assets		Capital expenditure	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	209,499	174,638	3,868	6,179
The PRC	177,811	132,715	39,355	39,920
	<u>387,310</u>	<u>307,353</u>	<u>43,223</u>	<u>46,099</u>

5. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	63,503	58,227
Retirement benefits scheme contributions (note 27)	714	462
Total staff costs	64,217	58,689
Auditors' remuneration	600	625
Depreciation and amortisation of property, plant and equipment	18,615	13,805
(Gain) loss on disposal of property, plant and equipment	(113)	27

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2002 <i>HK'000</i>	2001 <i>HK'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	207	193
Independent non-executive directors	120	120
	<u>327</u>	<u>313</u>
Other emoluments (executive directors):		
Salaries and other benefits	3,707	2,438
Retirement benefits scheme contributions	116	48
	<u>3,823</u>	<u>2,486</u>
Total emoluments	<u>4,150</u>	<u>2,799</u>

The emoluments of each of the directors were less than HK\$1,000,000.

(b) Employees' emoluments

The five highest paid individuals for the years ended March 31, 2002 and 2001 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, 2002 and 2001 are as follows:

	2002 <i>HK'000</i>	2001 <i>HK'000</i>
Salaries and other benefits	1,815	1,676
Retirement benefits scheme contributions	76	67
	<u>1,891</u>	<u>1,743</u>

The emoluments of each of the three highest paid individuals were less than HK\$1,000,000.

During the years ended March 31, 2002 and 2001, 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, 2002 and 2001.

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7. TAXATION

	2002 <i>HK'000</i>	2001 <i>HK'000</i>
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the assessable profit for the year		
Current year	5,015	4,479
(Over) underprovision in the prior years	(13)	6
	<u>5,002</u>	<u>4,485</u>
Deferred tax (<i>note 21</i>)		
Current year	500	–
	<u>5,502</u>	<u>4,485</u>

8. DIVIDENDS

	2002 <i>HK'000</i>	2001 <i>HK'000</i>
Interim, paid – 3.6 Hong Kong cents per shares (2001: 3.4 Hong Kong cents)	7,380	6,970
Final, paid – 6.8 Hong Kong cents per share for 2001 (2000: 3.2 Hong Kong cents for 2000)	13,940	6,560
	<u>21,320</u>	<u>13,530</u>

The final dividend in respect of 2002 of 7.2 Hong Kong cents (2001: 6.8 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:

	2002 <i>HK'000</i>	2001 <i>HK'000</i>
Net profit for the year	<u>75,931</u>	<u>70,358</u>
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	205,179,386	205,000,000
Effect of dilutive potential ordinary shares:		
– Share options	4,450,082	1,489,655
– Warrants	928,631	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>210,558,099</u>	<u>206,489,655</u>

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, 2001	22,800	14,058	55,921	22,740	3,545	5,482	124,546
Additions	8,678	3,163	20,573	7,628	1,268	1,913	43,223
Transfers	5,020	181	–	–	–	(5,201)	–
Disposals	–	–	–	–	(979)	–	(979)
Deficit arising on revaluation	(100)	–	–	–	–	–	(100)
At March 31, 2002	36,398	17,402	76,494	30,368	3,834	2,194	166,690
Comprising:							
At cost	32,798	17,402	76,494	30,368	3,834	2,194	163,090
At valuation – 2002	3,600	–	–	–	–	–	3,600
	36,398	17,402	76,494	30,368	3,834	2,194	166,690
DEPRECIATION AND AMORTISATION							
At April 1, 2001	542	5,878	24,141	10,404	2,102	–	43,067
Provided for the year	551	2,811	10,496	4,135	622	–	18,615
Eliminated on disposals	–	–	–	–	(802)	–	(802)
Eliminated on revaluation	(74)	–	–	–	–	–	(74)
At March 31, 2002	1,019	8,689	34,637	14,539	1,922	–	60,806
NET BOOK VALUES							
At March 31, 2002	35,379	8,713	41,857	15,829	1,912	2,194	105,884
At March 31, 2001	22,258	8,180	31,780	12,336	1,443	5,482	81,479

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Properties held under medium-term leases:		
Hong Kong	3,600	3,700
The PRC	31,779	18,558
	35,379	22,258

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The leasehold land and buildings located in Hong Kong are carried at valuation. They were valued at March 31, 2002 by Chesterton Petty Limited, an independent property valuer, on an open market existing use basis. The deficit on revaluation of HK\$26,000 (2001: HK\$1,102,000) has been charged 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\$7,326,000 (2001: HK\$7,487,000).

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 2002 & 2001 HK\$'000
Unlisted shares, at cost	<u>111,968</u>

Details of the subsidiaries of the Company at March 31, 2002 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 a)	Principal activities (note b)
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
Pacific Grand Limited	Hong Kong	HK\$4	100%	Inactive
Parkside Holdings Limited	Hong Kong	HK\$10	100%	Inactive
Sun Hing Optical International Group Limited (note a)	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
Visiontech Holdings Limited	The British Virgin Islands	US\$100	100%	Investment holding
Yorkshire Holdings Limited	Hong Kong	HK\$10	100%	Property holding
東莞恒生眼鏡制造有限公司	PRC	HK\$2,500,000	100%	Manufacture and sale of optical frames and related products

Notes:

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

None of the subsidiaries had any loan capital outstanding 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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Raw materials	29,949	22,769
Work in progress	31,442	26,925
Finished goods	16,264	17,827
	<u>77,655</u>	<u>67,521</u>

Included above are raw materials of approximately HK\$3,216,000 (2001: HK\$2,662,000) 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	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Trade debtors		
Current	72,199	59,856
Overdue up to 90 days	12,239	20,262
Overdue more than 90 days	4,016	5,057
	<u>88,454</u>	85,175
Other receivables	6,514	3,960
	<u>94,968</u>	<u>89,135</u>

Notes To The Financial Statements

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15. TRADE AND OTHER PAYABLES

An aged analysis of trade creditors is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Trade payables		
Current and overdue up to 90 days	51,688	33,595
Overdue more than 90 days	857	1,449
	<hr/>	<hr/>
	52,545	35,044
Other payables	14,224	9,887
	<hr/>	<hr/>
	66,769	44,931
	<hr/>	<hr/>

16. BANK BORROWINGS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Mortgage loans, secured (<i>note 24</i>)	1,253	1,948
Other bank loans, unsecured	1,029	1,155
	<hr/>	<hr/>
	2,282	3,103
	<hr/>	<hr/>

The repayment schedule for bank borrowings is as follows:

Within one year or on demand	1,411	1,839
Between one to two years	364	374
Between two to five years	507	890
	<hr/>	<hr/>
	2,282	3,103
<i>Less:</i> Amount due within one year shown under current liabilities	(1,411)	(1,839)
	<hr/>	<hr/>
Amount due after one year	871	1,264
	<hr/>	<hr/>

17. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At March 31, 2000, 2001 and 2002	<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 the exercise of warrants	<u>2,502,000</u>	<u>250</u>
At March 31, 2002	<u>207,502,000</u>	<u>20,750</u>

There were no movements in the Company's issued and fully paid share capital for the year ended March 31, 2001.

18. SHARE OPTIONS

At March 31, 2002, the following share options were outstanding under the Company's share option scheme:

Month of grant	Number of options	Exercise price per share HK\$
March 2000	10,800,000	0.75
June 2001	1,000,000	0.92

The Company's share option scheme will expire on the business date preceding the fifth anniversary of the date of grant.

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, 2,502,000 warrants were exercised and as a result, HK\$3,002,400 was raised for general working capital and 38,498,000 warrants remained outstanding as at March 31, 2002. The exercise in full of the outstanding warrants would result in the issue of 38,498,000 additional shares of HK\$0.10 each.

Notes To The Financial Statements

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20. RESERVES

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
At April 1, 2000				
As previously stated	15,904	18,644	135,331	169,879
Prior year adjustment (<i>note 2</i>)	–	–	6,560	6,560
	<hr/>	<hr/>	<hr/>	<hr/>
As restated	15,904	18,644	141,891	176,439
Warrant issue expenses	(138)	–	–	(138)
Net profit for the year	–	–	70,358	70,358
Dividends (<i>note 8</i>)	–	–	(13,530)	(13,530)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2001	15,766	18,644	198,719	233,129
Exercise of warrant	2,752	–	–	2,752
Net profit for the year	–	–	75,931	75,931
Dividends (<i>note 8</i>)	–	–	(21,320)	(21,320)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2002	<u>18,518</u>	<u>18,644</u>	<u>253,330</u>	<u>290,492</u>
THE COMPANY				
At April 1, 2000				
As previously stated	15,904	111,768	1,971	129,643
Prior year adjustment (<i>note 2</i>)	–	–	6,560	6,560
	<hr/>	<hr/>	<hr/>	<hr/>
As restated	15,904	111,768	8,531	136,203
Warrant issue expenses	(138)	–	–	(138)
Net profit for the year	–	–	21,702	21,702
Dividends (<i>note 8</i>)	–	–	(13,530)	(13,530)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 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 (<i>note 8</i>)	–	–	(21,320)	(21,320)
	<hr/>	<hr/>	<hr/>	<hr/>
At March 31, 2002	<u>18,518</u>	<u>111,768</u>	<u>20,224</u>	<u>150,510</u>

Special reserve of the Group represents the difference between the aggregate amount of the nominal value of shares, the share premium and the special reserve acquired and the nominal amount of the shares issued by the Company pursuant to a group reorganisation.

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, 2002 are represented by its retained profits and contributed surplus, totalling approximately HK\$131,992,000 (2001: HK\$128,471,000).

21. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	300	300
Charge for the year	500	–
At end of year	800	300

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

22. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	81,420	74,828
Interest income	(2,019)	(3,076)
Interest on bank borrowings	115	305
Deficit arising on revaluation of land and buildings	26	1,102
Depreciation and amortisation of property, plant and equipment	18,615	13,805
(Gain) loss on disposal of property, plant and equipment	(113)	27
Negative goodwill arising on acquisition of additional interest in a subsidiary	(15)	–
Increase in inventories	(10,134)	(16,853)
Increase in trade and other receivables	(5,833)	(19,585)
Increase in trade and other payables	21,838	1,583
Net cash inflow from operating activities	103,900	52,136

Notes To The Financial Statements

For the year ended March 31, 2002

23 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>
THE GROUP		
At April 1, 2000	36,404	2,894
Borrowing raised	–	1,155
Repayments during the year	–	(946)
Warrant issue expenses	(138)	–
	<hr/>	<hr/>
At March 31, 2001	36,266	3,103
Proceeds from issue of shares upon the exercise of warrants	3,002	–
Repayments during the year	–	(821)
	<hr/>	<hr/>
At March 31, 2002	<u>39,268</u>	<u>2,282</u>

24. BANKING FACILITIES

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 (2001: HK\$3,700,000) as security for its banking facilities.

25. OPERATING LEASE COMMITMENTS

The Group as lessee

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Minimum lease payments paid in respect of rented premises under operating leases during the year	<u>4,483</u>	<u>3,637</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	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	2,991	3,963
In the second to fifth year inclusive	6,970	8,064
Over five years	–	862
	<hr/>	<hr/>
	<u>9,961</u>	<u>12,889</u>

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 for an average of one year.

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

26. CAPITAL AND OTHER COMMITMENTS

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

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of:		
Acquisition of plant and machinery contracted for but not provided in the financial statements	4,003	1,518
Factory under construction authorised but not contracted for	3,083	5,500
	<u>7,086</u>	<u>7,018</u>
Other commitments:		
License fee for brandnames contracted for but not provided in the financial statements	8,628	6,026
	<u>15,714</u>	<u>13,044</u>

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

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

Notes To The Financial Statements

For the year ended March 31, 2002

The aggregate employer's contributions, net of forfeited contributions, which have been dealt with in the income statement of the Group amounted to:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Gross employer's contributions	714	502
<i>Less:</i> Forfeited contributions utilised to offset employer's contributions for the year	<u>—</u>	<u>(40)</u>
Net employer's contributions charged to the income statement	<u>714</u>	<u>462</u>

28. CONTINGENT LIABILITIES

At March 31, 2001, the Group has contingent liabilities in respect of bills of exchange discounted with recourse amounting to approximately HK\$2,530,000. No such contingent liabilities are outstanding as at March 31, 2002.

At March 31, 2002, the Company has guaranteed the bank facilities of its subsidiaries amounting to approximately HK\$37,000,000 (2001: HK\$45,000,000).